Racism and the Economy
focus on the Wealth Divide

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According to the Federal Reserve Board, in 2019, median wealth for white families was to close eight times the median wealth for Black families.[1] This disparity in wealth is inexorably linked to racial disparity in homeownership. Federal Reserve data show that, among middle-aged families Black households are less likely to own their own homes than white households (51%, versus 73% for whites), and the homeownership gap between Black and white homeowners has widened since 2004."[2]Policymakers have repeatedly proposed self-help solutions rooted in the false assumption that the racial wealth gap was created by a failure of public policy that can be remedied by private markets.[3]

The racial wealth gap is also exacerbated by the segregated debt market. This market has created two separate and unequal systems of banking and credit: the regulated and heavily subsidized mainstream banking industry and the unregulated, costly, and often predatory fringe industry. Having been left out of the former, the Black community has historically occupied the latter.[4]

The Black community faces two distinct challenges as a result of the racial wealth gap. Black families have greater difficulty ascending the economic ladder, and it's also much easier for these families to slip down it. Because wealth provides protection against life's hardest edges, those without it find themselves exposed to devastating financial shocks like bankruptcy, eviction, and inordinate numbers of lawsuits. These lawsuits further increase financial pressure by leading to wage garnishments, aggressive collection practices, and criminal prosecutions. In turn, these hardships create a "web of indebtedness," according to one Black resident quoted in a study.[5] Although a wage garnishment can feel like extortion, creditors are increasingly using actual extortion. Often the original debt collector, such as a municipality, sells its debts to an underworld of unregulated debt collectors who threaten debtors with criminal prosecution in order to intimidate them into paying their debts.[6] Despite the fact that these threats are often baseless and illegal, the unscrupulous bounty hunters continually harass debtors.

Without major structural reforms, the wealth gap will continue to expand. A report from the Institute for Policy Studies glibly predicted that based on current rates of growth, it would take 228 years for Black families to catch up to the amount of wealth that white families had when the report was published in 2016.[7] This grim projection indicates that a common assumption–-that the wealth gap will close over time naturally, without intervention–-is also a false assumption. In fact, it is likely that the racial wealth gap will remain in place and continue to reproduce itself.[8] In other words, if nothing changes, no amount of time will close the wealth gap because of the self-perpetuating effects of capital accumulation. But inaction is not inevitable. Several innovative and untried policy changes could be transformative and close the racial wealth gap quickly.

An essential first step in dealing with the wealth gap is to acknowledge that public policy created the wealth gap and must be used to address it. Full justice demands a recognition of the historic breach of the social contract between America's constitutional democracy and Black Americans. And that contract breach requires a remedy. The post-Civil War 13th, 14th, and 15th Amendments to the Constitution promised freedmen equal protection under the law, the end of coerced labor, and the right to vote. If we envision these rights as a binding contractual promise, we can also envision a justification for a remedy to this breach. In his landmark "I Have a Dream Speech," Martin Luther King Jr. framed the Black American claim to justice as rooted in a broken promise, "a promissory note to which every American was to fall heir. . . . [A] promise that all men . . . would be guaranteed the inalienable rights of life, liberty, and the pursuit of happiness."[9] King said that "America has defaulted on this promissory note insofar as her citizens of color are concerned. Instead of honoring this sacred obligation, America has given the Negro people a bad check . . . which has come back marked 'insufficient funds.'"[10] Continuing in the framing of a broken contract, he lays claim to a remedy: "We've come to cash this check, a check that will give us upon demand the riches of freedom and the security of justice."[11]

Constitutional rights are not treated like typical contractual claims, but this framing can help us imagine how a remedy for centuries of racial oppression can be designed. If the promise of equality was made by the federal government and then breached, what recourse can be envisioned for Black Americans? Typically, claims of redress are called "reparations." Viewed through the lens of contractual breach, reparations are akin to "damages."[12] Without seeing them as such, the Constitution itself stands as a roadblock to redress because it demands that all individuals be neither harmed nor benefited based on group characteristics.[13] Black Americans have been harmed in direct contradiction to the Constitution's promise of equal treatment, yet they have still had to contend with its demand of equal treatment in seeking a remedy. We must accurately diagnose the problem before we can move forward with solutions. A full-scale reparations agenda is essential—true justice is difficult to achieve without such a commitment.

In contracts, there are three forms of damages: compensatory damages, reliance damages, and restitution damages or unjust enrichment. Compensatory damages are the typical form of damages for most contract breaches. They are a form of remedy where the breaching party makes the breached-upon party whole and compensates them to put them in the position they would be in had the contract been fulfilled.[14] What would this look like for a reparations claim? Reparations could take many forms—all of which would have to be measured in monetary outcomes, as are all contractual claims. One way to measure the remedy is to focus on outcomes rather than means. For example, reparations could mean that the federal government could enlist several programs and agencies at once to eliminate the racial wealth gap. The means of elimination would be flexible, so long as the wealth gap was eliminated within a stated amount of time. Several other government programs are designed in this way. For example, the Congressional Budget and Impoundment Control Act of 1974 created the

Congressional Budget Office (CBO), which was tasked with analyzing congressional bills and agency programs with a focus on cost-cutting. The CBO has a mandate to score each bill and use a cost/benefit analysis. This score is put to use when passing the bill. A similar oversight committee can be devised to score each bill and agency program for its effects on the racial wealth gap. Closing the racial wealth gap can be viewed as a specific regulatory goal, and each agency can design its own program or response depending on its specific domain. The racial wealth gap has deleterious effects on Black families and communities in practically every domain: environmental impact, education, credit availability, housing, and policing. Thus, a response must be multi-faceted.

I. Policies That Created Racial Homeownership Gap and Dual Credit Market

The racial wealth gap was caused by an investment the federal government made in white home ownership through New Deal legislation. This legislation created the credit and housing structure that became the foundation of the modern housing market.[15] The New Deal created separate and unequal credit markets: high-interest, non-bank, installment lenders in Black neighborhoods, and low-cost, securitized, and revolving credit card market in the white suburbs. This Congressionally mandated century-old investment in home ownership has compounded over generations and continues to affect housing value, access to credit, and economic stability.[16] Racial segregation and the racial wealth gap are a direct outgrowth of these federal policies.[17] The New Deal showed us that incredible family wealth can be created when the government acts for the benefit of people—now is the time to put it to work for those that were excluded the first time around. Just as federal housing policies created the racial wealth gap, federal housing policies can eliminate it. Racial exclusion was explicit in the workings of the Federal Housing Administration, and these subsidies built significant wealth for those who could participate.[18]

Most significant New Deal policies were administered in a way that created the categorical exclusion of Black communities from government subsidies.[19] This combination of progressive banking reform and a regressive racial hierarchy resulted in a legislative framework for banking that propelled post-war American prosperity through an exclusionary mortgage and consumer credit apparatus. Through executive action and Congressional legislation, a new legal framework emerged during the New Deal era. These included several credit and banking agencies and regulators, including: The Home Owners Loan Corporation (HOLC), the Federal Home Loan Banks (FHLB), the Federal National Mortgage Association (FNMA or Fannie Mae), the Federal Housing Administration (FHA), and the Federal Deposit Insurance Corporation (FDIC). These institutions worked together to promulgate the rapid and effective dissemination of low-cost credit to new homeowners. These agencies combined with postwar economic growth to create a homeowning, capital-creating, and predominantly white middle class. Having built the new middle class on mortgage credit, these programs also exacerbated poverty in segregated Black communities.[20] Government-fueled mortgage markets created homeowning white suburbs and tenant-dominated Black urban centers.

