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# Race in the Heartland

Equity, Opportunity, and Public Policy in the Midwest

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**COWS**

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Building the  
High Road

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# Executive Summary

A half-century removed from the high-tide of the civil rights movement, progress on racial equity has slowed or stalled on many fronts. Nowhere is this more starkly evident than in the twelve states of the Midwest region, where racial disparities in economic opportunity and economic outcomes are wider than they are in other regions, and policy interventions designed to close those gaps are meager. *Race in the Heartland: Equity, Opportunity, and Public Policy in the Midwest* examines the roots of those racial disparities, documents their extent and impact, and proposes a range of policy solutions.

## 1 A TROUBLED HISTORY

We trace the origins of racial inequality in the Midwest to the deep imprint of racial segregation, which concentrated the regions' African American population in relatively few urban counties—and then erected a forbidding architecture of residential segregation within those urban settings. In turn, the historical arc of economic opportunity saw African Americans flock to new opportunities in the industrializing Midwest in the middle years of the last century, and then be disproportionately hit by the deindustrialization that followed.

## 2 A LEGACY OF INEQUALITY

Taken together, these historical patterns of segregation and uneven economic opportunity—alongside continuing patterns of discrimination—yielded a legacy of deep and lasting racial disparity and inequality. *Race in the Heartland* draws on a wide array of data sources to document these disparities—highlighting both the yawning gap between black and white outcomes or opportunities, and the exceptional or outlying position of the Midwestern states on these metrics.

We examine not just conventional economic outcomes (wages, incomes, poverty rates), but other dimensions of opportunity and security including wealth, health outcomes, homeownership, and incarceration. For each of these, we calculate both the gap and ratio of black to white outcomes, and the relative position of the Midwestern states among their peers from other regions. Almost without exception, we find wide gaps or disparities across the Midwest. And we find Midwestern states crowding the bottom ranks of any state-by-state comparison.

## 3 EQUITY & POLICY

In a regional setting in which these racial disparities are relatively stark, policy solutions have been slow to take up the challenge. Indeed, we find that policies that might begin to redress these disparities are relatively weak across the region.

*Race in the Heartland* maps out a policy agenda which takes those disparities seriously; and which views racial equity as a fundamental goal. Pursuing that goal requires addressing the political and policy roots of the insecurity and inequality that shape the lives of most working families. But it also requires that “universal” policies be accompanied by careful attention to patterns of discrimination within those policies, by close and targeted attention to people and places that those policies—even at their most robust—have left behind.



# Introduction

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A half-century removed from the legal and political victories of the civil rights movement, our progress has been slow and staggered. While the Civil Rights Act of 1968 extended the reach of equal protection, it did not erase the “pervasive discrimination” documented by the National Advisory Commission on Civil Disorders later the same year,<sup>1</sup> and it could not undo the damage to equal opportunity sustained by decades of Jim Crow rule in the South and systematic racial segregation and discrimination in the North. And the promise of equal citizenship proved elusive. The legal victories of the Civil Rights movement were followed in short order by a slowing of the economic growth that had marked much of the postwar era. Economic anxieties and political backlash fueled a political assault on the labor, social, and tax policies that had sustained that growth and ensured a reasonably equitable distribution—across the income spectrum—of its rewards.<sup>2</sup> But even in its heyday, the “New Deal” order had little to offer African-American workers, and the policies that took its place offered at best weaker commitments to substantive equality, and at worst a patchwork of punitive threats.<sup>3</sup>

The results? We have—on some fronts—seen considerable gains since the late 1960s. Over a half century in which wage and income growth stalled, the racial gaps closed slightly. Between 1968 and 2018, the share of African Americans between the ages of 25 and 29 who had completed high school grew from barely half to over 90 percent—just a few percentage points less than the share for whites. But gains on other fronts have been elusive.<sup>4</sup> The rate of black homeownership has not budged since 1970, and the gap between black

and white homeownership, a consequence of both generational disadvantages and the persistence of private discrimination in real estate and home finance, is now wider than it was in 1900.<sup>5</sup> The accumulation of disadvantage in housing and employment over the last generation has widened a stark and persistent racial wealth gap.<sup>6</sup> Across this era, the African American unemployment rate has remained at nearly double the rate for white workers.<sup>7</sup> After some progress in the 1960s and 1970s, racial segregation in public schools has steadily increased.<sup>8</sup> African Americans are imprisoned at five times the rate of white Americans.<sup>9</sup>

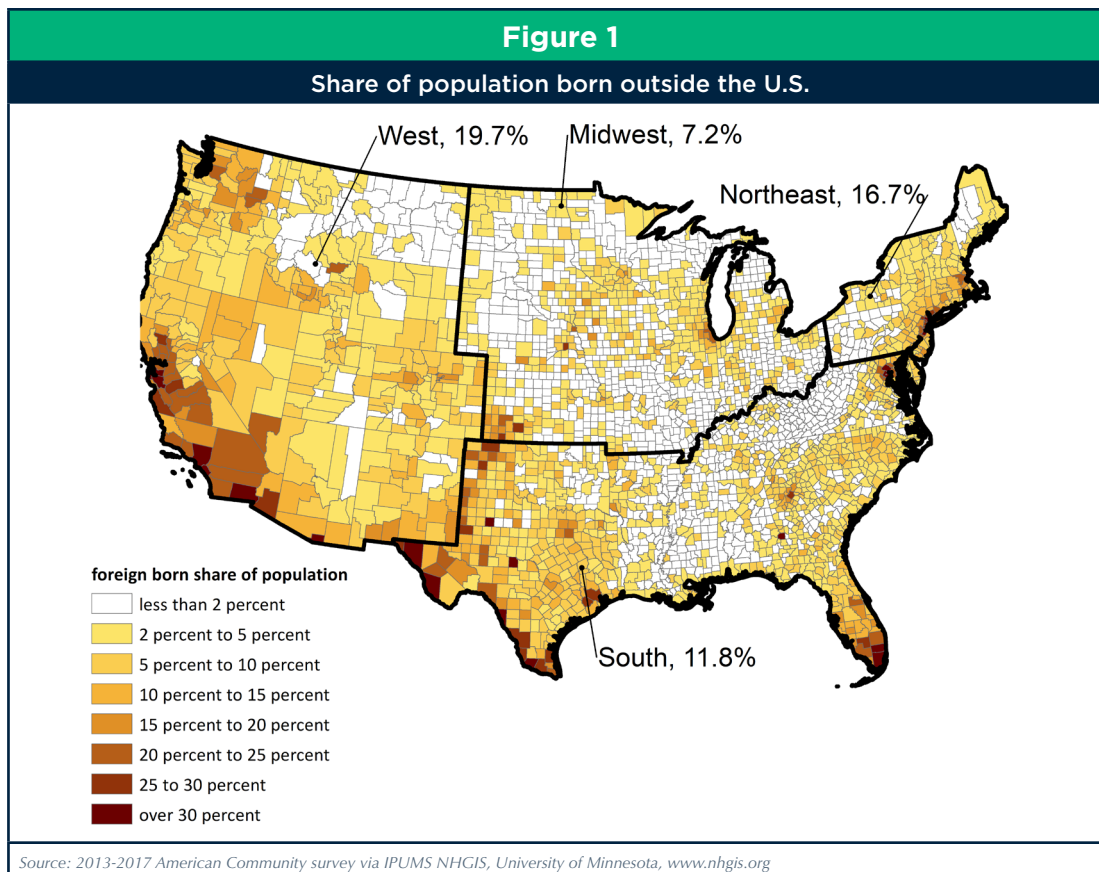
While these are national problems and national challenges, they also have a distinct regional cast. On many of these dimensions, the Midwest is among the starkest settings for racial disparity or inequality. The result is a jarring juxtaposition: While Midwestern metros (Des Moines, Madison, Minneapolis) typically crowd the “best places to live” lists,<sup>10</sup> they are also among the very worst places to live for African-Americans.<sup>11</sup> In one recent analysis, ranking the states on an index of racial inequality, the twelve states of the Midwest census region (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin) claimed eight of the bottom ten slots and swept the bottom five.<sup>12</sup> Simply put, these stark racial disparities—and the patterns of segregation and discrimination which underlie them—create real and lasting barriers for workers and families of color in the Midwest. The consequences—for those directly affected and for our broader aspirations of equity and equal opportunity—are dire.

# Race in the Heartland

A number of factors—historical, economic, demographic, and political—have shaped patterns of racial disparity and race relations in the Midwest. The first of these is racial **segregation**. During the first two-thirds of the 20th century, about 7 million African Americans migrated north—fleeing the horrors of Jim Crow rule in the states of the former Confederacy and drawn by the employment opportunities of the booming industrial settings of the urban North. By 1970, more African Americans lived north of the Mason-Dixon Line than south of it, and African Americans comprised about a quarter of the population of northern cities.<sup>13</sup> In response, Midwestern cities established elaborate and systematic mechanisms of residential segregation. In Chicago, Milwaukee, Detroit, St. Louis and other settings, local interests employed a combination of race-restrictive deed covenants, exclusive zoning, and displacement to establish and enforce boundaries between black and white residential areas.<sup>14</sup> Such policies were enforced, in large measure,

by violence. African American migrants to the Midwest suffered local hostility, the re-emergence of the Ku Klux Klan, and unprecedented mob violence (including race riots in East St. Louis in 1917, Chicago and Omaha in 1919, and Detroit in 1943).<sup>15</sup>

Just as Midwestern cities perfected the mechanisms of local segregation, they also invited “white flight” from central cities. New residential development and municipal incorporation, relatively unconstrained by law or geography, pushed out into the cornfields—sustaining segregation not just by confining black families to some parts of the city, but by reserving new housing opportunities for white families. As a result, in every census year since 1890, large cities of the Midwest are more segregated—when we measure the concentration and isolation of their black population—than those of any other region. Of the thirteen “hypersegregated” metropolitan areas identified by Massey and Denton



in 1989, eight were in the Midwest.<sup>16</sup> Of the eight most segregated settings as of the 2010 census, six (Milwaukee, Chicago, Detroit, Cleveland, St. Louis, and Cincinnati) are in the Midwest.<sup>17</sup> Patterns of racial segregation extend into smaller metros throughout the region, which are more segregated than similar settings in other regions.<sup>18</sup> And they extend into schools which, in most of these settings, are significantly more segregated—by race and income—than the municipalities in which they are located.<sup>19</sup>

Racial segregation, and the disparities it has sustained, are exaggerated by the Midwest’s relatively slow growth and uneven demographic patterns. Since 1950, the population of the Midwest region has increased only 29.8%, trailing the northeast (40.2%) and well behind the growth of the West (157.2%) and the South (108.9%). Despite some pockets of Latino growth in the last generation, fully 91.4% of Midwesterners identify as black alone or white alone. In turn, at 7.2 percent, the share of the Midwestern population that is foreign born (Figure 1) is far lower than that of other regions or of the nation (13.5%). What this means, in a nutshell, is that the Midwestern “color line” is still a biracial, black-white divide; unchallenged and uncomplicated by significant in-migration or immigration.<sup>20</sup>

The African American population is also unevenly distributed across the region. Seven of the twelve Midwestern states have an African American population share less than half that of the nation (Table 1), one is roughly the same (Ohio at 12.3 percent vs. 12.6 percent nationally) and in only two (Michigan and Illinois) is the black share greater. Of the 1,055 counties in the Midwest,

nearly two-thirds (667) are over 95% white (Figure 2) and all but 35 have a white population share that exceeds the national share of 72 percent. Over half (554) of Midwestern counties have a black population share of less than one percent. Only 56 counties have a black population share over 10 percent, and these mostly urban counties account for over 80 percent of the region’s black population. Across the region, 75 percent of the white population and 96 percent of the black population live in metropolitan areas.<sup>21</sup>

Over time, many of the public policies and private practices that lay behind these patterns of segregation fell to equal-protection legal challenges, but the patterns themselves persisted.<sup>22</sup> Some of those policies and practices, including local land-use zoning and discrimination in realty and credit markets, are still very much with us.<sup>23</sup> Once established, racial segregation and the assumptions it carries about good neighborhoods and bad, about who belongs where, have proven hard to shake.<sup>24</sup> The racial wealth gap, a product of segregation, also serves to further it by ensuring uneven access to homeownership, steeper costs and lesser returns for African American homeowners.<sup>25</sup> And the consequence of all of this is not just who gets to live where. Constraints on housing and neighborhood choice lead to a cascade of disadvantages in schooling, employment, health, safety, and mobility.<sup>26</sup>

The second contributing factor to the Midwest’s stark pattern of racial disparity is uneven **economic opportunity**. African American migration to the Midwest, from the Great Migration through the end of World War

