

Federal policies toward eliminating the wealth gap between Whites and Hispanics

Edith S. Baker

The average Hispanic family now has about one-sixth as much wealth as the average white family. Worse, with wealth inequality in general growing, there is little likelihood that the growing white–Hispanic wealth gap will shrink in the near future. Indeed, some economists maintain that, without policy changes, the gap will not close for *centuries*—if it even closes at all. And the gap seems impervious to intuitively obvious remedies such as increases in education (for example, earning a college degree). Economists have found that even accounting for other factors—financial choices, transfers of wealth from parents or grandparents to children or from aunts and uncles to nieces and nephews, and just plain luck—fails to explain the gap.

So says Eric Rodriguez in “[Addressing the wealth gap for Hispanic families](#)” (Federal Reserve Bank of St. Louis Review, first quarter 2017). Rodriguez, vice president of the Office of Research, Advocacy and Legislation of UnidosUS, formerly the National Council of La Raza, points to that organization as an agent of change “through policy advocacy and programs in several areas, including education, health, housing, and financial inclusion” that has made a difference in achieving equity and improving opportunities for Hispanics for nearly 50 years. Yet, more change is needed if Hispanics are to move further toward achieving parity in wealth with Whites. The role of UnidosUS will become increasingly important as the nation experiences a demographic shift in which a growing Hispanic population becomes ever more influential in the economic and cultural life of the United States. Rodriguez cites three trends and one barrier that will characterize the Hispanic population over the coming decades:

- The United States will be a majority minority nation by 2044.
- The Hispanic population, which now numbers nearly 57 million, will make up a large proportion of U.S. population growth over the next few decades.
- The Hispanic population is young, so the nation’s “education and workforce pipeline” over the coming decades will be increasingly made up of Hispanic students and workers.
- As they navigate through school and through labor and financial markets, many Hispanics will persistently be faced with having to contend with their immigration status.

If our nation is to prosper, says Rodriguez, we must make sure that the Hispanic community shares in that prosperity. Doing so, however, means overcoming a \$128,200 wealth gap that existed in 2013, when median net worth was \$141,900 for white households and \$13,700 for Hispanic households.

Citing a number of sources, Rodriguez shows that, although Hispanics have made great progress in education since 1990, enough disparities remain that further improvements in education alone are unlikely to close the

wealth gap. Instead, he suggests several federal policies in areas other than education that can “build on recent socioeconomic gains to help lead the nation toward greater economic equity,” including equity for Hispanics:

- *Restore the value of the minimum wage.* Raise the minimum wage nationwide to \$15 per hour by 2020.
- *Expand access to refundable tax credits.* Expand eligibility for the Earned income Tax Credit.
- *Enhance Hispanic retirement security.* Provide access to individual retirement accounts for workers whose employers do not sponsor a retirement plan.
- *Increase access to safe financial products.* Introduce legislation and regulatory actions to shield individuals from predatory and discriminatory lending practices and financial products.
- *Enact comprehensive immigration reform.* Grant legal status and citizenship to undocumented immigrants, a move that would enable them to earn more and contribute more in taxes than they do in their current situation.
- *Enable Hispanic home ownership.* Reform the housing finance system to ensure that Hispanic households are able to enter the mortgage market.
- *Ensure effective implementation of the Every Student Succeeds Act.* See to it that this law [introduced in December 2015], which “takes important steps to ensure equitable achievement among students,” including 13 million Hispanic students, is “implemented effectively, enhances accountability and achievement, and results in more students ready to succeed in college and career.”

According to Rodriguez, action on these policy proposals by national, state, and community leaders would go a long way toward addressing longstanding inequities confronting Hispanic households—and a stronger Hispanic community is an investment in a stronger America.