Government documents and FHA manuals reveal that race became the primary determinant of mortgage eligibility. Thousands of FHA officials demarcated every neighborhood in the country by underwriting risk. Using standardized evaluation forms, officials from the FHA determined what homes the FHA would guarantee. The most important determination on each form was the percentage of "negro" or "foreign born" residents in each neighborhood, as well as the likelihood of "infiltration" of each race.[21] Race became a proxy for credit risk in government underwriting. These maps had four color categories based on perceived risk: A (green), B (blue), C (yellow), and D (red), with green being the most desirable and red being the least.[22]

Using race as a proxy to determine future price appreciation created a self-fulfilling prophecy. Neighborhoods that were homogenous and white were green, while neighborhoods marked too risky and "red" were predominantly Black. The race of the area's residents was a greater factor in the color-coded desirability determinations than other quantifiable metrics like the home's age, proximity to city centers, transportation opportunities, public parks, or public services.[23] For example, one of the wealthiest Black neighborhoods in the country was in the Atlanta area surrounding Morehouse and Spelman Colleges. The FHA form evaluating this area marked it as the "best negro area in Atlanta" and noted that the homes were mostly owned by "professional men." They even determined that it was a highly desirable location "for negroes." Yet they still demarcated the area as a red zone and advised banks not to underwrite mortgages there.[24]

The FHA mortgage, by introducing this "redlining" process, fundamentally changed American culture. It created the uniform white middle-class suburb and its attendant services—parks, schools, communities, and the bowling leagues lauded by Robert Putnam as essential for civic engagement and public trust.[25] Yet this government-manufactured prosperity excluded Black Americans, as low-cost and abundant flow of mortgage credit stopped at the red lines, creating a separate and unequal system of credit subsidy and risk based on race.[26]

The FHA's 1939 Underwriting Manual explicitly prohibited lending in neighborhoods that were changing in racial composition.[27] The 1941 manual warned that "the rapidly rising Negro population ha[d] produced a problem in the maintenance of real estate values."[28] A good neighborhood, according to the FHA, was one that prevented "inharmonious racial or nationality groups," which meant that the only groups that did not threaten property values were white families.[29] The FHA even offered suggestions for the best way to achieve this result, which they said was through "[race-based] subdivision regulations and suitable restrictive covenants."[30]Maintaining the racial purity, or a "harmonious racial mix," became a vested interest for homeowners, realtors, and banks—all of whom held a financial stake in these mortgages. "If a neighborhood is to retain stability," said the FHA manual, "it is necessary that properties shall continue to be occupied by the same social and racial classes."[31] With government guarantees on the line, neighborhood groups vigilantly enforced racial covenants. These covenants were included in mortgage deeds, notes, and any sale transactions. The buyer contracted to only sell the home to those of the Caucasian race. The Supreme Court upheld these contracts in a 1926 case,[32] and they remained legal until a different Court invalidated them in the 1948 case Shelly v. Kramer.[33] However, the FHA continued to promote their use until the 1950s.[34]

As the white suburbs and Black inner cities diverged in their mortgage access, two different credit markets emerged. Lower-risk mortgages led to higher wealth and stability in the white suburbs, as well as a healthy consumer credit market. In the redlined Black neighborhoods, the economic climate was radically different. Without access to low-cost mortgages or even bank branches, the lenders that filled the gap were loan sharks, high-cost lenders, and contract sellers. By the 1950s, 85% of the homes sold to Black communities in Chicago were sold on mortgage-mimicking contract sales with exploitative terms.[35] Speculators purchased properties for a few thousand dollars with private capital and then "sold" the home to a Black buyer through contract for three to four times the price of the home.[36] The contract sale was akin to a rent-to-own sale.[37] The "buyer" was just a tenant with an option to own the home at some point in the future and only if they made every payment on time. Black borrowers were therefore paying more each month, and what they were getting in return was a more tenuous property interest.[38] Their rights to the land were in a loophole-laden contract, as opposed to a deed. With one missed payment, a borrower was deemed to be in default and could lose their entire investment—the property, down payment, and all home improvements.[39]

FHA redlining also affected access to banking services. Banks avoided Black communities because there were no profits to be made, which made most Black communities "banking deserts," or neighborhoods abandoned by mainstream banks.[40] A survey conducted by the FDIC in 2013 revealed that 53.6% of Black individuals were either unbanked or under-banked.[41] In striking contrast, only 3% of white individuals did not have a bank account, and 15% were underbanked. Those without bank accounts pay up to 10% of their income (or around $2,500 per year in 2016) just to use their own money.[42] That is a meaningful amount of money for low-income Americans, and it is being sucked up by alternative financial services. This problem has only worsened since the financial crisis of 2008, when 93% of all bank closings were in low-income minority neighborhoods.[43]

When banks leave a neighborhood, high-cost payday lenders, title lenders, and other fringe banks often fill the void. Once the subprime profits disappeared after the crisis, banks began avoiding the redlined areas again. By 2016, an investigation of mortgage lending in St. Louis found that banks made fewer loans to borrowers in Black neighborhoods than white ones.[44] Moreover, mortgage applicants from minority zip codes were denied mortgages at significantly higher rates than applicants in white neighborhoods.[45]

In banking deserts, Black borrowers rely disproportionately on payday lenders. In fact, the Black community is more than twice as likely as any other race to use payday loans.[46] With such costly credit options, it makes sense that debt collectors extract as much as five times more judgements against Black neighborhoods than white ones. According to two studies conducted between 2015 and 2016, Black borrowers were much more likely to be sued by debt collectors than any other racial group. These studies showed that this was true even when differences in income were accounted for. Specifically, debt collectors sued 1 in 4 Black residents in the studied communities. Most of the other lawsuits were similar: large debt collectors suing for small amounts.[47] The study found that debt collectors were not intentionally discriminating, but that "white consumers are, in general, better able to resolve smaller debts."[48] The study confirmed that Black communities have less wealth than white ones and are thus more vulnerable to hardship.[49]

Policy Solutions

In the 1960s, communities mobilized to protest this racialized inequality and other credit and wealth-based inequalities; these efforts at the local, state, and federal level by lawyers and community groups were an essential but forgotten part of the civil rights movement. After protests and riots drew attention to the reality that the poor were paying more for essential consumer products than the wealthy, the nation's policymakers began to pay attention. Congress held hearings, and government agencies and academics issued reports examining the economic situation. These hearings led to new federal agencies and programs, executive actions, and several acts of legislation. Congressional investigations and the theories and explanations emanating from policymakers and academics were the genesis of decades of legislation aimed at supporting minority banks and other institutions. The resulting policy framework is still in effect and includes: the Community Reinvestment Act (CRA), the Community Development Financial Institution Act (CDFIA), and several key provisions and mandates regarding minority banks in banking legislation. In previous work, I have argued that the foundational theoretical premise of these laws and policies is flawed. Though policymakers and scholars accurately diagnosed the root causes of the disparate credit market, the solutions did not correspond with the problem and have therefore been ineffective. These laws and policies were not aimed at addressing the systemic causes of the disparity, but only served to treat its symptoms. The misguided focus on small community banking, minority-owned banks, and mission-oriented institutions as a response to structural inequality has been the dominant framework in banking reform.