**Table 1**

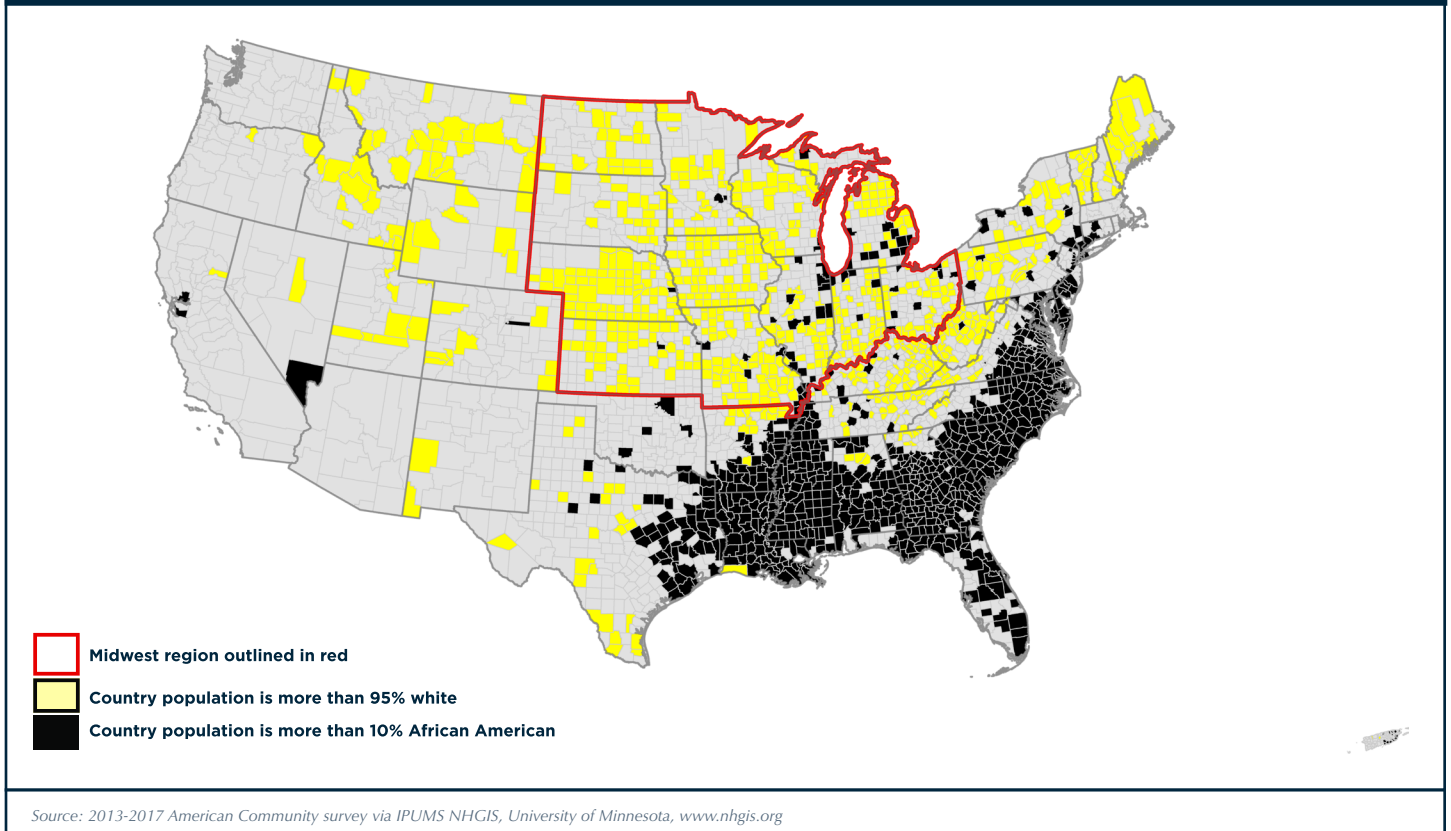
**Black and White Population Shares, Midwest Region, 2017**

	Total Population	White Alone	Black Alone	Other	White Share	Black Share
North Dakota	745,475	654,024	17,365	74,086	87.7%	2.3%
South Dakota	855,444	724,430	14,698	116,316	84.7%	1.7%
Nebraska	1,893,921	1,663,612	89,718	140,591	87.8%	4.7%
Kansas	2,903,820	2,465,518	168,470	269,832	84.9%	5.8%
Iowa	3,118,102	2,824,197	106,762	187,143	90.6%	3.4%
Minnesota	5,490,726	4,598,252	326,953	565,521	83.7%	6.0%
Wisconsin	5,763,217	4,950,577	365,884	446,756	85.9%	6.3%
Missouri	6,075,300	5,004,537	703,061	367,702	82.4%	11.6%
Indiana	6,614,418	5,546,787	613,060	454,571	83.9%	9.3%
Michigan	9,925,568	7,813,199	1,374,515	737,854	78.7%	13.8%
Ohio	11,609,756	9,503,779	1,428,230	677,747	81.9%	12.3%
Illinois	12,854,526	9,236,701	1,833,501	1,784,324	71.9%	14.3%
<b>Midwest Total</b>	<b>67,850,273</b>	<b>54,985,613</b>	<b>7,042,217</b>	<b>5,822,443</b>	<b>81.0%</b>	<b>10.4%</b>
<b>NATIONAL</b>	<b>324,473,370</b>	<b>236,759,648</b>	<b>40,949,754</b>	<b>46,763,968</b>	<b>73.0%</b>	<b>12.6%</b>

*Source: American Community Survey, 2017*

Figure 2

## White and Black Population Shares by County



It, was driven primarily by employment prospects in the region's booming industrial economy.<sup>27</sup> When that boom turned to bust, as early as the 1950s in some settings and in some industries, the impact was devastating—especially in the Midwest (now commonly referred to as the “rustbelt”) and especially for Midwestern African Americans.<sup>28</sup>

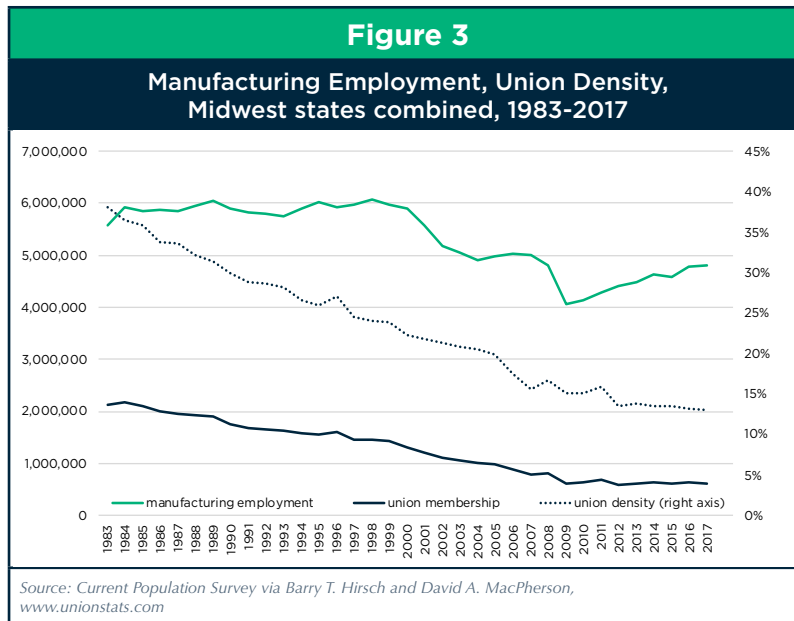
The decline of Midwestern manufacturing reflected losses to low-wage competitors in southern and Sunbelt states, globalization, and local shifts from central cities to suburbs.<sup>29</sup> Because black workers relied heavily on industrial employment, but were also precariously positioned in postwar labor markets, these losses hit the black working class early and hard. Between 1974 and 2016, the Midwest lost 2,745,000 manufacturing jobs, over 40 percent of its 1974 total. These losses were heaviest in Illinois (878,000 jobs, 62 percent), Ohio (768,000 jobs, 54 percent) and Michigan (523,000 jobs, 53 percent).<sup>30</sup> And these losses were particularly stark in metropolitan settings: In Detroit, for example,

manufacturing employment fell by more than half from 1947 to 1977, and the combination of persistent discrimination and deindustrialization yielded black unemployment rates three to four times those faced by whites.<sup>31</sup>

Deindustrialization meant not just the loss of good jobs for workers of modest educational attainment, but the loss of union jobs as well. As the Midwest lost manufacturing jobs, it also lost union density—which plummeted from 38.1 percent in Midwest manufacturing in 1983 to just 12.1 percent in 2017 (Figure 3). While the Midwest lost about 26 percent of its manufacturing jobs over this span, it lost over 70 percent of its membership in manufacturing unions. Here again, African American workers were deeply invested; they relied heavily on collective bargaining to overcome other forms of discrimination and disadvantage and were hardest hit by the resulting losses in economic opportunity.<sup>32</sup>

The impact of deindustrialization on working families of





color in the Midwest was exaggerated by the persistence and intensity of housing segregation. While some manufacturing jobs were lost to regional or international competition, many simply left the central city for the suburbs. Between 1970 and 1980, for example, Chicago lost 118,860 blue collar jobs while its suburbs added 237,900, Cleveland lost 42,700 while its suburbs added 97,060; and Detroit lost 104,860 and its suburbs added 186,920.<sup>33</sup> Some industries, such as meatpacking, fled urban locations for rural outposts—trading a unionized workforce of whites and African-Americans for a non-union, low-wage and largely immigrant workforce.<sup>34</sup> The result, as William Julius Wilson and others have underscored, is a crippling setting in which capital and employment were mobile but black workers were not.<sup>35</sup> The black working class, especially where job losses have been steep and segregation persistent, became “trapped,” “truly disadvantaged” or “stuck in place.”<sup>36</sup>

All of this, in turn, is compounded by the social positions occupied by black and white Midwesterners and by the ways in which they understand or experience patterns of subordination or exclusion. The magnitude and persistence of housing segregation, coupled with the stark racial implications of deindustrialization and the uneven distribution of the black population, have created and sustained relatively bright racial boundaries and—as a consequence of small numbers or local segregation—rendered African-Americans “hypervisible” or “out of

place” in many local settings.<sup>37</sup> Racial disparities, in this respect, reflect the disproportionate impact of economic growth and decline, political and policy differences across jurisdictions, and the discretion or discrimination exercised within those policies.

In a context of broader and general economic troubles—including stagnant wage growth, rising income inequality, and the regional wreckage of deindustrialization—these disparities are both magnified and misunderstood. For the region’s white working class, economic loss and diminished opportunity is understood (or packaged politically) as a zero-sum contest in which others—especially African Americans and immigrants—are to blame. Indeed, as Kathy Cramer and others have suggested, the “politics of resentment” that buoyed the electoral prospects of Scott Walker and Donald Trump are animated in large part by nativist and racial anxieties; by the conviction that others—African Americans, immigrants, trading partners—are hoarding unfair advantages.<sup>38</sup> At the same time, the “discovery” of white working class angst and anxiety in the Midwest—captured in “Hillbilly Elegy” meditations and in their political implications—starkly misrepresents a region that is home to over 7 million African-Americans. “It is a bitter irony,” as Tamara Winfrey-Harris wrote last year, “that many of the arguments about Mr. Trump’s appeal to Midwesterners make sense only if you pretend black people don’t exist in the middle of the country.”<sup>39</sup>

# Racial Disparities

In order to assess the patterns and magnitude of racial disparities in the Midwest, let's turn to some basic metrics. Here we examine not just conventional economic outcomes (wages, incomes, poverty rates), but other dimensions of economic opportunity and security such as education and homeownership. For each of these metrics, we have calculated state-level racial disparities as the **gap** and the **ratio** between black and white levels or rates. For a state whose unemployment rates are 5 percent for whites and 15 percent for black people, for example, the gap would be 10 percent and the ratio would be 3:1 (black people are three times more likely to be unemployed). Both are important measures: the gap captures the absolute levels, and the ratio captures the relative positions. At unemployment rates of 15 percent white and 20 percent black, for example, the levels are high for both groups, but the ratio or disparity between the two is smaller.

In the graphics below, the dots plot the metrics for the black alone and white alone population, and the line between the dots indicates the gap. The states are ranked, top to bottom, by the ratio of white to black values. The twelve Midwestern states are highlighted by color: metrics for black with a blue dot (other states grey); metrics for white with a green dot (other states white). Since our focus here is on state-level disparities and on the state policies which might ameliorate them, the District of Columbia and Puerto Rico (which have distinct policy environments) are excluded. On some metrics, the sample size of African Americans is too small to report accurately for some states; when that happens, those states are excluded from the comparison. Where relevant, the national average (all states, all races) is plotted as a blue dashed line.

