Coronavirus and Racial Wealth Inequality: How Will the COVID-19 Pandemic and Recession Affect the Racial Wealth Gap in the United States

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PUBPOL 490S Racial Wealth Gap
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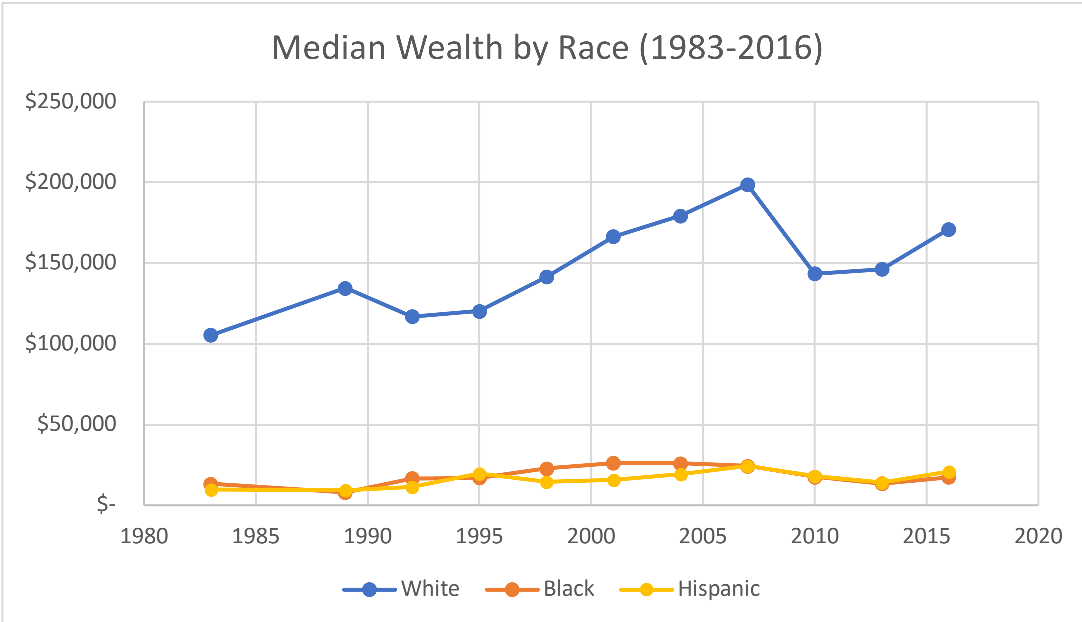
1. INTRODUCTION

Wealth is both a safety net and a trampoline. It provides security from economic shocks and allows people to take risks that could propel them to wholly new economic level. It is through wealth that children are sent to college, emergency hospital bills are paid, and, most importantly, generations sustain. Therefore, the importance of wealth in a recession is clear. When people lose jobs, wealth is the security blanket that allows a family to survive until the tide turns. Wealth also builds wealth; whether through increases in property values or stock values, existing wealth is vital to creating more wealth.

However, wealth inequality is growing rapidly in America. The wealthiest 10 percent of American families now hold 70 percent of total American wealth. The least wealthy half of America controls 1.3 percent of total wealth (Rabouin, 2019). While total wealth has increased over the past 50 years, growth has been at dramatically different rates. In fact, the median wealth of families closest to the bottom, those at the 10th percentile of the wealth distribution, has decreased from zero to $1000 in debt. There have been modest increases in the wealth of those in the middle, the 50th percentile, that have seen their wealth more than double. However, the median wealth of families near the top, those in the 90th percentile, has increased by a factor of five. Income inequality is certainly a component in this equation; median family income of those at the top has increased by nearly 90 percent, while income of the median American family has increased only 30 percent. The income of families at the bottom has increased by less than 10 percent (McKernan et al., 2017). However, while income inequality is concerning and must be addressed, wealth is far more unequal. Income is earned annually in the labor market. Wealth, in contrast, can be passed down from generation to generation.