Faced with the headwinds of a history of racial exclusion, Black communities have responded with various strategies that focused on reform and resistance, as well as community self-help and individual entrepreneurialism. As my previous research demonstrates, these efforts have done little to close the racial wealth gap due to a comparative lack of initial capital in the community. The policy response to the racial wealth gap, however, has been consistently anemic due to its focus on self-help without capital. As Hubert Humphrey responded to Richard Nixon's inaugural program of Black Capitalism, "You can't have capitalism without capital." Indeed, this has been the federal policy response to the racial wealth gap, even as research and history have clearly demonstrated that the gap was created by federal policy. The weak federal policy response to a historic legacy of discrimination has been due both to cynical political calculations, and the perpetuation of the longstanding banking myth that "small community banking" or "microfinance" is the answer to poverty, specifically for marginalized communities. This idea was the foundational theory of the minority banking industry, the CRA, the CDFIA, and almost every legislative response to credit inequality for the past 50 years. The premise of these laws is that that marginalized communities, having been left out of the dominant banking industry, will pool their resources and collectively lift themselves out of poverty. As such, these laws are rooted in neoliberal and libertarian concepts of banking markets, even as they have been championed by progressive reformers and community activists. For most policymakers, activists, and scholars, the buzzword is "community empowerment," and they have legislated accordingly. In doing so, they have avoided addressing the root causes of the problem and have shifted the responsibility of a solution to the disenfranchised communities themselves, instead of devising comprehensive federal policy solutions.

Any response to the racial wealth gap must be multifaceted. The following is by no means a complete list of policy goals, but it's a start in imagining what remedies might be available immediately. The racial wealth gap stemmed from many sources of injustice going back to slavery, but most recently, and most obviously, it has stemmed from housing segregation, which is thus the emphasis of this article. Home ownership also the main store of wealth for most middle-class Americans. Yet the focus on homeownership historically has created problems, even aside from segregated housing. The FHA's focus on housing credit built the American suburb, which led to the overdevelopment of natural land, which has resulted in damaging environmental effects. Gaps in homeownership certainly caused the racial wealth gap, but it is possible to form a remedy that does not repeat the mistakes of the past. However, because many of the other self-perpetuating forces of the racial wealth gap are linked with the long-term effects of segregation, the effects of housing segregation must be examined and targeted by policy in order to adequately remedy the racial wealth gap. Segregated housing has led to segregated schools, and even segregated tax receipts, due to local zoning and tax laws. Thus, housing is a lever that can affect several other sectors. Moreover, housing credit has been a federal project since the New Deal, and it was federal agencies like the FHA that explicitly created racial zoning.[50] That means a solution rooted in housing is most directly linked to the harm in this instance, thereby justifying immediate remedial action at the same agencies (and congressional bodies) that aided and abetted the racist zoning in the first place.[51]

1. Homeownership Is the Root of the Problem

A housing proposal called the "The Twenty First Century Homestead Act" could be one remedy among many to these intractable problems. The proposal was adopted by the Bernie Sanders and the Pete Buttigieg presidential campaigns as a part of their multi-pronged racial equality proposals. This program takes advantage of one the most pernicious symptoms of segregation and geographic disparities: the current oversupply of homes in certain regions. This is both a problem that leads to blight and an opportunity for public policy. There are more than 11 million unoccupied properties in the United States.[52] Many of these properties are in clusters in declining cities and regions. Once a community tips into home vacancy, the district can quickly decline, as residents fear further decay and blight. Blighted homes lead to higher crime, environmental hazards, and business flight.[53] The value of a home is determined by its desirability, which is not an objective standard and is susceptible to a herd mentality. Once a neighborhood is thought to be headed toward decay, the property values plummet. Detroit; Flint, Michigan; Mobile, Alabama; Toledo, Ohio; Atlantic City, New Jersey; and other cities across the Rust Belt, South, and Northeast have seen rapid decline while others have prospered.[54] The residents that remain in these cities have seen their property values decline and public and private resources and infrastructure dwindle.[55] Homes in these towns sit empty while other cities are overcrowded, and millions of Americans are homeless, endure housing instability, or wait for years to access public housing.[56]

Only the federal government can make long-term investments in these areas, through the use of Treasury funds, appropriations, and monetary policy. Local programs must rely on private bank lending, and without federal government support, private banks are constrained in their ability to lend because they must rely on "market values" and appraisals which discount the very homes that need financing most. The New Deal was uniquely successful in spurring housing values and production because it was a federally financed program that reduced the risks and costs of private lending.[57]

If adopted, the Homestead Act proposal has the potential to use wholesale property development to revive towns with distressed housing markets and declining economic prospects. Such a program could begin with a pilot of five to seven cities before expanding nationwide. Just as cities made bids for the new Amazon headquarters by offering public funds to match the investment,[58] cities, states, and counties can make bids to be chosen as a revitalized region by offering to match federal funds or through other tax breaks and public infrastructure investments.

In order to achieve a full revival of these cities, citizens must have access to well-paying jobs. Much of the decline of these cities resulted from the loss of major industries that employed a significant proportion of the population.[59] Instead of making unrealistic promises that these jobs will return, we must account for the changing nature of employment and create the environment, tools, and facilities that will employ the future of American labor. This future will occur in the service sector, healthcare, and technology.[60] The new communities must account for these trends.

As the cities are revived over time, some jobs naturally will become available in the service sector. Sufficient funds should be provided to expand this sector, which will have a treble benefit of promoting full employment, creating a thriving community, and offering necessary services.[61] For example, if we provide funds for full-time childcare facilities, children can benefit from early educational opportunities, fathers and mothers can return to work if they choose, and childcare professionals can find employment. Adequate funding for public schools that offer a variety of STEM, arts, and vocational training can have multiple benefits, including job creation.

In order to provide the tools for job growth, these regions should be equipped with free high-speed internet access. These services will enable residents to access jobs across the globe and will also attract technology companies. Several cities, including Chattanooga, Tennessee, and Mackey, Kentucky, have invested in tech infrastructure and have successfully created jobs for residents and attracted new firms to their cities.[62] These programs also drove up demand for new housing, to the surprise of city officials.[63] This is a natural benefit, however, as the housing market is determined by the availability of community resources and jobs.[64] These revived communities should therefore have access to high-speed internet, as well as technical education programs.

Studies that have measured the impact additional low-income housing has on neighborhoods show that such programs have potentially exponential gains. Even modest housing development through the Low-Income Housing Tax Credit (LIHTC) program was found to help revitalize low-income neighborhoods through improvements in home prices, crime rates, and both racial and income diversity.[65] Further, such programs improve welfare in low-income areas by up to $23,000 per local homeowner and $6,500 per local renter, with aggregate welfare benefits to society of $116 million.[66]

All these revitalized cities can potentially house public infrastructure projects that will yield funds, new business opportunities, jobs, and increased housing value. Such investments by the public treasury can bring manifold returns to the people and repay the investment over time. As these cities are revitalized, residents will grow wealth through homeownership, communities will keep growing and expanding, and the cumulative effect will have many positive externalities and alleviate overcrowding in other cities across the country.