## 1

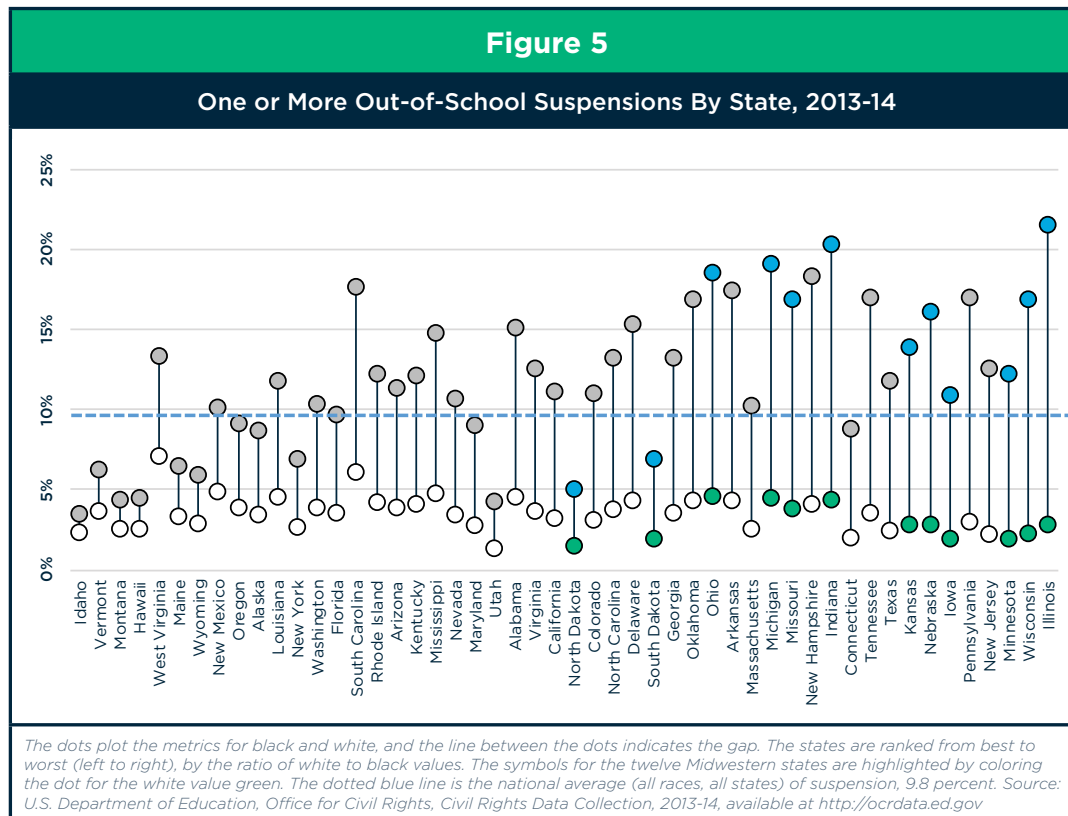
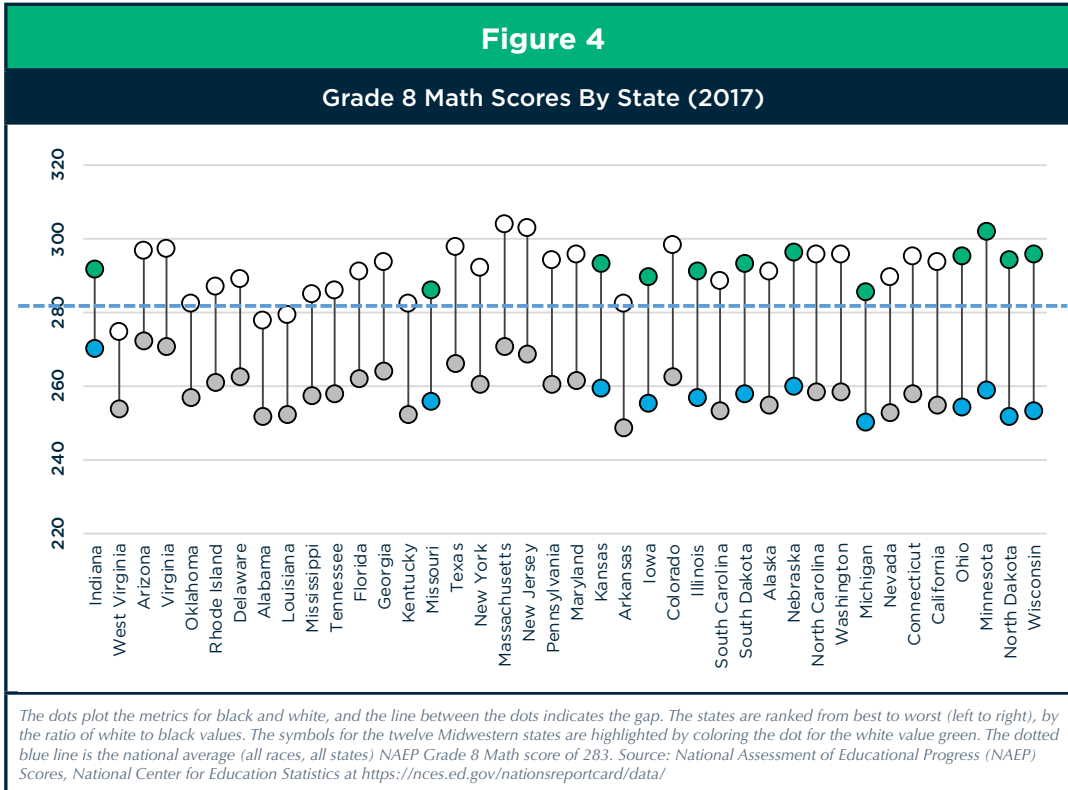
### EDUCATION

The first marker of economic opportunity is education. Here we assess racial disparities in the Midwest with measures of achievement, exclusion, and attainment. For achievement (Figure 4), we use the gap between black and white scores on the National Assessment of Educational Progress (NAEP) eighth-grade assessment of proficiency in math. In this universe of 41 states (data is not reported for states with very small black populations), all but two Midwestern states (Indiana and Missouri) fall into the bottom half of the distribution, and four (WI, ND, MN, OH) make up the bottom of the list.

These state-level patterns in educational achievement are important, but so too is the wide variation between districts or localities in the same state. Here, underlying patterns of racial and economic segregation (particularly acute, as we have seen, in the Midwest) in neighborhoods and in schools are important determinants of school

quality and student outcomes.<sup>40</sup> Variation in academic achievement between districts is greatest in states with high levels of both racial and economic segregation. This is especially true when racial and economic segregation intersect: the strongest predictor of achievement gaps is the disparity in average school poverty rates between the schools attended by white and black students.<sup>41</sup>

As a measure of educational exclusion (Figure 5) we use state-level reports of school suspensions, in this case the rate at which black and white students received one or more out-of-school suspensions in the most recent school year (2013-4) for which full data is available. Nationally, this disparity is stark: African American students (13.5 percent) are suspended at about four times the rate of white students (3.4 percent). In the Midwest, North and South Dakota are the only settings that don't perform worse than this national rate. Six Midwestern states (IL,



WI, MN, IA, NE, KS), all suspending black students at more than five times the rate of white students, crowd the bottom ten. The consequences of such patterns are well documented. In the short run, they undermine educational achievement and attainment.<sup>42</sup> In the long run, they undercut economic opportunity and civic engagement, and feed the “school to prison” pipeline.<sup>43</sup>

To assess educational attainment, we use the rate at which those over the age of 25 have a Bachelor’s (BA) degree or better (Figure 6). Nationally, about one in three white adults (32.2 percent) and one in five black adults (20.6 percent) have a BA—a gap of 11.6 percent. Five Midwestern states (WI, MN, OH, MI, IL) have gaps wider than that and, ranked by the ratio between white and black attainment, all but three (SD, ND, and NE) fall into the bottom third of the distribution. Racial disparity in educational attainment is starkest in those Midwestern settings (WI, MN, OH, MI) marked by residential segregation and concentrations of African American

poverty.<sup>44</sup> In such settings, schools are challenged by a combination of greater need and fewer resources (the foundation of school funding is the local property tax). These disparities are echoed in six-year graduation rates. Nationally, the gap between overall (50.6%) and African American (39.4%) graduation rates at public post-secondary institutions is just over 11 points. Among the “flagship” public universities in the Midwest, all but the University of Illinois have a wider gap.<sup>45</sup>

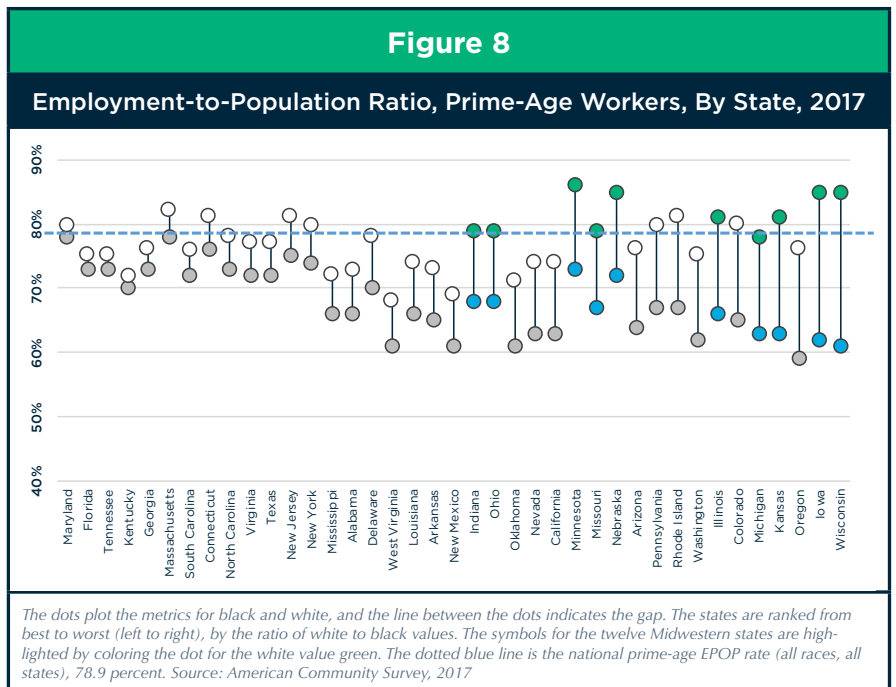
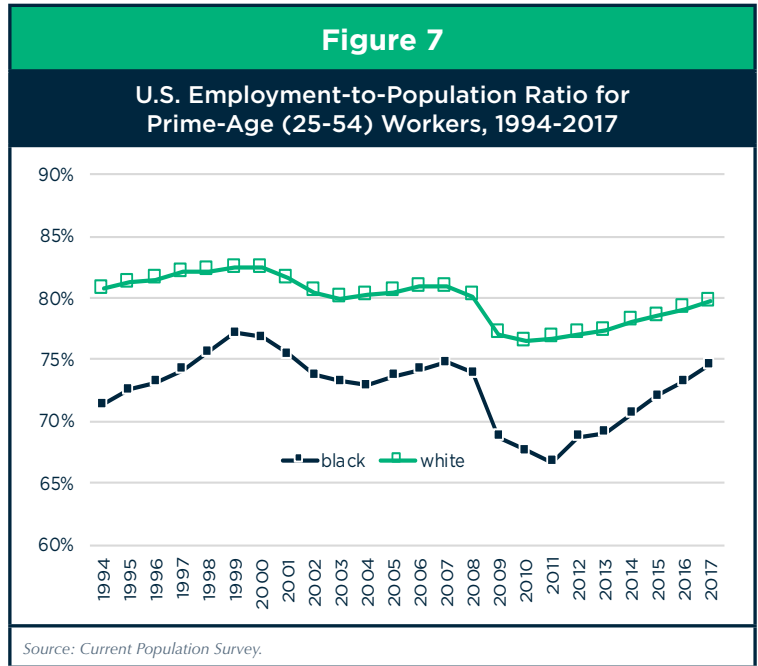
These racial disparities are deeply-entangled: Achievement gaps both reflect background disadvantages and shape future opportunities. Disciplinary disparities reflect explicit and implicit bias in school climate and authority relations, and shape future achievement and attainment. And the resulting attainment gaps carry those disadvantages and disparities into adulthood—dampening wages, incomes, economic opportunity, and economic mobility.