The unequal distribution of wealth is not just an issue of class, it is an issue of race. While the median white family's wealth has increased by nearly 70 percent since 1983, the median black family's wealth has increased by just over 30 percent (Graph 1). This disparity is present at both ends of America's economic spectrum. White households living near the poverty line possess $18,000 in wealth, while black households near the poverty line have a median wealth approaching zero. Meanwhile, black households are only 2 percent of the top one percent of American families by wealth. In contrast, white families make up 96 percent of the top one percent of wealth holders (Darity et al., 2018). Latino (or Hispanic) families have similarly low levels of wealth. While the median Latino family's wealth has increased more significantly over the past 30 years than that of the median black family, it is still just over $20,000. The effects of this wealth inequality are wide ranging and unsolvable by many traditional methods of economic elevation (Darity et al., 2018). The intergenerational nature of wealth makes individual actions moot in the face of entrenched historical disadvantages.

Graph 1



Data from the Federal Reserve System Survey of Consumer Finances

There are several factors that have created this extreme disparity. The origins of the racial wealth gap lie in slavery and the economic conditions black Americans were thrust into when they were finally freed from bondage. When General William T. Sherman marched throughout the South in the final stages of the Civil War, he promised 40 acres and a mule to every formerly enslaved individual. However, that reparation was never truly given to former slaves, resulting in an absence of wealth from the beginning of independent black economic history. The following 100 years of American history is a history of black disenfranchisement and harassment. Numerous thriving black communities were dismantled by acts of white terrorism across the country, from Tulsa, Oklahoma to Wilmington, North Carolina (Darity and Mullen 2020). Everywhere else, blacks were discriminated against and usually limited to extremely low paying jobs like sharecropping.

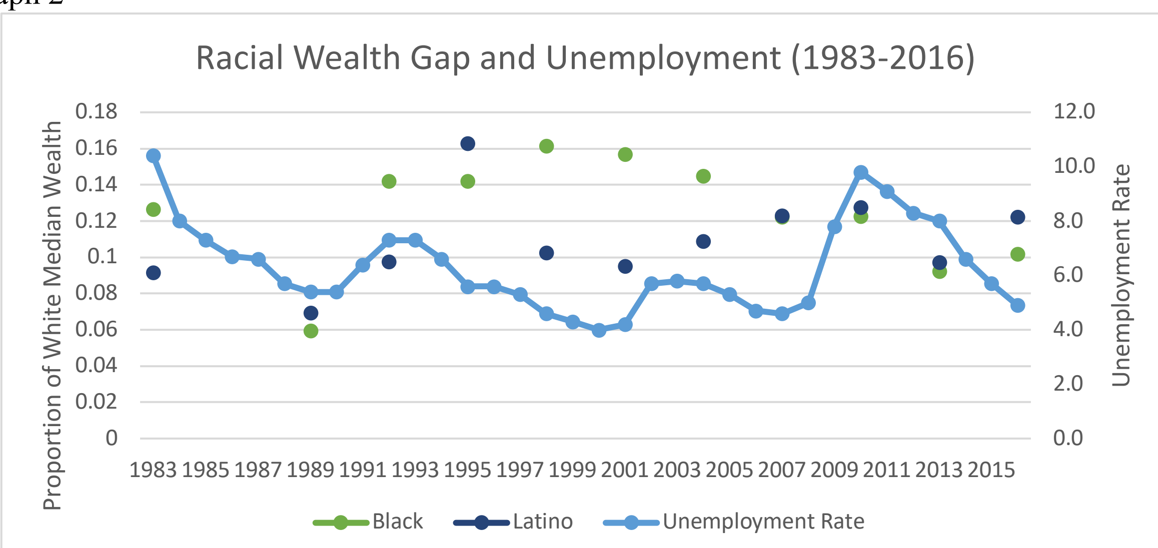
Another key factor producing the racial wealth gap is the history of mortgage discrimination that made the path to home ownership significantly easier for whites and nearly impossible for blacks. Black Americans could not build wealth as effectively through home ownership or benefit from the many tax benefits that come with home ownership; such as Proposition 13 in California, which froze the property values at their level when the home was bought, only allowing 2% increases annually. Furthermore, the segregation and discrimination within the labor market means that blacks are less likely to work jobs with higher wages and better benefits. (Weller and Hanks, 2018). Discrimination and disenfranchisement has restricted the upwards mobility of black families. The racial wealth gap is born out of historical processes that have only been accentuated by current policies.