2. The Second New Deal

A process of "greenlining," or reversing the damage of redlining, can include a variety of housing and mortgage programs, including down payment assistance, mortgage insurance, public housing development, and vouchers.[67] In the most direct analogy to New Deal-era mortgage programs, a government entity such as HUD or the FHA would underwrite first-time mortgages for any potential home buyer who meets certain qualifications (e.g., low income, from formerly segregated communities, has not purchased a home in the previous three years).[68] However, instead of private banks issuing a mortgage, the mortgage would be issued by a special bank chartered as a result of this legislation. Banking regulators have the power to create specific banking charters for a specific purpose.[69] These special charters would be available to public entities such as states, cities, or municipalities and would be designed as cooperative banks in the spirit of building and loan associations and credit unions. Cities and municipalities can charter banks with treasury funds.[70] The municipality itself owns the shares of the bank instead of a group of private shareholders.[71] These public banks would issue the loan, which would be guaranteed against default by the federal government. These banks will be limited in their product offerings and will be regulated by bank regulators.[72] They will be able to receive deposits and must follow FDIC regulations if they choose to operate as a depository. These banks will offer mortgages and small business loans. All loans must meet standard requirements. These requirements will be adjusted to enable low-income residents to purchase homes without a large down payment. These loans would have to be made available to current residents of the area, so as not to displace residents and induce outsiders to take advantage of the guarantees.[73] In the event of loan default, the bank will foreclose on the property and re-sell the loan.[74]

3. Down Payment Assistance Fund

One of the major barriers to home ownership is the burden of coming up with a sufficient down payment. Lower down payment rates are available in some circumstances, but they typically require the borrower to purchase additional borrower's insurance, which drives up the price of the mortgage while extending the time for the debt interest to compound, leading to a much more expensive home for the purchaser.[75]

The federal government should create a revolving down payment assistance fund.[76] Qualified borrowers can use funds to purchase a standard mortgage anywhere in the country. The mortgage loans will be structured by the federal government as 15-year mortgages with low interest. The loans will be insured by the FHA. The down payment will be repaid to the revolving down payment fund during the loan term.

The main benefit of a flexible down payment program is that it would disrupt historic segregation patterns. The program would need to be designed as a housing voucher program, which has already been tested by some municipalities.[77] To date, these vouchers have only applied to rental properties or Section 8 housing. However, in order to build wealth, these vouchers would need to be tied to a wealth-creating property.

4. Shared Equity Mortgages

The federal government or interested states, cities, and municipalities will create "shared equity mortgages" (SEMs) or "shared appreciation mortgages," a hybrid debt/equity mortgage.[78] Essentially, a borrower who might not be able to come up with a down payment on his or her own would enter into a joint mortgage agreement with a public investor, like a federal, state, or local government fund, which would supply the down payment.[79] The borrower occupying the home would make mortgage payments, and the equity is shared between the borrower and the fund. At the end of the mortgage cycle or upon sale, the equity would be split between the government investor and the borrower. The property will be held as a joint tenancy with survivorship until the loan is repaid, at which point, the property will be held in fee simple by the borrower.[80] In case of borrower default, the investor could take possession of the home and the debt.[81] This arrangement would allow low-income individuals who otherwise could not own a home to own half of the value of a home and begin to accrue wealth. The public investment fund is protected from the downside because it owns the property as a joint tenant, which means that it owns it in full if the borrower stops paying the mortgage payments.

An important benefit of an SEM in greenlined areas is that it would provide an incentive for the government to make sure that the property appreciates in value.[82] Property values rise when schools, parks, and public facilities are improved. Research and history show that when individuals own their homes, they are more invested in their community. This double investment would link individuals and government entities in the benefits of improving neighborhoods.

Public institutions could also deliver these loans directly. For example, instead of using banks or investors as middlemen, federal, state, or local funds could be used to lend into these areas, with the profits returning to the public treasury instead of being shared by the bank. A state or municipality can even establish a public bank for this purpose.[83] For example, North Dakota has a public state bank that has successfully offered credit to regions of the state that private banks have neglected, including by providing rural mortgages.[84] Public banking actually works best when there is a well-defined mission that the market is not meeting. This has been the model for development banks abroad, as well as our own historical Government Sponsored Enterprises (GSEs), FHA programs, postal banking operations, and even the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve, which have stepped in to fill a void created by the private market.[85] Indeed, it would be fitting for a quasi-public entity like the FHA to be created to fix the problem the FHA itself created.

The drawback of these mortgage program plans is that they attempt to break the cycle of poverty, unemployment, and community decline by focusing on housing. This is what the FHA did after the Great Depression. It yielded the desired results,[86] but can mortgages lead to prosperity today? Credit now is not what credit was in post-war America. In that growing and dynamic economy, credit meant wealth creation. Some economists have warned that America is headed toward an era of stagnant growth or even decline,[87] which could mean that it would be unwise to attempt to create wealth through mortgage debt without changing the fundamental structure of the economy. If a program only increases debt without adding opportunities, such as increased incomes and wealth generation through property appreciation, the expected gains will not be realized. However, there is reason to believe that some of this stagnant growth can be remedied by focusing on inequality.[88] In other words, by bringing back the New Deal-era ethos of a mixed economy, or a government-private sector partnership, the economy can be spurred toward creation. Dealing with inequality can have trickle-up effects and raise all boats.[89]

In addition to wealth-building through housing, there are many other important routes to minimizing the racial wealth gap, including increasing access to education, credit, and essential community services. Any project aimed at closing the wealth gap must acknowledge the impact of segregation and racist policies on every single aspect of community life.

5. Fully Fund Childcare

Childcare costs are prohibitive to most working parents across the country, resulting in young parents not being able to work or children being left in undesirable care situations.[90] The government must provide universal daycare in order to spur economic growth. These facilities should focus on education. A decade ago, economist Robert Lynch found that investing in quality preschool led to billions of dollars in economic benefit to the federal and state governments.[91] Since then, more research has shown that pre-kindergarten improves children's lives well into the future and levels the playing field for lower-income Americans.[92] Providing universal daycare and pre-kindergarten for every 4-year-old in the United States would better prepare young people to enter the workforce and defy the cycle of poverty.[93] The effects of early childhood education continue beyond one generation. A 2017 study by scholars from Texas A&M University and the University of Notre Dame found that the benefits of early childhood education extend into the next generation, with beneficiaries' offspring experiencing increased educational attainment, reduced teen pregnancy, and reduced criminal engagement.[94]

6. Eliminate Cash Bail

The Eighth Amendment bars the federal government from charging accused people excessive fines for pretrial release. However, for many poor Americans, making bail is unduly challenging.[95] Bail must be met quickly, paid by another person, and does not necessarily reflect how dangerous a person's crime was.[96] Bail sets a price on freedom. And if a person has money, then they can be free. If a person is poor, then they must remain behind bars. During the wait between the poor person's arrest and their trial date, they could lose a job, a home, and even custody of children.[97] The alternative is to seek out a high-interest bail bond that could further destabilize a person's economic situation.[98] Far from being merely a minor inconvenience, requiring poor people to pay cash bail can fundamentally upend the economic social network. This is why the federal government should eliminate cash bail.

The most effective policy reform is likely the most comprehensive as well: a version of California's Money Bail Reform Act, which eliminates the use of bail and uses a data-driven risk assessment to guide pretrial detention decisions. This approach, if applied through the lens of a raceneutral risk assessment like the Virginia Pretrial Risk Assessment Instrument or the Public Safety Assessment, quickly releases defendants who are low- to medium-risk for committing new crimes or failing to appear at subsequent judicial proceedings. For defendants judged to be high-risk, judicial oversight and adversarial proceedings provide a means to potentially secure pretrial release.