2 EMPLOYMENT

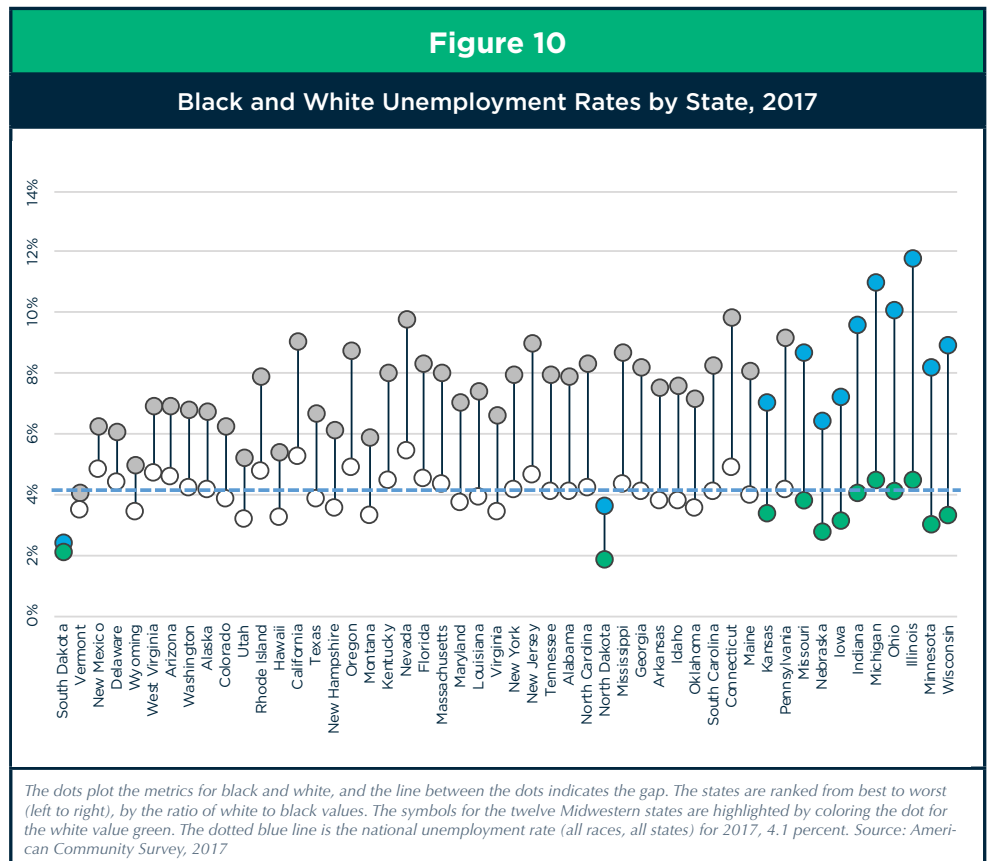
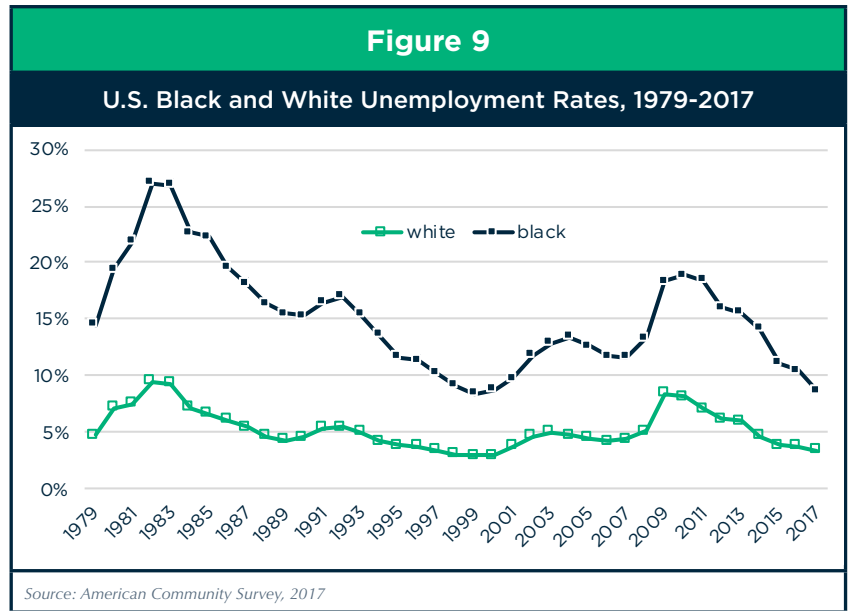
Racial disparities in employment have deep historical roots, reflecting disparities in educational attainment, systemic “hiring gate” discrimination by employers, and deep and lasting patterns of occupational segregation.<sup>46</sup> The employment and occupational prospects for black workers improved in the middle years of the last century, as African Americans migrated north in a booming economy and union membership and civil rights law offered some defense against discrimination. But since then—as baseline economic growth has slowed, union density has shrunk, and enforcement of state and federal antidiscrimination law has withered—those prospects have suffered.<sup>47</sup>

To assess racial disparities in employment, we use two measures: the employment-to-population ratio, and the unemployment rate. The employment-to-population (EPOP) ratio is simply the share of the prime-age (25-54) working population with a job. This is a good, basic measure of engagement with the labor market, sidestepping the finer distinctions (working, working part-time, looking for work) that go into the unemployment rate and minimizing the impact of schooling (for younger workers) and retirement (for older workers).<sup>48</sup> Nationally, the employment-to-population ratio for prime-age white workers has ranged between 75 and 82 percent since 1994; the ratio for black people is lower, and more volatile (falling faster during recessions and climbing more slowly during periods of recovery) ranging from 66 to 72 percent over the same span (Figure 7).<sup>49</sup> This gap has narrowed since the recession, and varies considerably across the states. Figure 8 plots the EPOP for prime-age by state. All of the Midwestern states fall in the bottom half of the distribution, and claim five (WI, IA, KS, MI, IL) of the bottom six slots.





We see the same racial disparity and volatility in the unemployment rate. In every year since 1979 but two (2010 and 2011), the black unemployment rate has been at least two-and-a-half times the white unemployment rate (Figure 9). Between 1979 and 2014, each percentage-point change in the national unemployment rate resulted in a change in the black unemployment rate of 1.7 percentage points.<sup>50</sup> With the business cycle, the gap widens and narrows: When there is a recession, black unemployment soars more rapidly; during recovery, black unemployment improves more quickly. With the exception of the Dakotas, where the shale oil boom has dampened unemployment, there is a marked racial disparity across the Midwest (Figure 10): the ten remaining states in the region (WI, MN, IL, OH, MI, IN, IA, NE, MO, KS) along with neighboring Pennsylvania, make up the eleven states with the largest ratio between black and white unemployment in 2017. The consequence here is not just the cost of not working, but the substantial “scar effects” of unemployment, including disengagement from the labor market, dismal re-employment prospects, long-term loss of earnings, and physical and psychological consequences for the unemployed and their families.<sup>51</sup>

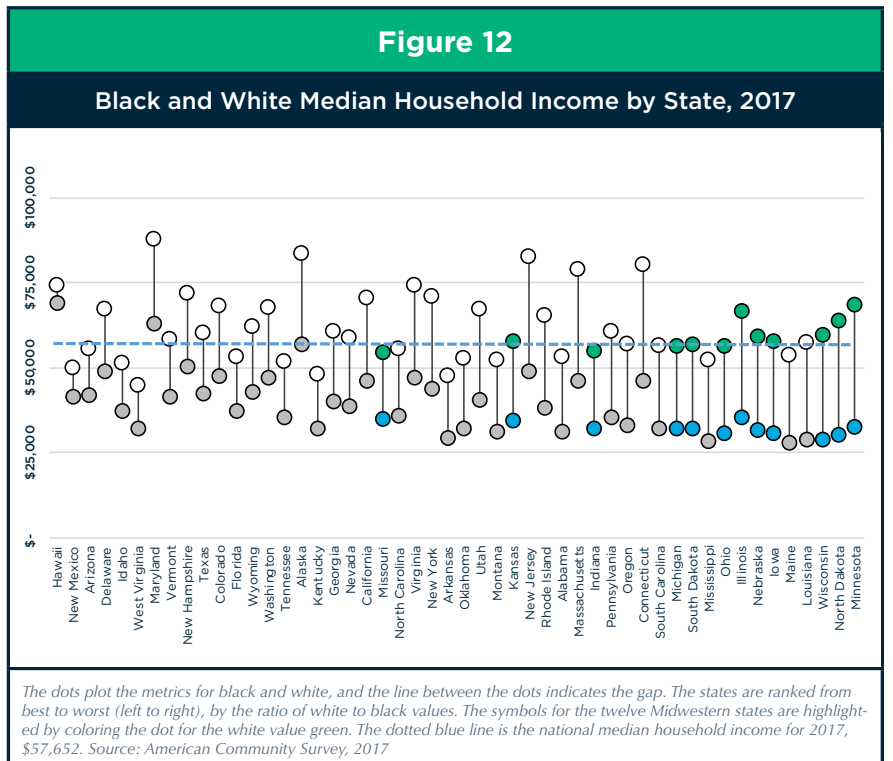
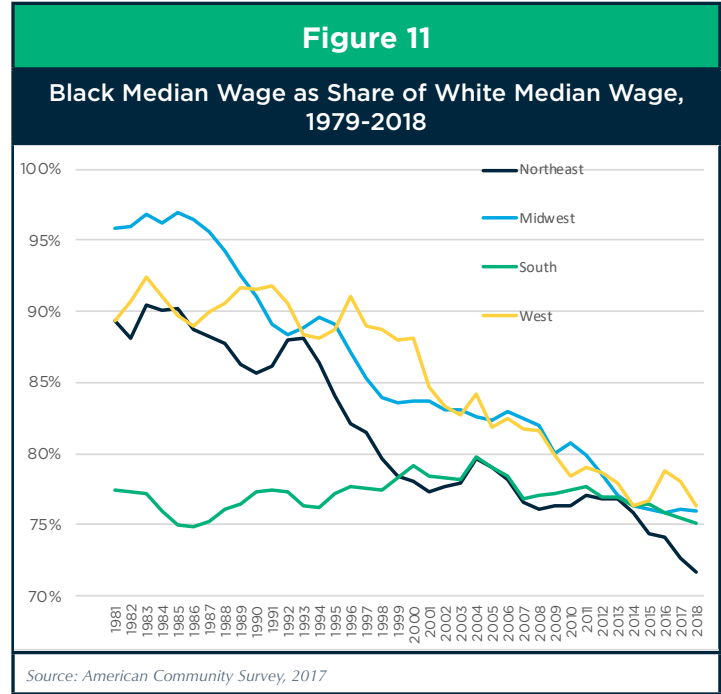


**3 WAGES, INCOMES, AND POVERTY**

The racial wage gap is driven in part by differences in educational attainment or occupation, but it also persists—as a consequence of discrimination—when those differences are taken into account. That discrimination can take the effect of differential treatment in hiring, differential treatment after hiring (including racial wage-gaps in the same or similar jobs), exclusion from higher paying jobs, and the devaluation of jobs held primarily by black workers.<sup>52</sup> Both racial segregation in employment and the racial wage gap have widened with the economic changes of the last generation—particularly the loss of large-firm (often unionized) manufacturing jobs in northern cities.<sup>53</sup>

Racial disparity in wages does not vary dramatically by region, and the available survey data allows state level estimates (by race and wage decile) only for states with large populations. As Figure 11 suggests, regional wage disparities (the black median wage as a percentage of the white median wage) have worsened and converged over time. In the South, the black median has hovered at 75-80 percent of the white median since 1979. Outside the South, the black median has declined markedly in relation to the white median over the same span. Nowhere is this truer than in the Midwest. In the early 1980s, before the ravages of deindustrialization and union decline took hold, the black median in the Midwest was very nearly on par with the white median; by 2018, it had fallen to just 75 percent of the region’s white median. Median wages for white (\$19.99) and black (\$14.93) workers in 2018 were lower than those in any other census region.

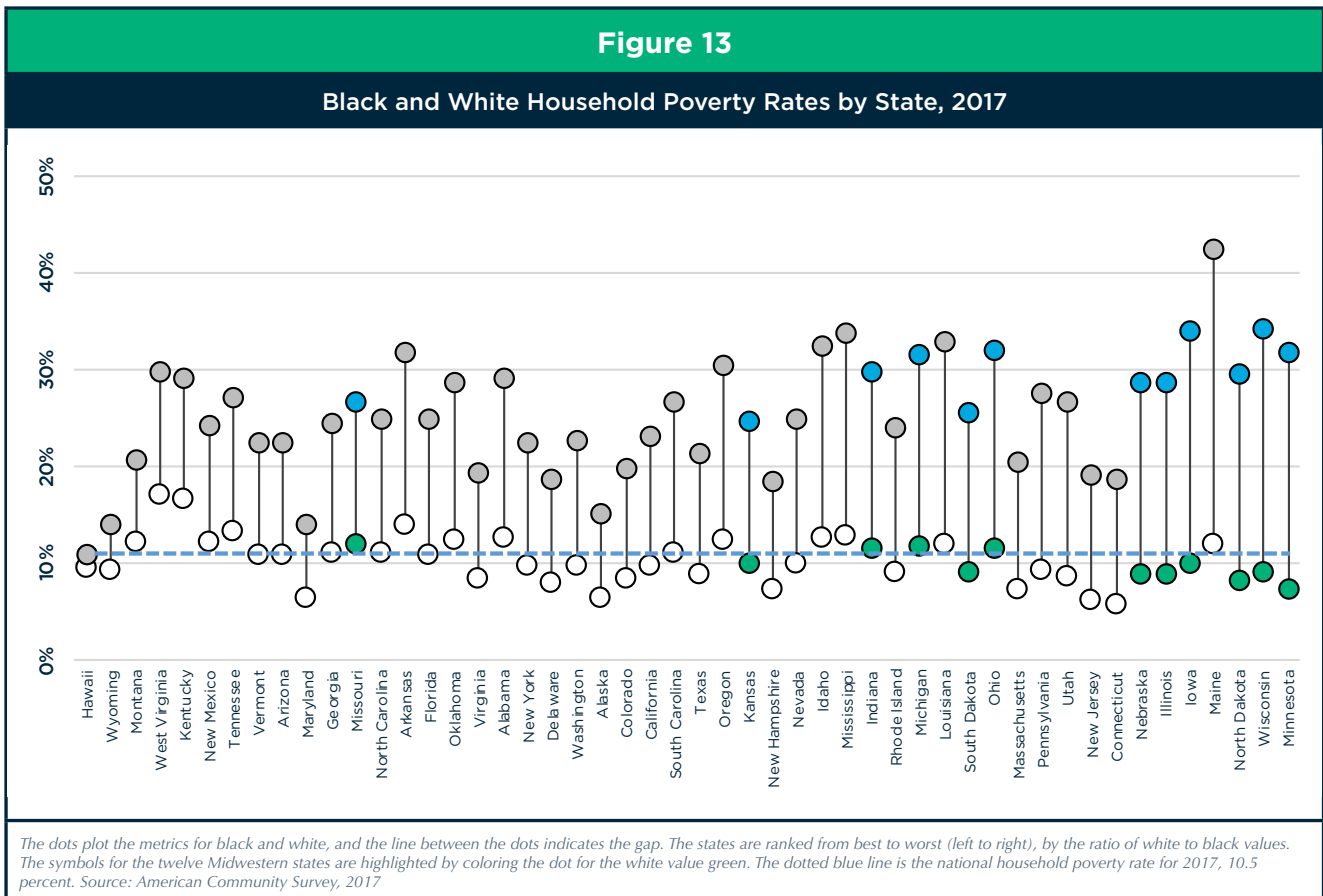
Low wages, coupled with higher unemployment and lower rates of labor market engagement, create marked racial disparities in median household income. Nationally, black median household income (2013-17 five-year ACS estimate) is just over \$38,000; in every Midwestern State it is below \$36,000 (Figure 12). White median incomes in the Midwest vary more



widely, higher than the national white median (\$61,363) in three Midwestern states (ND, IL, MN) and below in the nine others. As a result, the disparities are stark: of the fourteen states with widest ratio of white to black incomes, nine (MN, ND, WI, IA, NE, IL, OH, SD, MI) are in the Midwest.