2. RACIAL WEALTH AND RECESSION

2.1. Relationship between the Racial Wealth Gap and Unemployment

One method to examine the effects of a recession on the racial wealth gap is by looking at how wealth inequality corresponds to traditional economic indicators, such as real GDP growth or unemployment. Due to the scarcity of data regarding median racial wealth, a proper quantitative analysis of the correlation between the racial wealth gap and unemployment cannot be performed. There is also danger in looking at the racial wealth gap simply by the dollar difference in median wealth. Calculating a wealth ratio, the proportion of black and Latino wealth compared to white wealth, can be used more effectively to compare across years. Although we cannot find an R value for correlation, Graph 2 displays a mild inverse correlation between the ratio of black wealth and unemployment. As unemployment consistently decreased from 1992 to 2001, the black wealth ratio was high, peaking at just over 16 percent. After the 2000 recession, which caused a slight uptick in unemployment, the wealth ratio began to decrease. The Latino wealth gap does not follow this trend of mild inverse correlation. Median Latino family wealth rose steadily since 1989, overtaking the wealth of the median black family by 2007. However, the Great Recession erased all of that progress. The recession and its aftermath caused the most significant decrease in black and Latino wealth ratio in 20 years.

Graph 2



Data from the Federal Reserve System Survey of Consumer Finances and the Bureau of Labor Statistics

2.2 Black and Latino Wealth during the Great Recession

The Great Recession that began in 2008 was long, lasting one and half years, unlike the relatively short recession periods at beginning of the 1990s and 2000s. Real GDP per capita fell by 5.5 percent in total and it took four years for GDP to reach the level of the fourth quarter of

2007. In contrast, four years after both the 1990 and 2000 recessions real GDP per capita had increased by over 8 percent. Unemployment peaked at 10 percent in October 2009 and although it fell to 4% by June 2018, the drastic decrease in labor force participation that occurred after the recession (though possibly due to an aging population) is a complicating factor in the use of unemployment. The loss in wealth during the recession for all groups was massive. However, in the intermediate aftermath of the Great Recession, it seemed to have caused no significant effect on the racial wealth gap. It was in the recovery period that disparities became exposed. Even as unemployment decreased, by 2013 the wealth gap was at its largest in over 20 years. In 2007 the median black family had $24,318 in wealth, by 2013 the median black family wealth was $13,487. It was the families that had just begun to make gains that were hit the hardest; the net worth of black families, who had made considerable wealth gains throughout the 1990s and early 2000s, fell 64.2 percent between 2004 and 2010, from a median value of $13,700 to just $4,900 (Landy, 2013). For Latino families a similar process occurred as their median wealth was reduced from $24,434 to $14,229 over the same period. And, for both groups their proportion of wealth to white wealth had decreased from over 12 percent to under 10 percent by 2013.