The net result of this reform is likely more Black defendants being released as the racial biases inherent in the current system are filtered out through the risk assessment and defendants are no longer held simply for being unable to pay bail. Because pretrial release correlates to better outcomes at trial,[99] Black defendants could also see reduced incarceration when their case is resolved. Though enacting this reform would place reformers directly at odds with powerful bail bond and prison industry lobbies,[100] the benefits to Black defendants and the potential to reduce the racial wealth gap compel serious effort toward making these changes a reality.

7. Integrating Schools Through Equitable Taxes

Local property taxes and other taxes account for more than two-thirds of the money that schools receive.[101] Thus, the disparities in homeownership have created inequalities in public schools and resources. We need a new way to fund public education. One option is to integrate the tax code by allowing taxes to flow evenly between schools and districts.[102] By pooling property taxes at the national or state level and assuring that schools are funded equally, we can widen the circle of opportunity for all children.

We must eliminate regressive taxes, such as the mortgage interest deduction for state and local property taxes, and instead place those funds into housing credits for lower-income individuals, a reform which could move us toward a truly progressive tax base. Originally, the Mortgage Interest Deduction (MID) was designed to allow farmers and other small proprietors to deduct any interest they paid on business expenses.[103] Today, it benefits the middle class and wealthy at the expense of the non-homeowning poor. In 2017 Congress established a $10,000 cap on state and local property tax deductions,[104] which was a step in the right direction. However, Congress should end the MID deduction altogether and divert those funds to housing credits for lower-income people.[105] Reprioritizing residential housing practices starts with overhauling the concept behind MIDs and reinvesting the savings created from cutting the deduction into affordable housing for lower-income individuals.

8. Postal Banking

Many unbanked and underbanked individuals spend up to 10% of their income on financial transactions. These costs are borne disproportionately by the Black community. Reasonable and safe bank accounts and credit products provide a smoother path both through and out of poverty. If banks are not providing financial services to the poor, and requiring them to do so is ineffective, inefficient, or otherwise politically fraught, then any serious discussion of financial inclusion must consider a public option.[106]The most promising path toward a public banking option is to use the existing U.S. Postal Service to extend credit and transaction services to individuals. Not only do many countries enjoy a robust postal banking regime, but our own USPS has a history of providing savings accounts and financial services. American banks long ago deserted Black communities, but post offices, even two centuries later, have remained—still rooted in an egalitarian mission. There have never been barriers to entry at post offices, and their services have been available to all, regardless of income. The post office, America's oldest instrument of democracy in action, can once again level the playing field and provide essential financial services.[107]

[1] https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm

[2] Drew DeSilver & Kristen Bialik, *Blacks and Hispanics Face Extra Challenges in Getting Home Loans*, PEW Res. Ctr. (Jan. 10, 2017), http://www.pewresearch.org/fact-tank/2017/01/10/Blacks-and-hispanics-face-extra-challenges-in-getting-home-loans.

[3] For a more complete history of policy responses post-Civil Rights, see Mehrsa Baradaran, The Color of Money: Black Banks and the Racial Wealth Gap (2017), which examines how unequal access to banking and capital fueled and solidified the modern wealth gap. *See also* Keeanga-Yamahtta Taylor, Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership (2019) (arguing that HUD's efforts to mobilize the real estate industry to increase Black home ownership was ineffective and only led to greater segregation and inequality). Numerous 2020 presidential candidates proposed policies that address "both housing insecurity and historical racial discrimination in the housing market." Brentin Mock & Kriston Capps, *Who Will Presidential Candidates' Redlining Plans Actually Benefit?*, CityLab (Oct. 18, 2019), https://www.citylab.com/equity/2019/10/housing-racial-discrimination-redlining-map-candidate-plans/600265; *see also* Andre M. Perry & David Hashbarger, *America's Formerly Redlined Neighborhoods Have Changed, and So Must Solutions to Rectify Them*, Brookings (Oct. 14, 2019), https://www.brookings.edu/research/americas-formerly-redlines-areas-changed-so-must-solutions (reporting on Democratic candidates plan to use redlining to determine who will be eligible for certain proposed benefits).

[4] This has come at their great expense. Cass Sunstein and Richard Thaler found that on average Blacks pay an extra $425 for a loan than white customers. Richard H. Thaler & Cass R. Sunstein, Nudge: Improving Decisions About Health, Wealth, and Happiness 134 (2008).

[5] This has come at their great expense. Cass Sunstein and Richard Thaler found that on average Blacks pay an extra $425 for a loan than white customers. Richard H. Thaler & Cass R. Sunstein, Nudge: Improving Decisions About Health, Wealth, and Happiness 134 (2008).

[6] Jake Halpern, Bad Paper: Chasing Debt from Wall Street to the Underworld (2014).

[7] Dedrick Asante-Muhamed et al., The Ever-Growing Gap 11 (2016).

[8] *See* Mehrsa Baradaran, *Jim Crow Credit*, 9 U.C. Irvine L. Rev. 887, 946 (2019); *see also* Daria Roithmayr, Reproducing Racism: How Everyday Choices Lock in White Advantages 2, 4–7 (2014) (arguing that racial inequality is self-reinforcing).

[9] Rev. Martin Luther King Jr., Address at the March on Washington (Aug. 28, 1963).

[10] Rev. Martin Luther King Jr., Address at the March on Washington (Aug. 28, 1963).

[11] Rev. Martin Luther King Jr., Address at the March on Washington (Aug. 28, 1963). King was referring to the Constitution and the Declaration of Independence's promise of freedom and liberty for all, not specifically the post-Civil War amendments.

[12] *See* Emily Sherwin, *Reparations and Unjust Enrichment*, 84 B.U. L. REV. 1443, 1443–50 (2004) (arguing that reparations should be analyzed as compensatory claims rather than as restitution).

[13] *See* United States v. Carolene Products Co., 304 U.S. 144, n.4 (1938) (holding that "[t]here may be narrower scope for operation of the presumption of constitutionality" for laws which discriminate against groups like religious or racial minorities).

[14] *See generally* JOSEPH M. PERILLO, CONTRACTS 511–14 (7th ed. 2014).

[15] *See generally* Kevin Fox Gotham, *Racialization and the State: The Housing Act of 1934 and the Creation of the Federal Housing Administration*, 43 Soc. Persp. 292, 309 (2000) ("[T]he FHA institutionalized a racially separate and unequal system of

home financing that favored suburban building for whites while precluding insurance for homes in racially mixed and nonwhite neighborhoods in the inner city.").

[16] Marisa Chappell, *The False Promise of Homeownership*, Wash. Post (July 20, 2017), https://www.washingtonpost.com/news/made-by-history/wp/2017/07/20/the-false-promise-of-homeownership (discussing the federal government's investment in home ownership through large subsidies beginning in the early 20th century).

[17] Federal policies "locked people of color out of the burgeoning suburbs and denied capital to older urban and minority neighborhoods," even as policymakers praised homeownership as "an instrument for establishing political stability and as an antidote to the 'culture of poverty.'" Marisa Chappell, *The False Promise of Homeownership*, Wash. Post (July 20, 2017), https://www.washingtonpost.com/news/made-by-history/wp/2017/07/20/the-false-promise-of-homeownership (discussing the federal government's investment in home ownership through large subsidies beginning in the early 20th century).