These same disparities are evident when we turn to poverty. Nationally, the black poverty rate in 2017 was 21.2 percent, almost double the white rate of 10.7 percent.<sup>54</sup> In just four Midwestern states (MO, OH, IN, MI) does the white poverty rate exceed the national average; in every Midwestern state, the black poverty rate is greater than the national average (Figure 13). Ranked by the ratio between white and black poverty, six (MN, WI, ND, IA, IL, NE) of the seven worst-performing states are in the Midwest.

Of particular concern here is the growth of concentrated poverty, a problem that lies at the intersection of uneven economic opportunity and persistent racial and economic segregation. Between 2000 and 2011 (spanning the last two business cycles) the number of high poverty (over 40 percent) census tracts grew by 50 percent nationwide, but almost doubled in the Midwest region.<sup>55</sup> In nine states, more than a quarter of poor African-Americans live in high-poverty neighborhoods; five of those (MI, WI, OH, IN, IL) are in the Midwest. Of the six metropolitan areas in which concentrated poverty among black people exceeds 40 percent, five (Detroit, Milwaukee, Gary, Dayton, and Cleveland) are in the Midwest. In such settings, the insecurity of poverty is magnified by a paucity or poor quality of local public goods, public services, and economic opportunities.

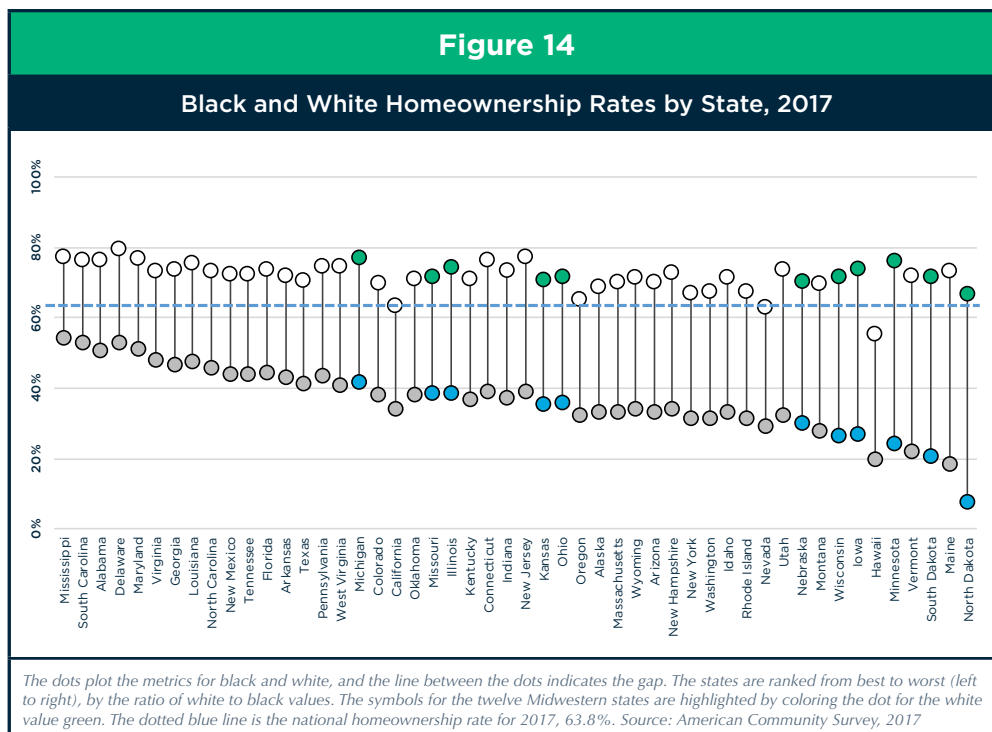


## 4 HOMEOWNERSHIP

Homeownership rates reflect the local cost of housing, the financial capacity (income, wealth) of households, and the terms (mortgage and insurance rates) of homeownership. In this respect, racial disadvantages are compounded—historically and currently—in the Midwest. The region’s deep and persistent segregation, in this respect, yielded not just racial isolation and concentration but an accompanying architecture of mortgage and home insurance “redlining,” uneven access to credit, and—where credit was available—exposure to predatory terms.<sup>56</sup>

While the median and average cost of housing is lower in the Midwest than in other regions,<sup>57</sup> persistent income disparities, residential segregation, and discrimination in realty and lending have dampened African American homeownership. Ranked by the ratio between white and black homeownership (Figure 14), Midwestern states fall into two cohorts. Six states (MI, MO, IL, IN, KS, OH),

including the five with the largest African-American population shares in the region, fall into the middle of the distribution—with black and white homeownership close to national rates for both races (about 72 percent for whites and 42 percent for black people<sup>58</sup>). The other six Midwestern states (ND, SD, MN, IA, WI, NE) crowd the bottom of the distribution, taking six of the bottom ten positions. Disparities in homeownership rates are important not just as a marker of underlying patterns of economic disadvantage and discrimination. Homeownership can be a source of economic security (although the last recession and the predatory finance behind it showed that this is not always the case). And homeownership, especially in the United States, is a source of access to quality public goods—especially schools. And it is a mechanism which—by creating and sustaining wide disparities in racial wealth—cements those disadvantages in place from one generation to the next.

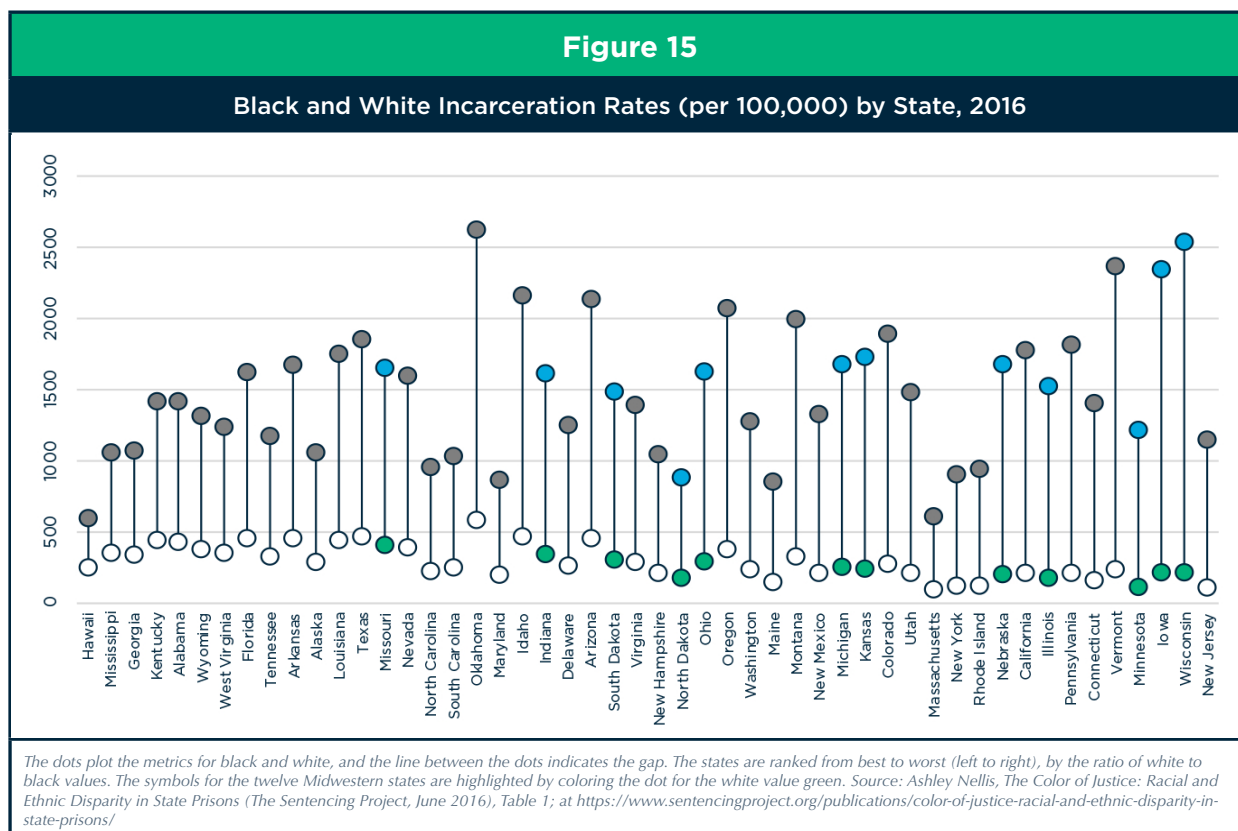


5 INCARCERATION

Racial disparities in rewards and returns (opportunity, compensation, security) are matched by racial disparities in punishment. The best index here is the stark and notorious racial gap in incarceration. As the Sentencing Project concluded in its April 2018 report to the United Nations: “African Americans are more likely than white Americans to be arrested; once arrested, they are more likely to be convicted; and once convicted, and they are more likely to experience lengthy prison sentences. African American adults are 5.9 times as likely to be incarcerated as whites . . . [a]s of 2001, one of every three black boys born in that year could expect to go to prison in his lifetime.”<sup>59</sup>

These disparities are also evident in state prisons, although there is considerable variation across states

(Figure 15). The median incarceration rate for black adults in state prisons is 1,445 per 100,000. All but two (ND and MN) of the states in the Midwest region have higher rates and, because white incarceration rates are quite low across the region, every Midwestern state imprisons African Americans at more than five times the rate of whites (five being the median ratio among all the states). Five (WI, IA, MN, IL, NE) of the ten worst-performing states, ranked by the ratio between black and white rates, are in the Midwest. Such disparities, glaring in their own right, also have profound impacts on individual, families and communities. Incarceration short circuits equal citizenship—the right to vote, educational and employment opportunities, access to housing—in deep and lasting ways.<sup>60</sup>



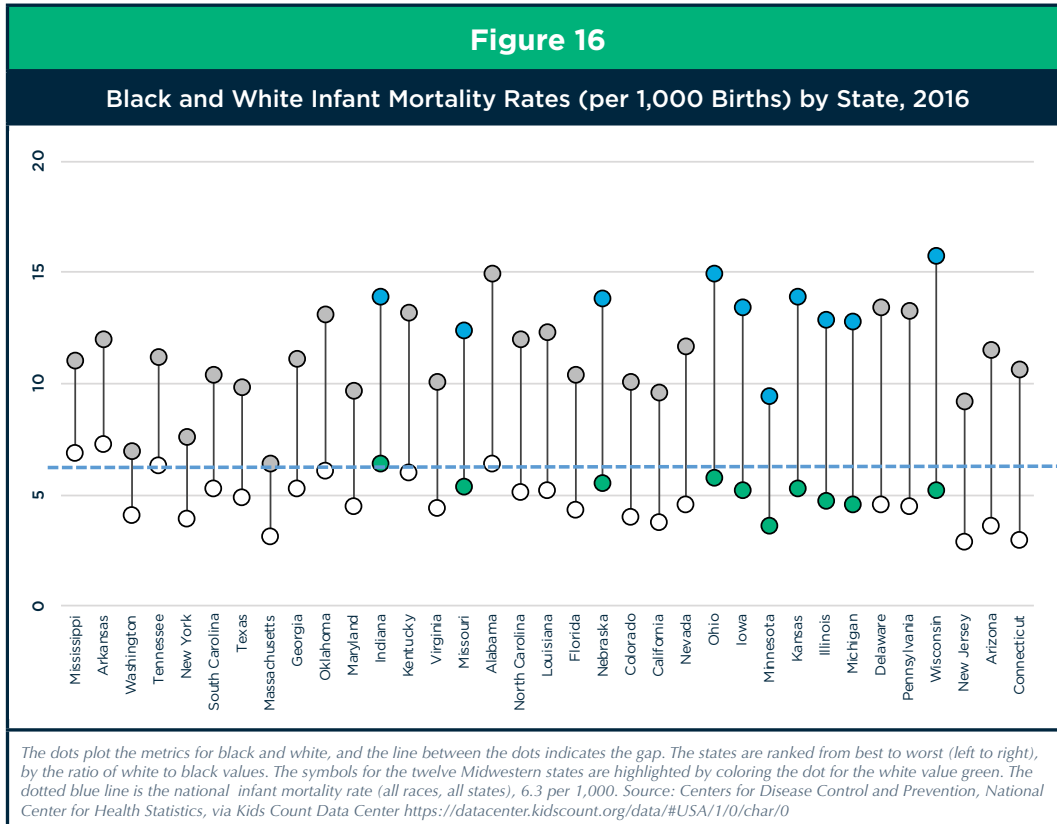


6 HEALTH

Health outcomes, shaped by both income differences and a wide array of social determinants, offer a telling index of broader racial disparities. Persistent segregation and the collapse of employment opportunities, as we have seen, generate a cascade of disadvantage. Poor neighborhoods are marked not just by family poverty, but by broader environmental and neighborhood conditions—including poor air and water quality, substandard housing, and lack of access to nutritious food and decent public goods and services (schools, playgrounds).<sup>61</sup> Poor neighborhoods hamper access to educational and employment opportunities. And, because health coverage is still primarily a job-based benefit, they hamper access to stable and consistent care. Income and neighborhood conditions are powerful drivers of health access and health outcomes, but racial disparities in health persist even when we take these into account. At every income level, African Americans are less likely to

receive preventive care and more likely to receive lower-quality care. As a result—across a wide array of health conditions—African Americans are generally diagnosed later and suffer worse outcomes.<sup>62</sup>

A common index of health outcomes is the infant mortality rate—or the number of deaths of children under one year of age for every 1,000 live births (Figure 16). Nationally (2016), the rate for African Americans (11.3 per 1,000) is well over twice the rate for whites (4.8). In the Midwest, only Missouri and Indiana have a better ratio between the black and white rates, and in both settings both the black and white rates are higher than the national average. In the other eight Midwestern states for which we have data (the black population of North and South Dakota are too small for this measure) black infant mortality is more than 2.5 times white infant mortality.