In order to determine how the COVID-19 pandemic and recession will affect the wealth levels of black and Latino families, we must determine what factors caused the Great Recession to disproportionally hurt black and Latino families. While home ownership levels are low among black families, housing generally makes up a larger share of black family wealth than white family wealth. Because the 2008 recession was predicated upon a housing crisis that lead to a massive decline in property values, black families were more affected by the loss in property value that white families (Weller and Hanks 2018). The prevalence of predatory loans in black and Latino communities that resulted in default when home values collapsed also contributed to the rising inequality. Even upper-income black households are victims of subprime financing at much higher rates than low-income white households (Burd-Sharps and Rasch, 2015). Furthermore, black unemployment peaked at 16.8 percent, while white unemployment peaked at 9.2 percent. This is representative of a consistent fact of the American labor force; black unemployment is consistently nearly double that of white unemployment. However, recessions tend to exacerbate this disparity (Masterson et al., 2019). The result of job loss is a reliance on emergency savings or borrowing which creates debt, causing some families to have a negative amount of wealth. Latino families were also affected by the drastic decrease in property values. A large proportion of Latino home owners bought homes from 2001 to 2007, when home values were at their height. Latinos were also more concentrated than whites in parts of the country like California, Arizona, Nevada and Florida, where home prices dropped most significantly (Wolff, 2014). Latino households experienced a 48.3 percent decline in average home equity between 2007 and 2010, more than any other racial or ethnic group and the highest rate of delinquency in 2009 (Landy, 2013). Yet, according to Graph 2, the black and Latino wealth ratios actually grew between 2007 and 2010. Therefore, while Latino and black families were hurt during this period, the early stages of the recession truly affected the entire country, including white families. However, while white families were able to quickly recover, black and Latino families had not yet experienced the worst.

2.3 Black and Latino Wealth in the Aftermath of the Great Recession

The recession itself had inequitable effects, but it was the slow recovery that caused the most lasting effects on racial wealth inequality. In the 2009-2011 recovery period that directly followed the recession the median white household wealth, excluding home equity, showed zero loss. However, black households were still struggling, with the typical black household losing 40 percent of their non-home-equity wealth (Burd-Sharps and Rasch, 2015). Even more damagingly, from 2010-2013 the black homeownership rate fell from 48 to 44 percent after only decreasing by 0.9 percent from 2007-2010. The share of black households with no net worth also changed drastically, increasing from 33 to 40 percent. While the annual yield on black family held properties was actually higher than it was for white families, the drastic decrease in homeownership was responsible for the black to white wealth ratio dropping to just 9 percent, an over 20-year low. Latinos experienced similar effects during this period, but to a slightly lesser extent. While there was a small rise in Latinos with a positive net worth, the Latino homeownership rate fell from 47 to 44 percent. Like black families, the result was a Latino to white wealth ratio of just 9.7 percent, another 20-year low (Wolff, 2014). The 2010-2013 period was a time of recovery for white families, but a time of loss for black families. While employment numbers climbed, loss in home equity devastated black and Latino wealth.

An ACLU report forecasted that while white wealth is predicted to be 31 percent lower than what it would have been without the Great Recession by 2030, black wealth will be down almost 40 percent. The same forecast predicted that the ratio of white to black median wealth would have declined from 4.4 to 4.0 if there had been no recession; it is now forecasted to increase to 4.5 (Burd-Sharps and Rasch, 2015). Many issues faced by black and Latino families were exacerbations of existing issues. Unemployment rates were higher for black and Latino families, but that was true before and after the recession. Low levels of wealth rendered them more vulnerable to economic shocks. However, the housing crisis produced the most significant effect on black and Latino wealth levels and therefore caused the increase in the racial wealth gap. The over representation of wealth in property value, preponderance of predatory lending and ensuing drop in homeownership during the second half of the recession most significantly hurt black and Latino family wealth, increasing the racial wealth gap.

3. RACIAL WEALTH AND COVID-19

COVID-19 is still an unknown; scientists still do not understand the virus and we can only begin to project its long-term economic effects. Because we are only in the beginning stages of the pandemic we do not know the scope, length or full effects of the pandemic. However, we do know that COVID-19 is disproportionately infecting and killing black people. According to data recorded in early April, in Illinois, where 15% of the state's population is black, 43 percent of people who have died from the disease and 28 percent of those who have tested positive are black. In Michigan, black individuals account for a third of persons testing positive for the disease and 40 percent of deaths, even though they make up only 14 percent of the population. Although data is limited and not available for many states, other locales have recorded similar trends (Eligon et al., 2020).