[18] *See* Mehrsa Baradaran, The Color of Money: Black Banks and the Racial Wealth Gap, 893 (2017)

[19] *See* Ira Katznelson, When Affirmative Action Was White 17, 51 (2005) ("[T]he wide array of significant and far-reaching public policies that were shaped and administered during the New Deal and the Fair Deal era of the 1930s and 1940s were crafted and administered in a deeply discriminatory manner.").

[20] *See* Louis Hyman, Debtor Nation: The History of America in Red Ink 51 (2013) (discussing how President Roosevelt and Congress could have made a different choice which would not have resulted in such stark inequality.)

[21] Original FHA forms are available at https://dsl.richmond.edu/panorama/redlining/.

[22] *See* Kenneth T. Jackson, Crabgrass Frontier: The Suburbanization of the United States 198, 202 (1985); *see also* Richard Rothstein, The Color of Law: A Forgotten History of How Our Government Segregated America 64 (2017). Before the mortgage market went into full effect, the Home Owners Loan Corporation (HOLC) created maps of every neighborhood and categorized the risks of lending therein. HOLC appraisers used census data and elaborate questionnaires to predict property appreciation in neighborhoods across the country. The HOLC then used this data to create meticulous maps giving each metropolitan region and neighborhood across the country a value.

[23] *See* Kenneth T. Jackson, Crabgrass Frontier: The Suburbanization of the United States 198-99, 202 (1985).

[24] Robert K. Nelson et al., *Mapping Inequality*, American Panorama, https://dsl.richmond.edu/panorama/redlining/#loc=11/33.7535/-84.3565&opacity=0.8&city=atlanta-ga&sort=33&area=D17&adimage=/75/-12 [https://perma.cc/LHP5-UTRM] (last visited Mar. 8,2019).

[25] Robert D. Putnam, Bowling Alone: America's Declining Social Capital, http://www.directory-online.com/Rotary/Accounts/6970/Downloads/4381/Bowling%20Alone% 20Article.pdf [https://perma.cc/CAM2-7YYZ] (last visited May 14, 2019).

[26] *See* Richard Rothstein, The Color of Law: A Forgotten History of How Our Government Segregated America 64-65, 77-91 (2017).

[27] *See* Dalton Conley, Being Black, Living in the Red: Race, Wealth, and Social Policy in America 37 (Univ. of Cal. Press 2010); *see also* Douglas Massey & Nancy Denton, American Apartheid: Segregation and the Making of the Underclass 54 (Harvard
Univ. Press 1993).

[28] *See* Dalton Conley, Being Black, Living in the Red: Race, Wealth, and Social Policy in America 37 (Univ. of Cal. Press 2010).

[29] *See* Richard Rothstein, The Color of Law: A Forgotten History of How Our Government Segregated America (2017).

[30] *See* Melvin L. Oliver & Thomas M. Shapiro, Black Wealth, White Wealth: A New Perspective on Racial Inequality 18 (2006);*see also* Fed. Hous. Auth., Underwriting Manual, pt. II, ¶ 233 (1936), https://babel.hathitrust.org/cgi/pt?id=mdp.39015018409246;view=1up;seq=13[https://perma.cc/NH99-EFBH]; Kenneth T. Jackson, Crabgrass Frontier: The Suburbanization of the United States 208 (1985).

[31] Fed. Hous. Auth., Underwriting Manual, pt. II, ¶ 233 (1936), https://babel.hathitrust.org/cgi/pt?id=mdp.39015018409246;view=1up;seq=13[https://perma.cc/NH99-EFBH]

[33] *Shelley v. Kraemer*, 334 U.S. 1 (1948).
[34] *See* Beryl Satter, Family Properties: Race, Real Estate and the Exploitation of Black Urban America 43 (2009), citing Arnold R. Hirsch, *Choosing Segregation: Federal Housing Policy Between Shelley and Brown*, *in* John F. Bauman et al., From Tenements to the Taylor Homes: In Search of an Urban Housing Policy in Twentieth-Century America 211–12 (2000).
[35] *See* Beryl Satter, Family Properties: Race, Real Estate and the Exploitation of Black Urban America 38 (2009).
[36] *See* Dempsey Travis, An Autobiography of Black Chicago 128–29 (1981).
[37] *See* Beryl Satter, Family Properties: Race, Real Estate and the Exploitation of Black Urban America 5 (2009) (discussing how the contract sellers "used the home as 'bait' to defraud the Negro out of a substantial sum of money and then push the [buyer] out into the street [in order to] defraud another party.").
[38] Beryl Satter, Family Properties: Race, Real Estate and the Exploitation of Black Urban America 242-44, 248-49 (2009).
[39] Beryl Satter, Family Properties: Race, Real Estate and the Exploitation of Black Urban America 4 (2009); *see* Dempsey Travis, An Autobiography of Black Chicago 157 (1981).
[40] Russell D. Kashian et al., *Banking the Unbanked: Bank Deserts in the United States 1* (Univ. of Wis., Whitewater, Working Paper No. 90, 2015), http://swfa2015.uno.edu/F_Banking/paper_90.pdf[https://perma.cc/LZ2A-TER3].
[41] Susan Burhouse et al.,FDIC, 2013 FDIC National Survey of Unbanked and Underbanked Households (Oct. 2014), https://www.fdic.gov/householdsurvey/2013report.pdf[https://perma.cc/W7QD-JUPD].
[42] *Serving the Underserved Market*, KPMG (2011), http://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/serving-underserved-market.pdf [https://perma.cc/NF2W-AU8Y]; *What Do Consumers Without Bank Accounts Think About Mobile Payments?*, Pew Charitable Trusts (June 2016),https://www.pewtrusts.org/~/media/assets/2016/06/fsp_what_do_consumers_without_bank_accounts_think_about_mobile_payments.pdf[https://perma.cc/P2R6-LAAY].
[43] Frank Bass & Dakin Campbell, *Bank Branches Disappear from Poor Neighborhoods Like Longwood, Bronx*, Bloomberg (May 9, 2013), https://www.bloomberg.com/news/articles/2013-05-09/bank-branches-disappear-from-poor-neighborhoods-like-longwood-bronx [https://perma.cc/PW7Q-JQDT].
[44] Peter Eavis, *Race Strongly Influences Mortgage Lending in St.Louis, Study Finds*, N.Y. Times (July 19, 2016), https://www.nytimes.com/2016/07/19/business/dealbook/race-strongly-influences-mortgage-lending-in-st-louis-study-finds.html [https://perma.cc/UD57-M7WC].
[45] Peter Eavis, *Race Strongly Influences Mortgage Lending in St.Louis, Study Finds*, N.Y. Times (July 19, 2016), https://www.nytimes.com/2016/07/19/business/dealbook/race-strongly-influences-mortgage-lending-in-st-louis-study-finds.html [https://perma.cc/UD57-M7WC].
[46] *Payday Lending in America: Who Borrows, Where They Borrower, and Why*, Pew Charitable Trusts (July 2012), http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf[https://perma.cc/52NC-K2M7].
[47] Paul Kiel & Annie Waldman, *The Color of Debt: How Collection Suits Squeeze Blacks Neighborhoods*, ProPublica (Oct. 8, 2015), https://www.propublica.org/article/debt-collection-lawsuits-squeeze-Black-neighborhoods[https://perma.cc/N93Z-CUVK]; *see also* Breno Braga et al., *Local Conditions and Debt in Collections*(Urban Inst., Working Paper, 2016), https://www.urban.org/sites/default/files/publication/81886/2000841-Local-Conditions-and-Debt-in-Collections.pdf[https://perma.cc/HGB4-8UER].
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Breno Braga et al., *Local Conditions and Debt in Collections* (Urban Inst., Working Paper, 2016), https://www.urban.org/sites/default/files/publication/81886/2000841-Local-Conditions-and-Debt-in-Collections.pdf [https://perma.cc/HGB4-8UER].
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Breno Braga et al., *Local Conditions and Debt in Collections* (Urban Inst., Working Paper, 2016), https://www.urban.org/sites/default/files/publication/81886/2000841-Local-Conditions-and-Debt-in-Collections.pdf [https://perma.cc/HGB4-8UER].