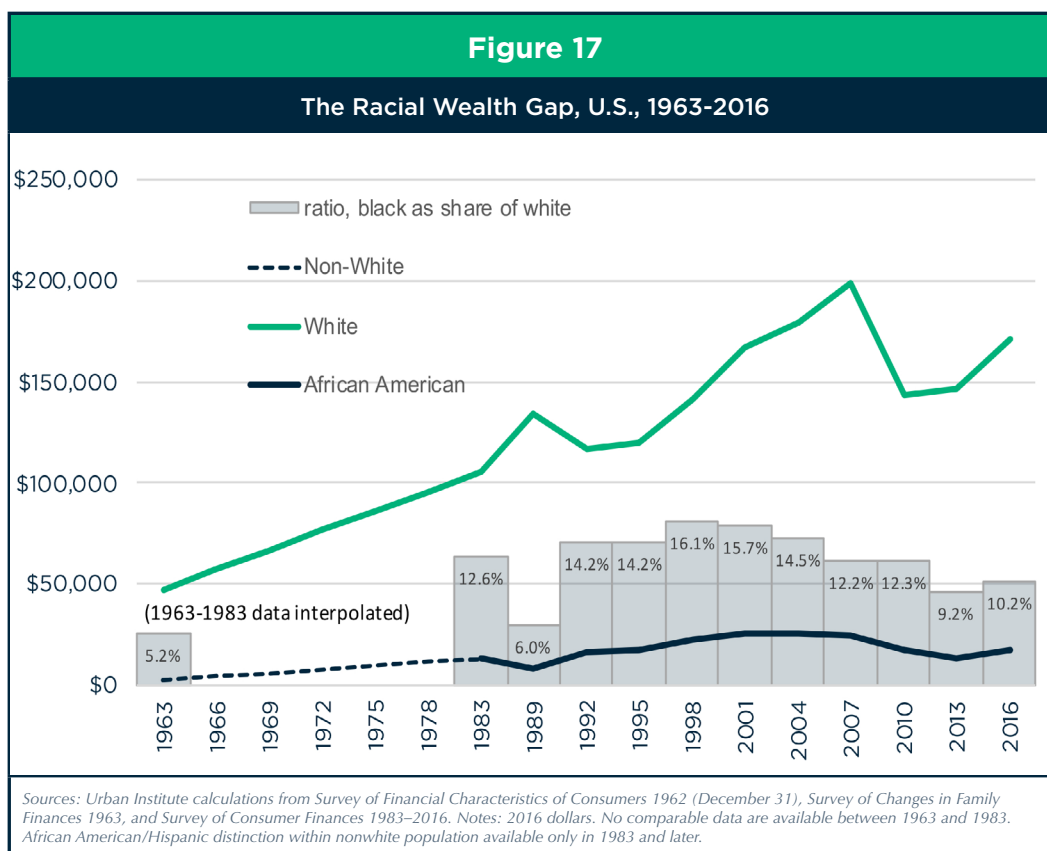


**7 WEALTH**

This pervasive combination of educational disadvantages, employment discrimination, and disparities in income and homeownership yields a wide and persistent racial wealth gap.<sup>63</sup> The racial wealth gap, in this respect, is both a consequence of historical patterns of disadvantage and discrimination, and a powerful source of disadvantage in its own right. Wealth, after all, is not just a distributional marker; it is also a key determinant of economic security, mobility, and opportunity. Wealth allows individuals and families to smooth out short-term volatility in income, to bolster future income through education and other investments in human capital, and to offer the next generation a “starting gate” advantage in the form of both home equity and other transfers (assistance buying a

home, paying for college, or starting a business) or inheritances.<sup>64</sup>

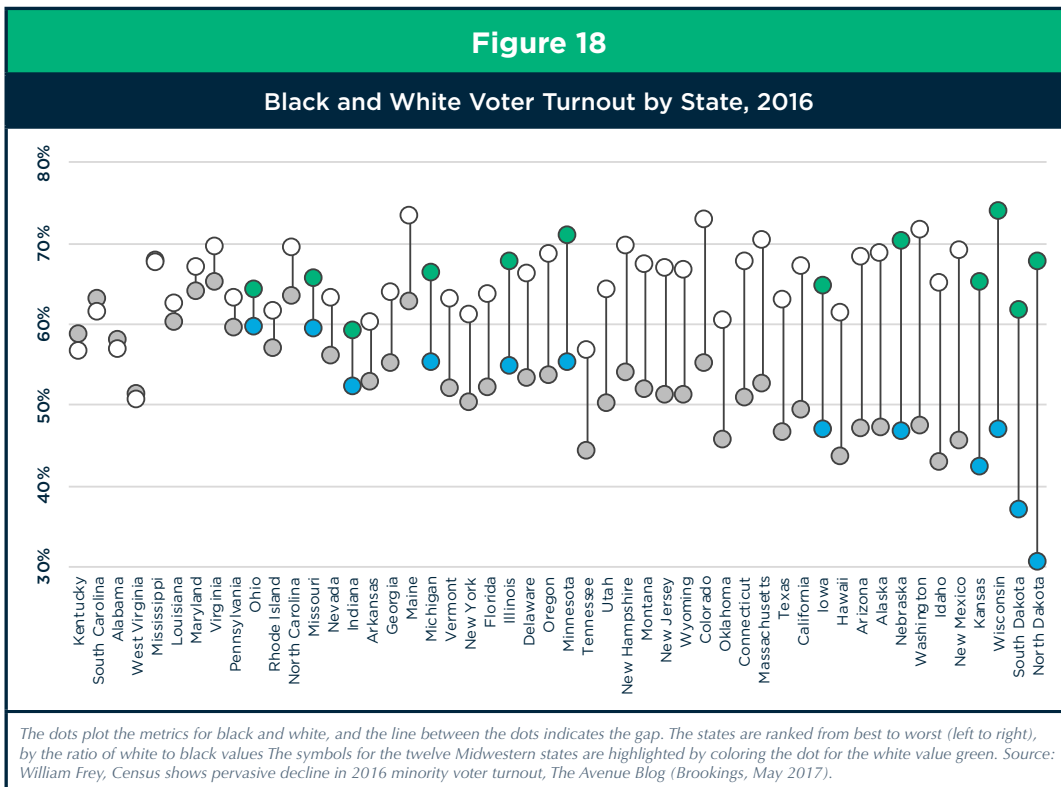
The racial wealth gap has persisted, despite modest relative gains in wages and incomes. Because data on family wealth is based on a small triennial national survey, it is not possible to report estimates of family or household wealth by state or region, but the racial gap in the national estimates is stark. As of 2016 (the latest survey), median African-American wealth, at \$17,409, was barely one-tenth of median white wealth (Figure 17). In the wake of the Great Recession, the median net worth of white families with children was just under \$78,000; the median wealth of black families with children was zero.<sup>65</sup>



8 VOTING

Finally, consider patterns of political participation. Addressing any or all of these disparities, to some degree, rests on ensuring that these disparities are politically visible and that those affected are fully incorporated into the political process. With the notable exception of the 2008 and 2012 Presidential contests (Obama’s election and reelection), African-American rates of registration and turnout have trailed those of whites.<sup>66</sup> These gaps reflect historical patterns of disenfranchisement, and the retreat from the Voting Rights Act in the wake of the Supreme Court’s decision in *Shelby County v. Holder* (2013). In recent years, 23 states (10 of these in the Midwest) have made significant changes to their voting laws. These include stricter voter ID requirements (IN, IA, KS, MO, ND, WI), initiatives to purge the voter rolls (IN, OH), curbs on voter registration (IL, IA, KS, NB, OH, WI), limits on early or absentee voting (IA, NB, OH) and stricter voting rights restoration policies for those formerly incarcerated (IA, SD).<sup>67</sup>

Rates of voter participation vary widely by race, region, and locality. Generally, participation gaps are narrowest where the black voting population is relatively large (indeed in some Southern states black registration and turnout exceeds that of whites), and widest where small, often segregated, populations have little political foothold. Participation, in turn, may be enhanced or dampened by political geography: gerrymandering of Congressional districts, or “at large” voting in local elections can effectively isolate or dilute the clout of voters of color. We see this pattern in the Midwest (Figure 18): there is a substantial turnout gap between white voters and black voters in North Dakota, South Dakota, Kansas, Wisconsin, Nebraska, and Iowa—six Midwestern states that crowd the bottom of the state rankings. In Midwestern settings where black populations are larger, and better incorporated into metropolitan and state politics (Missouri, Ohio, Michigan, and Illinois) the participation gap is narrower.



# Policy Options

Our assessment to this point is largely descriptive, underscoring the distinct regional patterns—and drivers—of racial disparity in the Midwest across several dimensions. This catalogue of inequality is important, of course, only if we propose to do something about it; to consider the prospects and potential for public policy to address or undo some of this damage. Our focus here is on state policy, for two reasons. First, differences across states reflect both different economic and demographic conditions, but they also represent different political choices. In an era of federal inaction and devolution, those choices can have profound consequences for state citizens. Such differences can be (and have been across our history) a powerful brake on universal or generous economic and social policies—a fact underscored by but not confined to the long rule of Jim Crow in the American South. At the same time, the importance of state policy yields an ongoing experiment (what Justice Brandeis famously called the “laboratories of democracy”) in policy design and assessment. Looking across states and over time, we can see what works and what doesn’t; who benefits and who doesn’t.

Framing such policies raises a number of important considerations. Some problems are best addressed with universal policies, that is, basic thresholds or public goods available to all without regard to one’s contribution or eligibility. Some problems are best addressed by targeted policies, especially when patterns of historical disadvantage or discrimination have eroded the equity or reach of policy. Such targets of assistance might be particular people (children, the elderly, the poor) or they might be particular places (high-poverty neighborhoods, for example). Targeted policies often make sense when the need is concentrated, or the resources limited. These are not, of course, discrete or exclusive approaches. One can think of universalism as embracing the goals or aspirations—such as living wages or high-quality early childhood education—that we harbor for all; targeting is a strategy for reaching those goals by recognizing the ways in which different people or groups of people are advantaged or disadvantaged.<sup>68</sup>

The choice of approach—targeted or universal—is also deeply political. Targeted policies must necessarily

define who is “deserving” of assistance, an exercise that invites invidious distinctions among those in need, and between those receiving assistance and those who are not—often caricatured as the “takers” and the “makers.”<sup>69</sup> Because universal policies can be pursued without such stigma, they are often more politically popular. This generates a tangle of mismatches between the effectiveness of policies and their political feasibility.<sup>70</sup> As we have seen in the recent history of both need-based cash assistance (welfare) and affirmative action, those interventions most likely to reduce poverty or close racial disparities are also those most likely to undermine ongoing political support for either goal.

In turn, we need to consider where our policy interventions will do the most good. In some cases, the emphasis might be on opportunity; public education, in this respect, has always been seen (or at least idealized) as a source of “starting gate” equality. In some cases, the emphasis might be on redistribution; on using social programs and the tax system to dampen inequalities generated by labor markets. And, in some cases, the emphasis might be on “predistribution;” on ensuring—through bargaining power and robust labor standards—that labor markets themselves generate equitable outcomes.<sup>71</sup>

And finally, it is important not to be distracted by what we have lost. A generation of devolution and deregulation rolled back the foundational policies of the New Deal but regaining that ground will only get us so far. Those labor, social insurance and social welfare policies were invented for a world of white male breadwinners and stay-at-home moms. They excluded many from the start, and—in important respects—are a poor fit for the world we live in now.<sup>72</sup> And those policies, deeply compromised by legislative concessions to the segregationist South, were at best indifferent to issues of racial equity.

Our policy recommendations are not particularly surprising or novel, and draw upon the research (and successes) of many state and national groups.<sup>73</sup> We focus here on key areas of policy, with close attention—in each instance—to current patterns of policy across the Midwest, and to the implications for racial equity.