However, health disparities do not represent the totality of possibilities for racial inequalities during this crisis. We have entered a period of recession as a result of the COVID-19 outbreak that economists presume will sustain for an indefinite length of time. After the inequitable effects of the Great Recession, there are concerns that this recession may have similar results. While much is still unknown, we can take steps, based on census and labor data and initial surveys, to project how this pandemic may affect racial wealth inequality in America. The preparedness of families for the economic shocks like layoffs or sickness caused by COVID-19 will be an important factor in determining how wealth changes during the crisis. Furthermore, due to the shutdowns aimed at slowing the growth of the virus, the existing disparities in the workforce may have a pronounced effect on the financial outcomes caused by COVID-19. Lastly, because this is a health crisis, access to quality healthcare will also play a significant role in determining how families are able to financially deal with the crisis.

3.1 The Effect of Economic Shocks

Wealth's effect on preparedness for a financial emergency can be seen in Table 1. While 72.5 percent of white families have access to significant financial assistance ($3000) from family and friends, only 43.8 percent of black families have the same access. This massive disparity illustrates how the segregation of America by race and wealth reinforces existing wealth inequalities. While black families cite saving for an emergency as their primary reason for saving at a slightly higher rate than white families, only 36.7 percent of black families would dip into savings, with 20.7 percent choosing to borrow and 13.2 percent choosing to postpone payments. In contrast, 53.1 percent of white families would use their savings in an emergency, having to borrow or postpone payments at lower rates than black families. There is no evidence that black families save less than white families as a proportion of their household income (Darity et al., 2018). Black families are unable to use their savings in an emergency because they have little wealth, and therefore little money saved. The wealth of the median black family is just over $17,000 and the wealth of the median Latino family is just over $20,000. Black and Latino families are more vulnerable to economic shocks because they have little wealth to draw on and their communities are similarly strapped for assets.

Table 1

	White (%)	Black (%)
Has experienced a negative income shock in the past year	14.7	20.5
Could get financial assistance equal to $3,000 from friends/relatives in an emergency	72.5	43.8
Primary Reason for Saving: Emergency	46.9	48.2
Would borrow in emergency	16.7	20.7
Would dip in savings in emergency	53.1	36.7
Would postpone payments in an emergency	9.0	13.2
Has been delinquent on any payments in past six months	5.7	10.4
Would cut spending in an emergency	7.7	8.8

Note: Data calculated by Weller and Hanks from 2016 Federal Reserve System Survey of Consumer Finances.

The precarious position of black and Latino families is not just a scary prospect, it is a reality. When job loss occurs, black families cut spending by 46 cents per dollar of income lost and Latino families cut their spending by 43 cents per dollar lost. White families only cut spending by 28 cents. This phenomenon works in the inverse as well. When black and Latino families receive a tax refund they spend roughly 50 percent within 30 days, while white families spend just 38 percent (Farrell et al., 2020). It is clea, that economic shocks, namely job loss, severely effect the lives of black and Latino families. Given the current reality of massive job loss across the country, each day black and Latino families are being forced to cut back on spending at higher rates than white families but are most likely dipping into more of their savings.

Early surveys reflect the dynamics described in Table 1. According to Data for Progress, 21 percent of black voters surveyed were confident they could go over two months paying their bills, while 41 percent of white voters felt the same (Swasey et al., 2020). The mean perceived chance of running out of money within the next three months is over 28% among black and Latino individuals surveyed online by the USC Center for Economic and Social Research and just over 16% for white individuals. While all racial groups have missed rent or not paid in full over the past month at relatively similar rates, only 6.44 of white respondents have missed, delayed or not paid in full a mortgage payment over the past month. 11.06 percent of Latino respondents and 10.12 percent of black respondents have done the same, a concerning disparity that reminds of the 2008-2013 period. The extreme financial insecurity felt by black and Latino individuals and families is in desperate need of government intervention.