[50] *See* Keeanga-Yamahtta Taylor, Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership 3 (2019) (criticizing the FHA's practice of redlining).
[51] *See* Keeanga-Yamahtta Taylor, Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership 4-7 (2019) (exposing the roles of government agencies in exploiting low-income Black homeowners through predatory contract and mortgage terms).
[52] *See* Alan Mallach, The Empty House Next Door 4, 22 (Emily McKeigue & Jill Uhlfelder eds., 2018) ("The number of vacant units rose sharply after 2005, going from 9.5 to 12 million between 2005 and 2010, an increase of roughly 2.5 million units. Since then, the number has gradually declined but remains significantly higher, at 11.2 million units, than in 2005.").
[53] *See generally* Charles C. Brannas et al., *Citywide Cluster Randomized Trial to Restore Blighted Vacant Land and Its Effects on Violence, Crime, and Fear*, 115 Proc. Nat'l Acad. Sci. 2946, 2950 (2018) (explaining how vacant land contributes to violence and fear in blighted urban neighborhoods).
[54] *See generally* Bob Bryan, *Here Are the 12 US Markets with the Most Vacant Homes*, Bus. Insider (Feb. 11, 2016), https://www.businessinsider.com/housing-markets-with-heaps-of-empty-homes-2016-2 (listing cities with high rates of vacant properties).
[55] Alan Mallach, The Empty House Next Door 3 (Emily McKeigue & Jill Uhlfelder eds., 2018).
[56] Alan Mallach, The Empty House Next Door 3 (Emily McKeigue & Jill Uhlfelder eds., 2018).
[57] *See* 2 Historic Events for Students: The Great Depression, Housing 1929-1941, at 98 (Richard C. Hanes & Sharon M. Hanes eds., 1st ed.) (2002); *see also FDR and Housing Legislation*, Franklin D. Roosevelt Presidential Libr. & Museum, https://www.fdrlibrary.org/housing (last visited Feb. 24, 2020).
[58] *See generally* Leticia Miranda et al., *Here Are the Most Outrageous Incentives Cities Offered Amazon in Their HQ2 Bids*, Buzzfeed News (Nov. 14, 2018), https://www.buzzfeednews.com/article/leticiamiranda/amazon-hq2-finalist-cities-incentives-airport-lounge (providing examples of different incentives offered by cities across the nation).
[59] *See* Daniel Hartley, Fed. Reserve Bank of Cleveland, Urban Decline in Rust-Belt Cities (2013), https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2013-economic-commentaries/ec-201306-urban-decline-in-rust-belt-cities.aspx (noting that population and median income decline in four Rust-Belt cities coincided with the decline in the manufacturing industry); *see, e.g.*, Ann R. Markusen & Virginia Carlson, *Deindustrialization in the American Midwest: Causes and Responses*, *in* Deindustrialization and Regional Economic Transformation: The Experience of the United States 29, 31-35 (Lloyd Rodwin & Hidehiko Sazanami eds. 1989) (discussing the link between manufacturing plant closings and job losses in midwestern cities).
[60] *See* McKinsey Glob. Inst., The Future of Work in America: People and Places, Today and Tomorrow, at vi (2019).
[61] For one proposal to create public service jobs, see Econ. Policy Inst., American Jobs Plan: A Five-Point Plan to Stem the U.S. Jobs Crisis 14–15 (2009), https://www.epi.org/files/page/-/american_jobs_plan/epi_american_jobs_plan.pdf, which proposes a large-scale block grant program to fund direct job creation in areas such as community improvement, public safety, and access to public services.
[62] *See* Sue Halpern, *The One-Traffic-Light Town with Some of the Fastest Internet in the U.S.*, New Yorker (Dec. 3, 2019), https://www.newyorker.com/tech/annals-of-technology/the-one-traffic-light-town-with-some-of-the-fastest-internet-in-the-us (discussing the impact of tech infrastructure investment in McKee, Kentucky); Rob Marvin, *Gig City: How Chattanooga Became a Tech Hub*, PC Mag. (May 4, 2018), https://www.pcmag.com/news/gig-city-how-chattanooga-became-a-tech-hub (discussing the city's trailblazing investment in high-speed internet service). There are efforts in larger cities like New York to adopt such strategies. *See* Patrick McGeehan, *Technology Industry Seen Growing Fastest in New York*, N.Y. Times (May 9, 2012), https://www.nytimes.com/2012/05/10/nyregion/new-yorks-tech-industry-tops-us-in-growth-study-finds.html (detailing the growth of technology jobs in the city).
[63] *See* Sam Sturgis, *Why Housing Is Key to Chattanooga's Tech-Hub Ambitions*, CityLab (Mar. 6, 2015), https://www.citylab.com/equity/2015/03/why-housing-is-key-to-chattanoogas-tech-hub-ambitions/386776 (explaining how the city's investment in high-speed internet drove up demand for new housing in the downtown area).
[64] *See* Sam Sturgis, *Why Housing Is Key to Chattanooga's Tech-Hub Ambitions*, CityLab (Mar. 6, 2015), https://www.citylab.com/equity/2015/03/why-housing-is-key-to-chattanoogas-tech-hub-ambitions/386776 (explaining how the city's investment in high-speed internet drove up demand for new housing in the downtown area).P.E. Moskowitz, *Chattanooga Was a Typical Postindustrial City. Then It Began Offering Municipal Broadband.*, Nation (June 3, 2016),

https://www.thenation.com/article/archive/chattanooga-was-a-typical-post-industrial-city-then-it-began-offering-municipal-broadband; *cf.* Rob Marvin, *Gig City: How Chattanooga Became a Tech Hub*, PC Mag. (May 4, 2018), https://www.pcmag.com/news/gig-city-how-chattanooga-became-a-tech-hub (attributing improvements in Chattanooga's quality of life to its technology infrastructure).

[65] *See* Rebecca Diamond & Tim McQuade, *Who Wants Affordable Housing in Their Backyard? An Equilibrium Analysis of Low-Income Property Development*, 127 J. Pol. Econ. 1063, 1114 (2019).

[66] *See* Rebecca Diamond & Tim McQuade, *Who Wants Affordable Housing in Their Backyard? An Equilibrium Analysis of Low-Income Property Development*, 127 J. Pol. Econ. 1111 (2019).

[67] *See* Sharon Velasquez, *The Community Reinvestment Act at 40: It's Hard to Fight Redlining If You're Colorblind*, Greenlining Inst. (Oct. 31, 2017), https://greenlining.org/blog-category/2017/community-reinvestment-act-fight-redlining.