# 1 EQUAL OPPORTUNITY

Across the states, the promise of public education is being eroded by the underdevelopment of quality pre-K programs, and by the slow collapse of budgetary support for K-12 schools and post-secondary institutions.<sup>74</sup> There is nothing remarkable about the Midwest in this respect. But given the region's prevailing patterns of racial and economic segregation, the consequences fall unevenly across racial lines. Affordable, high-quality early childhood education is a vital first step in ensuring equal opportunity, its importance multiplied for children whose parent or parents must work long hours to make ends meet.<sup>75</sup> Many states, including Iowa and Wisconsin in the Midwest, have expanded access to public pre-K programs in recent years, but budgetary commitments have lagged and access to quality programs remains starkly stratified by race.<sup>76</sup>

Faltering public investments in our public schools, in turn, increasingly stratify educational opportunities—widening racial disparities rather than closing them. Black people make up just 10 percent of the Midwest's population, but over 15 percent of public school enrollment—a reflection of both age distribution by race, and much higher rates of private school enrollment for white children.<sup>77</sup> Such disparities are even sharper in the region's large metropolitan areas—where racial segregation in schools and neighborhoods reinforce one another, where white families have abandoned the public school system in much larger numbers, and where opportunities vary widely within districts and within schools. In the Chicago Public School system, for example, black students make up 37.7 percent of the student population but occupy almost 70 percent of the seats in schools that have failed the District's school quality rating (white students make up about 10 percent of CPS school population but occupy only 1.7 percent of failing seats).<sup>78</sup> In Greater St. Louis, school quality and racial composition go hand in hand; as of 2014, over 40 percent of African American students—compared to just 4 percent of white students—were enrolled in districts which had lost their state accreditation.<sup>79</sup>

These uneven opportunities persist into higher education, again compounded by the retreat of public commitments. The cost of attending a public 4-year institution has more than doubled in most settings since 1991, and tuition now

makes up the largest source of revenue at most “public” institutions.<sup>80</sup> Facing these rising costs, black students are more likely to go into debt in the pursuit of a degree, and more likely to struggle with loan payments once they graduate.<sup>81</sup> Because black college enrollees are, on average, older and more likely to have work or family obligations, they are less likely and able to attend traditional four-year institutions. Indeed, black high-school graduates are under-presented at flagship public institutions and over-presented at for-profit institutions.<sup>82</sup>

Public education should close economic and racial disparities, not replicate them or make them worse. For this to happen, we need to pull on two important policy levers. First, we need to ensure that our investments—at all levels of education—are sufficient. Underfunding not only diminishes the quality of education but, by sustaining patterns of segregation and by inviting or encouraging the well off to choose private options, it widens the opportunity gap. In this respect, state school funding formulas which merely patch over disparities in local revenues have proven insufficient—both because the per student threshold is too low, and because “equal” funding, in settings of starkly unequal needs, get us no closer to equitable outcomes. This challenge is captured in the raft of recent state-level legal battles over the constitutional right to both an adequate education, and to the civic benefits (free assembly, free speech, equal protection) that flow from a strong public commitment to education.<sup>83</sup> Higher baselines of adequate funding should be accompanied by funding formulas which are weighted to account for different school- and district-level challenges.<sup>84</sup>

Second, these disparities are generated across schools or school districts, but—as the achievement and discipline data suggest—they are also generated within schools. Racial equity in schools rests in large part on school- or classroom-level policies and practices. These include the use of school assignment and school boundary policies to combat segregation, ensuring open and equitable access to advanced placement and other enrichment opportunities, redoubling efforts to train and retain a diverse teaching workforce, and implementing alternative discipline models aimed at more preventative and positive interventions.<sup>85</sup>



## 2 PAY EQUITY

Closing the racial wage gap requires interventions on at least three fronts. First, we need to close the opportunity gap; addressing educational disparities (as sketched above) will ripple forward, improving economic opportunities and early-career wages. Second, we need to raise the wage floor for all workers. And third, we need to address deep and pervasive patterns of labor market discrimination.

American labor standards have a fraught racial history. At the establishment of the national minimum wage in 1938, concessions to Southerners in Congress (exempting domestic and agricultural employees) left much of the black force unprotected by the law.<sup>86</sup> As occupational coverage slowly expanded, the benefits to black workers were dramatic.<sup>87</sup> Today, black workers—in the nation and in the Midwest—would see a similar benefit from a higher and more universal minimum. Black workers are more likely to work in those jobs that would see a direct or secondary effect from a higher minimum, and they are less likely to work in states or cities where the minimum is higher than the federal rate.<sup>88</sup> Nationally, black people account for about 12 percent of the workforce, but almost 17 percent of those workers who would be affected. By one estimate, a national minimum of \$15.00/hr by 2024 would boost the paychecks of over 40 percent of black workers, the majority of those women.<sup>89</sup>

As it stands, the minimum wage sets an inadequate and uneven “floor” for low-wage workers, failing to either sustain decent living standards,<sup>90</sup> or fairly compensate workers for higher educational attainment and increased productivity.<sup>91</sup> And, after decades of experimentation with higher minimums in many states and cities, we know that higher rates can raise the earnings and living standards of low-wage workers, lower the poverty rate, and close wage inequality—all with no discernible impact on employment or growth.<sup>92</sup> The stagnation of the federal minimum (not raised since 2009) has spurred a number of states and localities to act, but the record in the Midwest (Table 2) is mixed. Nationally, 21 states are stuck at \$7.25 and five of these (IA, IN, KS, ND, and WI) are in the Midwest.<sup>93</sup> In turn, seven states in the Midwest (IA, IN,

KS, MI, MO, OH, and WI) prohibit or “pre-empt” cities or counties within their borders from adopting higher rates.

On this point, the policy prescription here is clear: We need to raise the minimum wage to a “living wage” threshold, index the higher minimum to the cost of living, and eliminate lower rates for workers who receive tips, working people with disabilities and younger workers. And we need to kill preemption of local experimentation. Just as the federal minimum wage serves as an effective foundation for higher rates in many states, so should state minimum wages be a floor—and not a ceiling—for local labor standards.

More broadly, of course, the best route to robust labor standards is to empower working women and men to bargain for them. Building union density in the public and private sectors would benefit all workers, while helping to close the racial wage gap. Black workers who belong to a union enjoy a 16.4 percent wage premium over their non-union counterparts—an advantage that is

**Table 2**

**Minimum Wage Rates and Preemption Laws in the Midwest, 2019**

	Minimum Wage	Preemption
Illinois	\$8.25	
Indiana	\$7.25	2011
Iowa	\$7.25	2017
Kansas	\$7.25	2013
Michigan	\$9.25	2015
Minnesota	\$9.86	
Missouri	\$8.60	2015
Nebraska	\$9.00	
North Dakota	\$7.25	
Ohio	\$8.55	2016
South Dakota	\$9.10	
Wisconsin	\$7.25	2005

Green indicates state minimum wage above the federal minimum. Source: Department of Labor (<https://www.dol.gov/whd/minwage/america.htm>) and Economic Policy Institute (<https://www.epi.org/preemption-map/>)

even more pronounced for black men (19.3 percent), and black workers in low-wage occupations (18.9 percent).<sup>94</sup> Important, in this respect, is not just respect for collective bargaining and workers' rights, but the potential for new modes of organizing (such as the sectoral bargaining modelled by the "Fight for 15" movement and the recent wave of teachers' strikes) to deliver broad and sustainable gains in worker compensation and security.<sup>95</sup>

Finally, we need to address labor market discrimination. Racial and gender wage gaps persist across all levels of educational attainment, underscoring the role of discrimination in shaping opportunity and outcomes. In this respect, union representation closes the racial

wage gap not just because (like minimum wage) it raises the floor, but because the terms and transparency of collective bargaining close off avenues for unequal treatment. Combatting racial wage disparities requires close attention to the myriad ways in which racial discrimination continues to shape recruitment, hiring, wage-setting, and promotion.<sup>96</sup> Here, one of the most effective policy options is simply to make these forms of discrimination more visible and discernible by promoting pay transparency (in the Midwest, IL, MI, and MN all prohibit "pay secrecy" clauses in employment contracts<sup>97</sup>) and collecting better data on rates of pay and worker demographics.

### 3 MAKING WORK POSSIBLE

Our public policies increasingly reward or require employment, yet at the same time fall far short of making employment possible or realistic for many adults—and especially parents. Work-life balance—the ability to meet both employment and family obligations or expectations—depends upon an array of private and public resources and policies, including paid family leave, affordable high-quality childcare and fair scheduling of work hours.

Paid leave has clear and demonstrable benefits for children, for parents, for employers, and for the broader economy and society. It promotes early childhood development and health; allows adults with parental or caregiving responsibilities to maintain attachment to the labor market; and, at little cost, improves retention, productivity and labor force participation.<sup>98</sup> Yet access to paid leave is fragmented and uneven. Only seven states have laws on the books that allow workers to take paid leave for the birth or adoption of a child, for caregiving responsibilities, or for their own serious illness. None of these states (CA, NJ, RI, WA, DC, NY, MA) are in the Midwest and indeed seven (IA, OH, MI, MO, IN, KS, WI) of twelve Midwestern states prohibit local governments from enacting such laws in the absence of state action.<sup>99</sup> Some employers offer paid leave but, because generous private benefits tend to follow high-wage jobs and high-skill workers, private provision widens compensation and

racial disparities. According to the latest data (March 2018), only 16 percent of private sectors workers have access to paid family leave, a share that falls to 12 percent in the Midwest (the lowest regional rate).<sup>100</sup>

Here again, the prospect (or failure) of universal provision has profound racial implications. For a variety of reasons—including employment discrimination—African American workers are disproportionately represented in occupations and sectors where such benefits are rare. Other economic disparities—in wealth, saving, and home equity, for example—make it harder for working families of color to weather the costs (including lost wages) of family responsibilities. And racial disparities in health care access and health outcomes make access to paid leave more urgent and more impactful.<sup>101</sup> Unfortunately, all of these disadvantages also make it less feasible and less likely for low-income workers to take-up paid leave when it is offered. Only about a quarter of those eligible for California's paid leave program (which pays a replacement wage of about two-thirds) take advantage of the program, and these rates fall with family income.<sup>102</sup>

A more important and impactful policy intervention—as a source of work-life balance, labor market attachment, and racial equity—would be ensuring the availability of high-quality, low-cost child care options.<sup>103</sup> Here, states can (if

they choose) bolster federal programs and commitments by setting higher income thresholds for subsidized care, and supplementing federal dollars (via TANF, Head Start, or child care assistance) in order to ensure that eligible families are not languishing on waiting lists. And stronger state commitments to universal pre-K benefit not only 3- and 4-year olds, but their parents as well.<sup>104</sup>

In turn, access to quality childcare or pre-school means little if working parents are struggling with inconsistent and unmanageable work schedules.<sup>105</sup> Split shifts and “just in time” scheduling effectively shuffle the costs of uneven demand onto the backs of workers. These practices are especially prevalent in occupations and

sectors—retail, service, part-time—in which workers of color are over-represented. And they are especially burdensome for workers who are the sole source of household income, or who face significant transportation burdens.<sup>106</sup> Some jurisdictions (cities and states) have responded with reporting pay laws (which require employers to pay workers for a minimum number of hours each shift) or “right to request” laws (which ensure fair notice of scheduling changes and give workers the right to request schedule changes without retaliation). While such fair scheduling laws now cover almost 2 million workers, their reach does not extend into the Midwest.<sup>107</sup>

## 4 RESTRINGING THE SAFETY NET

While participation in the labor market is the core expectation of our social and economic policies, it is not always a reliable source of security. For some, personal circumstances—disability, family obligations, poor health—make it a challenge to support themselves and their families. For some, economic circumstances—a downturn in the business cycle, the paucity of local opportunities in our deeply-segregated cities—make the labor market an unreliable source of security. And, for too many, even full time employment yields earnings insufficient to meet basic needs.<sup>108</sup> Our social insurance and social assistance policies (including Temporary Assistance for Needy Families [TANF], Unemployment Insurance [UI], Supplemental Nutrition Assistance Program [SNAP], and the Child Care and Development Block Grant [CCDBG]) are supposed to meet these challenges—meeting the needs of working families in tough times, and achieving broader social goals in the bargain.<sup>109</sup> These programs are woefully inadequate, as described below. Nonetheless, nearly twice as many people would be in poverty without our safety net and work support programs and children who receive these benefits have lifelong improvements in their health and educational outcomes, compared to similarly situated children who are denied them.<sup>110</sup>

The promise of American social provision has always been deeply compromised. Even at its most robust the

American welfare state was notable for its fragmented and categorical coverage, its gaps in coverage, its deference to private labor markets, and its reliance on a complex set of fiscal and administrative relationships between federal, state, and local governments. At its roots, this unevenness was racially motivated—a concession won by Southern Democrats during the New Deal to ensure that African-American were either excluded or offered much sparser assistance.<sup>111</sup> Some of these racial disparities were closed by the Great Society and the civil rights movement, but almost immediately (and in part in response to these gains), political pressure mounted to “end welfare as we know it” by slashing benefits, devolving policy and administrative authority back to the states, and tightening conditions (especially work requirements) on receipt.<sup>112</sup>

In short, the principal goal of welfare is now to enforce work and family values among the poor, and these “reforms” have produced (or widened) disparities in provision across states and across populations within states.<sup>113</sup> While the leanest assistance (in terms of the benefit levels and the share of the poor served) is still in the South, Midwestern states have made deep cuts and diverted an increasing share of their federal TANF grant away from basic assistance (Table 3). Only one state in the region (SD) devotes more than a quarter of its federal TANF grant to direct cash assistance. In only one state

(MN), do more than a quarter of income-eligible families receive assistance. And, for those receiving assistance, the benefit falls far short of lifting family incomes to even half the federal poverty levels. All of this falls most harshly on African Americans, as the new welfare regime tends to compound other forms of discrimination and segregation rather than ameliorate them.<sup>114</sup> The state and local discretion that came with devolution yields stark racial disparities in the receipt of benefits and the treatment of beneficiaries.<sup>115</sup>

The solution is not only a more robust and generous safety net, but fiercer attention to racial equity within across and within its programs. Social assistance is a commitment to basic opportunity and human dignity; and to the understanding that supporting those most in need is both a moral imperative and a good investment of public dollars.<sup>116</sup> Participation in the labor market is a laudable contribution, but—as our earliest forms of assistance to single parents underscored—so is not participating in the labor market in order to care for the next generation.<sup>117</sup> We need to return to that premise, by setting higher federal standards for basic benefits, and walking back from the increasingly punitive expectations and sanctions that diminish and demean the receipt of assistance.