3.2 Disparities in the Labor Force

We are just beginning to learn about how the work force will be affected by the response to the COVID-19 outbreak. Currently, the majority of the country is still in some form of lockdown in an attempt to flatten the curve of the virus's growth. The result of lockdown has been unprecedented unemployment claims; over the past 4 weeks the average number of seasonally adjusted claims per week has been 5,033,250. Using unemployment claims data as a lower bound, the current unemployment rate is around 18%. The March jobs report has shown a number of racial and ethnic disparities that have already emerged. Unemployment rates rose for all groups in March, but blacks and Latinos were more affected than whites as unemployment rose by 6.7 percent and 6.0 percent respectively; white unemployment only grew by 4 percent. There are no reasons to believe this trend has not continued in April. The "last in, last out," style of layoffs has generated controversy in the past for being racially discriminatory. A study that examined layoff practices within a US financial firm found that the proportion of whites laid off was smaller than that of blacks and Latinos (Elvira, 2002). A study among blue collar workers found that plant closings resulted in a higher rate of layoffs for black workers than white workers (Hu and Taber, 2005). Although, there is not definitive data, layoffs, especially layoffs in mass, like a plant closure or during the current crisis, have been found to target black workers at higher rates than white workers.

The March jobs report indicates where jobs have already been lost and can provide insight towards which sectors and industries may see even more job loss. In every sector that has experienced significant job loss (over 30,000 jobs lost in March), white workers are underrepresented, and black workers are either over or properly represented (Table 2). Latino workers are overrepresented in every one of those sectors except for health care and social assistance. The sector that has seen the most job loss by a wide margin is leisure and hospitality, specifically the food services and drinking places industry. Latino families may be particularly vulnerable during this period as Latinos make up 26.8 percent of workers in the industry. Although many industries may open back up within the year, the travel and accommodation industry will likely not recover until the virus is completely under control. This could be especially pertinent to racial wealth disparities as the accommodation industry has comparatively low levels of white workers (67.3 percent) and high levels of black (17.9 percent) and Latino workers (28.8 percent). The retail trade sector may also see sustained job loss but is proportionally represented among all racial groups. We cannot make definitive conclusions from one jobs report but, the immense job loss in leisure and hospitality will certainly continue over the next months, posing significant financial risk for Latino families.

Table 2

Sector	*Jobs Lost*	*Percent white workers*	*Percent black workers*	*Percent Hispanic or Latino workers*
Total Workforce	1,400,000	77.7	12.3	17.7
Leisure and Hospitality	459,000	74.6	13.1	24.0
-Food Services and Drinking Places	417,000	73.9	13.2	26.8
-Accommodation	29,000	67.3	17.9	28.8
Health Care and Social Assistance	61,000	72.0	17.7	14.2
Professional and Business Services	52,000	77.4	10.0	16.0
Retail Trade	46,000	77.6	12.3	18.3

Data from U.S. Bureau of Labor Statistics

Data on the ability to work at home further demonstrates how black and Latino workers are at a disadvantage in the current labor market (Table 3). Although a much higher proportion of all workers are currently working at home, data from 2017-2018 can illustrate the inequalities that existed before this crisis began. Over the 2017-2018 period, 29.9 percent of white workers were able to work at home and 25.6 percent did work at home. In contrast, only 19.7 percent of black workers were able to work at home, while just 16.2 percent of Latino workers had the ability to work from home. The ability to work at home correlates significantly with industry. White collar office management jobs, which are overrepresented by white males (Hamilton et al. 2011), can more easily adapt to working from home. The ability to work from home during this crisis may be a major indicator of employment and the ability to maintain wealth.

Access to leave also will have a major impact on wealth and well-being throughout this crisis. As shown in Table 3, 59 percent of white workers are able to take paid sick leave, more than the 54.9 percent of black workers who have access. Even worse, only 36.5 of Latino workers have access to paid sick leave. As the virus continues to infect thousands of Americans per day, access to paid sick leave will be vital to maintaining financial security while in quarantine. Similar trends can be seen in access to paid leave for childcare and eldercare. 32.9 percent of white workers have access to childcare leave and 31.7 percent have access to paid leave for eldercare. Meanwhile just 17.2 percent of Latino workers have access to paid leave for childcare. The vast majority of schools across the country are closed and most likely will be closed for the remainder of the year. Child care has become a pressing issue for many families, especially families that have no access to paid leave.