[68] *See, e.g.*, Rochelle E. Lento, *Community Development Banking Strategy for Revitalizing Our Communities*, 27 U. Mich. J.L. Reform 773, 792 (1994) (providing the successful example of Opportunity Lands Corporation, a real estate development corporation that "bought this dilapidated group of twenty housing units from The Resolution Trust Company for $125,000, negotiated $250,000 worth of mortgages and, with a $143,000 grant from the city of Pine Bluff and assistance from HUD's rental rehabilitation program, rehabilitated the units").

[69] *See, e.g.*, *Exploring Special Purpose National Bank Charters for Fintech Companies*, Office of Comptroller of Currency (2016), https://www.occ.gov/topics/supervision-and-examination/responsible-innovation/comments/pub-special-purpose-nat-bank-charters-fintech.pdf.

[70] *See* Mario Koran, *California legalized public banks. But can they work?*, Guardian (Oct. 15, 2019), https://www.theguardian.com/us-news/2019/oct/14/california-public-banking-san-francisco-los-angeles.

[71] *See* Sarah Jones, *Why Public Banks Are Suddenly Popular*, New Republic (Aug. 10, 2018), https://newrepublic.com/article/150594/public-banks-suddenly-popular.

[72] *See* Sarah Jones, *Why Public Banks Are Suddenly Popular*, New Republic (Aug. 10, 2018), https://newrepublic.com/article/150594/public-banks-suddenly-popular.

[73] *See* Jason Judd & Heather McGhee, Demos, Banking on America: How Main Street Partnership Banks Can Improve Local Economies 6–7 (2011).

[74] *See* Jason Judd & Heather McGhee, Demos, Banking on America: How Main Street Partnership Banks Can Improve Local Economies 15 (2011).

[75] *See What Is Private Mortgage Insurance?*, Consumer Fin. Protection Bureau (July 28, 2017), https://www.consumerfinance.gov/ask-cfpb/what-is-private-mortgage-insurance-en-122 (noting that private mortgage insurance, commonly required when the down payment accounts for less than twenty percent of the home's purchase price, may increase the overall cost of the loan); *see also* Sebastian Obanda, *PMI – 4 Things You Should Know About Private Mortgage Insurance*, Forbes (Feb. 3, 2020, 9:41 AM), https://www.forbes.com/advisor/mortgages/pmi-4-things-you-should-know-about-private-mortgage-insurance (noting the additional costs associated with private mortgage insurance, and recommending that borrowers avoid it if at all possible).

[76] *Cf.* N.Y.C. Down Payment Assistance Fund, https://www.nycdownpaymentfund.com (last visited Mar. 23, 2020) ("With flexible down payment loans, DPAF will assist pre-qualified nonprofit developers to move more rapidly into contract for vacant properties, eliminating a growing obstacle to development on privately-owned sites.").

[77] *See* Press Release, MIT Sloan Sch. of Mgmt., Reducing Segregation and Increasing Upward Mobility in American Cities, One Housing Voucher at a Time (Aug. 4, 2019), https://mitsloan.mit.edu/press/reducing-segregation-and-increasing-upward-mobility-american-cities-one-housing-voucher-a-time (describing a pilot program in Seattle using vouchers to promote housing mobility).

[78] Hannah Rounds, *Buying a Home with a Shared-Equity Mortgage*, LendingTree (July 6, 2018), https://www.lendingtree.com/home/mortgage/buying-a-home-with-a-shared-equity-mortgage.

[79] Hannah Rounds, *Buying a Home with a Shared-Equity Mortgage*, LendingTree (July 6, 2018), https://www.lendingtree.com/home/mortgage/buying-a-home-with-a-shared-equity-mortgage. (noting that U.S. government entities have used this framework to help buyers by providing down payment assistance loans).

[80] *See generally* Stanley L. Iezman, *The Shared Appreciation Mortgage and the Shared Equity Program: A Comprehensive Examination of Equity Participation*, 16 Real Prop. Prob & Tr. J. 510, 545 (1981) (explaining that SAMs allow borrowers to obtain mortgages with lower monthly payment requirements).

[81] *Cf.* Stanley L. Iezman, *The Shared Appreciation Mortgage and the Shared Equity Program: A Comprehensive Examination of Equity Participation*, 16 Real Prop. Prob & Tr. J. 533 (1981) (noting that a defaulting partner in a shared equity purchase (SEP) is normally subject to a buyout agreement, if not forfeiture of her interest).
[82] *See*
Hannah Rounds, *Buying a Home with a Shared-Equity Mortgage*, LendingTree (July 6, 2018), https://www.lendingtree.com/home/mortgage/buying-a-home-with-a-shared-equity-mortgage.
(explaining the financial benefits obtained by municipal lenders of SEMs when the underlying asset appreciates in value).
[83] Scott Soriano, *Does Public Banking Loom in California?*, Capitol Weekly (June 24, 2019), https://capitolweekly.net/does-public-banking-loom-in-california/.
[84] Eric Hardmeyer, *Why Public Banking Works in North Dakota*, N.Y. Times (Oct. 1, 2013, 4:58 PM), https://www.nytimes.com/roomfordebate/2013/10/01/should-states-operate-public-banks/why-public-banking-works-in-north-dakota.
[85] *See* Mehrsa Baradaran, How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy 14–18 (2015) (explaining how government entities, particularly the Federal Reserve and GSEs like Fannie Mae and Freddie Mac, provide "market-enabling structures" which allow banks to "benefit from loans they could not make otherwise").
[86] *See* Edward Szymanoski, *The Federal Housing Administration: 80 Years Young and Going Strong*, U.S. Dep't of Housing & Urb. Dev., https://www.huduser.gov/portal/pdredge/pdr_edge_frm_asst_sec_081114.html (last visited Nov. 18, 2019) (describing FHA's role in reassuring the lending market through mortgage insurance programs).
[87] *See, e.g.*, Tyler Cowen, The Great Stagnation: How America Ate All the Low-Hanging Fruit of Modern History, Got Sick, and Will (Eventually) Feel Better (2011) (noting that the country's recent economic recoveries have been characterized by stagnant job and wage growth); Robert Gordon, The Rise and Fall of American Growth (2016) (arguing that the U.S. economy will grow more slowly in the future than it has in the past).
[88] *See also supra Section* III. 1.
[89] *See* Robert Gordon, The Rise and Fall of American Growth (2016) (explaining that global inequality will continue to push against growth); Paul Krugman, *Why We're in a New Gilded Age*, N.Y. Rev. Books, May 8, 2014 (reviewing Thomas Piketty, Capital in the Twenty-First Century (Arthur Goldhammer trans., 2014)) (arguing that wealth and inheritance taxes are an effective remedy for inequality); *see also* Jacob S. Hacker & Paul Pierson, American Amnesia: How the War on Government Led Us to Forget What Made America Prosper (2016) (arguing that the American public's distrust of redistributive government has hampered the country's economic vitality); Thomas Piketty, Capital in the Twenty-First Century (Arthur Goldhammer trans., 2014) (advocating for progressive taxation as a means for reducing unsustainable wealth concentration); Joseph E. Stiglitz, *Inequality and Economic Growth*, 86 Pol. Q. 134, 134 (2015) (arguing that, amid growing inequality, "the rising tide has only lifted the large yachts"); Paul Krugman, Opinion, *Is Vast Inequality Necessary?*, N.Y. Times (Jan. 15, 2016), https://www.nytimes.com/2016/01/15/opinion/is-vast-inequality-necessary.html (arguing that redistribution and economic progress are not incompatible).
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