## 5 COMBATTING DISCRIMINATION

Racial disparities in basic economic and social outcomes or positions reflect the lasting impact and consequences of historical racial segregation and discrimination. The racial wealth gap, for example, stems in large part from the hurdles to homeownership and the accumulation of home equity faced by African American families across most of the last century.<sup>118</sup> The success or economic mobility of children rests almost entirely on the advantages (or disadvantages) conferred by their parents and the neighborhoods in which they grow up.<sup>119</sup> Discrimination does not just shape wealth, income, and economic opportunity; it also passes disadvantages on from one generation to the next.

These disparities also reflect the impact of current and ongoing patterns of discrimination. Although federal and state law prohibit discrimination on the

**Table 3**

**TANF and Cash Assistance in the Midwest**

	Cash assistance as share of all TANF spending	Share of poor families receiving TANF**	TANF benefit as share of federal poverty level*
Illinois	4%	13%	25%
Indiana	3%	7%	17%
Iowa	16%	20%	25%
Kansas	8%	9%	25%
Michigan	11%	12%	28%
Minnesota	17%	47%	31%
Missouri	12%	14%	17%
Nebraska	25%	21%	26%
North Dakota	13%	9%	28%
Ohio	22%	24%	28%
South Dakota	47%	20%	36%
Wisconsin	15%	20%	38%

Source: CBPP, TANF Benefits Remain Low Despite Recent Increases (January 2019); <https://www.cbpp.org/research/family-income-support/tanf-benefits-remain-low-despite-recent-increases-in-some-states> Source: Department of Labor (<https://www.dol.gov/whd/minwage/america.htm>) and Economic Policy Institute (<https://www.epi.org/preemption-map/>) \*TANF benefit levels for a single-parent family of three \*\*Number of poor families with children receiving TANF for every 100 such families.

basis of race, color, religion, sex, and national origin, such discrimination—in housing, employment, criminal justice, voting, and other realms—is widespread and well-documented.<sup>120</sup> And such discrimination is often compounded: housing segregation constrains the equitable distribution of the resources essential to a high-quality education; unequal educational opportunities yield unequal economic opportunities; and racial disparities in the justice system shape labor market prospects.

While overt and actionable acts of employer bias are not uncommon, workplace discrimination stems largely from forms of implicit bias deeply embedded in workplace culture, practices, and decision-making. As a result, antidiscrimination law—even robustly enforced—offers meager remedies or disincentives.<sup>121</sup>

State and federal civil rights laws have enormous potential to identify and ameliorate these forms of discrimination. But that potential rests on the ability and willingness to enforce the law. The Trump Administration has actively sought to both rein in enforcement and narrow the scope of those protected.<sup>122</sup> And state laws—which can amplify federal protections and extend them to more citizens—are both uneven and unevenly enforced. Consider the progress of “ban-the-box” fair hiring laws, which regulate the use of background checks and criminal histories by employers. Thirty-three states have adopted ban-the-box or fair chance hiring practices (including all but IA, ND and SD in the Midwest), but only a handful (and only Minnesota in the Midwest) extend the same rules to private employers.<sup>123</sup>

More broadly, the capacity of states to address discrimination, especially in employment, has been undermined by deep cuts to the state agencies charged with this task. Most states have a Civil Rights or Human Rights Commission; some of these began as fair employment practices agencies and are still housed in departments of labor or workforce development; some

have a broader mandate. These agencies are responsible for the enforcement of state civil rights law, and most have “work-sharing” agreements with federal agencies and assist in local enforcement of federal law. Over the last decade, civil rights enforcement agencies in every Midwestern state have seen state appropriations dwindle (Table 4). In real (inflation adjusted) dollars, funding for these agencies across the Midwest has fallen by over 20 percent since 2008-09, with especially steep cuts in Kansas (57 percent) and Iowa (37 percent). In Ohio, these cuts have eliminated more than half of that state’s Commission staff since 2000.<sup>124</sup>

As federal civil rights efforts languish, it is all the more important that state laws and state agencies pick up the slack. We need to extend civil rights protections where federal law falls short (on issues such as fair hiring). We need to ensure adequate funding for civil rights enforcement in the states, without which “universal” policies cannot live up their promise. And such policies are especially important in the Midwest, where—as we have seen—background disparities and patterns of private discrimination are particularly acute.

Table 4

## Funding for State Civil Rights Commissions, 2008-09 and 2018-09

	2008-09	2018-19	cut (\$)	cut (%)
Illinois Human Rights Commission	\$ 2,421,360	\$ 2,140,000	\$ (281,360)	-11.6%
Iowa Civil Rights Commission	\$ 1,823,892	\$ 1,146,631	\$ (677,261)	-37.1%
Indiana Civil Rights Commission	\$ 2,580,577	\$ 2,206,622	\$ (373,955)	-14.5%
Kansas Human Rights Commission	\$ 2,437,665	\$ 1,047,110	\$ (1,390,555)	-57.0%
Michigan Civil Rights Commission	\$ 14,433,406	\$ 13,022,100	\$ (1,411,306)	-9.8%
Minnesota Department of Human Rights	\$ 8,236,400	\$ 5,607,000	\$ (2,629,400)	-31.9%
Missouri Human Rights Commission	\$ 2,047,713	\$ 1,754,726	\$ (292,987)	-14.3%
Nebraska Equal Opportunity Commission	\$ 1,620,507	\$ 1,222,290	\$ (398,217)	-24.6%
North Dakota Human Rights Division*				
Ohio Civil Rights Commission	\$ 4,750,097	\$ 3,818,340	\$ (931,757)	-19.6%
South Dakota Division of Human Rights*				
Wisconsin Equal Rights Division	\$ 6,460,382	\$ 4,963,600	\$ (1,496,782)	-23.2%
<b>TOTALS</b>	<b>\$ 46,811,999</b>	<b>\$ 36,928,419</b>	<b>\$ (9,883,580)</b>	<b>-21.1%</b>

Source: Commission or Division Annual Reports; State Budget documents. \* ND and SD agencies are divisions of the State labor or workforce development and do not have detailed budget breakdown



## 6 SAVING PLACES

Addressing racial disparities requires both universal and targeted policies.<sup>125</sup> And targeted policies, given the history and patterns of economic and racial segregation, need to take aim at both people and places. Place-based policies are essential to addressing both the legacy and consequences of segregation, and the compounding “neighborhood effects” of concentrated poverty or isolation—which so decisively shape economic and educational opportunity, family stability, safety, and health. The obstacles here are steep. Public policies played a key role in the historical processes of housing segregation and discrimination. In the current moment, the political commitment and resources necessary to repair the damage and provide more equitable outcomes are weak. Enforcement of fair housing, community reinvestment, and antidiscrimination law is an essential first step in this respect, but even the most robust commitment to civil rights cannot remove the original disadvantage—the yawning inequality and opportunity gap created in the decades before the law offered any pretense of equal protection in local settings.

The task here is twofold: First, we need to pursue policies that will improve neighborhoods, for the benefit of those who live in them. State and local inclusionary zoning

policies have the potential to “de-concentrate” poverty by chipping away at exclusionary patterns of land use and zoning.<sup>126</sup> Economic development policies can be carefully calibrated to focus subsidies on transit-accessible, mixed-skill employment opportunities or investments.<sup>127</sup> Targeted investments in local housing revitalization and community anchors (schools, community centers) can help to overcome decades of policy-driven disinvestment. And, all of this—on equity and environmental grounds—must be accompanied by an end to development policies that subsidize or incentivize sprawl.

Second, we need to make it easier—for those who choose—to get out of troubled or failing neighborhoods. A generation of experience with housing vouchers underscores the potential of such policies to facilitate mobility, improve economic and educational outcomes, and battle intergenerational poverty.<sup>128</sup> Robust investments in public transportation could dramatically diminish the economic disadvantage of living in neighborhoods of concentrated poverty, making regional opportunities more accessible and narrowing the “spatial mismatch” between neighborhoods and jobs, and between neighborhoods and social services.<sup>129</sup>

## 7 EQUITY & SECURITY

Much is to be gained by pursuing equity in education, by raising labor standards, by recalibrating our social policies for 21st century work and families, by enforcing our commitments to equal rights, and by reinvesting in our cities and neighborhoods. But none of this erases the sustained historical disadvantages faced by African Americans or the sustained historical advantages enjoyed by white Americans. Those advantages and disadvantages are calcified in the racial wealth gap, which continues—in stark and fundamental fashion—to stratify opportunity and outcomes. Many of the disparities touched on above—in education, employment, income, homeownership, etc.—are largely artifacts of this wealth

gap. If we cannot close that gap, those disparities may persist despite our best efforts on other fronts.<sup>130</sup>

The task, on this front, is threefold. First, we need to put in place policies and mechanisms that will enable African Americans to build wealth; that will chip away at “the unequal and unfair distribution of inherited advantage.”<sup>131</sup> The provision of “baby bonds” could do much to even out the starting line by providing modest assets, at birth, which can then be used in early adulthood to pay for education or a home purchase.<sup>132</sup> Down payment assistance or home value insurance for first-time homebuyers living in formerly “redlined” or currently

segregated neighborhoods could help to secure and sustain neighborhood investments.<sup>133</sup> And the provision of portable, universal retirement accounts or state-level supplements for social security could do much to even out the stark racial divide in retirement security.<sup>134</sup>

Second, it is important not just to help families build savings and assets but also to remove the obstacles and penalties faced by many low-income families. The housing boom and bust underscored the costs and risks of predatory mortgage lending. State and federal policies should focus on ensuring inclusive lending and calming volatility in the secondary mortgage market.<sup>135</sup> More broadly, communities of color are disproportionately impacted by “banking deserts” and the predatory institutions such as payday lenders that fill the void. Federal or state governments can offer public banking options (such as postal banks) and regulate the terms of payday, car title, and other high costs installment loans.<sup>136</sup>

And third, we need to address the disproportionate advantages accrued by white families (especially wealthy white families) under current tax law. The mortgage interest deduction costs upwards of \$60 billion dollars a year (2018), more than the annual budget for the Department of Housing and Urban Development.<sup>137</sup> And—because it is an itemized deduction, covering interest on loans up to \$750,000—its benefits flow almost exclusively to those who need it the least.<sup>138</sup> While far fewer taxpayers claim itemized deductions since the 2018 tax bill increased the standard deduction and capped deductible state and local taxes, mortgage interest deductions are now even more concentrated among high income taxpayers. This is but one example of the ways in which the tax system—especially in the wake of the 2018 tax cut—widens the wealth gap. By one estimate, fully 43 percent of the benefits of the 2018 tax cuts flow to white taxpayers in the top 5 percent of earners; all black taxpayers, by contrast, claimed just 5 percent of the net benefit.<sup>139</sup>

# Conclusion

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In August 1963, on the steps of the Lincoln Memorial, Martin Luther King opened his “I Have a Dream” address with a stark reminder of historic and ongoing racial injustice: “America has given the Negro people a bad check, a check which has come back marked insufficient funds,” he explained, adding that “we refuse to believe that the bank of justice is bankrupt . . . that there are insufficient funds in the great vaults of opportunity of this nation.” More than half a century later, that debt is starkly and painfully evident in the racial disparities documented above. Those disparities reflect in part the long shadow of past injustice; including not just slavery, but the broken promises of Emancipation, the terror of Jim Crow in the South, and the elaborate architecture of racial segregation in the urban North. But they also reflect ongoing patterns of discrimination or unequal

advantage—what some have characterized as “the hidden rules of race” or the “hidden costs of being African-American.”<sup>140</sup>

Focusing on the twelve states of the Midwest, this report documents those disparities, their causes, and their consequences. And, more importantly, it maps out a policy agenda which takes those disparities seriously; which views racial equity as a fundamental goal. Pursuing that goal requires addressing the political and policy roots of the insecurity and inequality that shape the lives of most working families. But it also requires that “universal” policies be accompanied by careful attention to patterns of discrimination within those policies, by close and targeted attention to people and places that those policies—even at their most robust—have left behind.

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