Table 3

	Percent of workers who could work at home	*Percent of workers who did work at home*	*Percent of works with access to paid sick leave*	*Percent of workers with access to paid leave for childcare*	*Percent of workers with access to paid leave for eldercare*
White	29.9	25.6	59.0	32.9	31.7
Black or African American	19.7	17.6	54.9	29.8	25.1
Hispanic or Latino	16.2	13.1	36.5	17.2	13.7

Data calculated by Bartel et al. from the U.S. Bureau of Labor Statistics

Preliminary surveys on the effects of Coronavirus on the labor market can also be used to forecast how the virus will affect wealth in the future. A survey done by Data for Progress reports that 45% of black workers have either lost to their job or had their hours reduced, while just 31% of white workers have experienced the same (Swasey et al., 2020). In the USC survey 3.8 percent of white respondents had been temporarily laid off, while 6.4 percent of black respondents and 4.25 percent of Latino respondents had been furloughed. Similarly, 28.8 percent of Latino respondents and 22.3 percent of black respondents had seen their hours reduced, compared to 18.7 percent of white respondents. It is clear from the early data that black and Latino workers have been more greatly affected by furloughs and hour reductions due to Coronavirus.

3.3 Disparities in Health Care Access

The disproportionate rate of Coronavirus cases and deaths among black Americans has revealed existing race-based vulnerabilities in our healthcare system. At every income level black families are more likely to live in neighborhoods with concentrated poverty, pollution, lead exposure and other factors that contribute to long-term health risk. Black and Latinos also tend to work in essential jobs like service, agriculture and nursing (CDC, 2020). To boot, 17.9 percent of Latinos, 10.1 percent of blacks and just 8 percent of whites are uninsured (Table 4). This confluence of factors has made Latino and black populations especially vulnerable to infection, extreme cases of the virus, and death. The federal government has stated it will pay for the treatment of Coronavirus for all uninsured patients and most large insurance providers have removed copays for treatments. However, hospital bills are not the only financial stresses caused by the virus. And, the government's commitment to the uninsured is tenuous at best. Furthermore, the long-term health effects of the virus are still unknown. The effect the virus has on the lungs has the potential to linger for years, creating increased healthcare costs for individuals who have contracted the virus. The lack of health care access for black and Latino individuals and copays later in life may have an effect on family wealth.

Table 4

	Total	*Insured*	*Uninsured*	*Percent Uninsured*
White alone	233,037,832	214,401,139	18,636,693	8.00%
Black or African American alone	40,384,794	36,285,784	4,099,010	10.10%
Hispanic or Latino (of any race)	59,021,937	48,434,381	10,587,556	17.90%

Data from the United States Census Bureau's 2018 American Community Survey

4. FEDERAL GOVERNMENT RESPONSES TO RECESSION

In response to massive economic shocks caused by COVID-19 and its mitigation efforts, the federal government has introduced a series of massive stimulus packages designed to keep American businesses and families on their feet. Thus far the government has spent roughly $3 trillion on economic stimulus, direct checks and preparedness for the virus. Given that blacks and Latinos have been disproportionately affected by the virus, the bills should be evaluated on how they address the vulnerability of black and Latino families. We can also use the government's early response to the 2008 housing crisis to help us evaluate current action. As described in Section 2.3, the recovery from the Great Recession was significantly harder for black and Latino families than white families. The similarities and differences between current spending and that of 2008 should provide insights into the effectiveness of recent bills to address the inequities that Coronavirus has revealed and exacerbated.

4.1 Early Government Action in 2008

The government's response to the housing crisis did not help poor black and Latino families, it completely left them behind. In September of 2008 with nearly every bank on Wall St. in crisis, then-Treasury Secretary Hank Paulson proposed TARP (Troubled Asset Relief Program) to help the banks. While TARP has been presented as a necessary action that the government ended up making money on, it was built on lies and strengthened inequality. Paulson sold Congress on TARP with a promise to buy $700 billion in troubled mortgages from the banks and then alter them to help struggling homeowners avoid foreclosure. However, that promise was almost immediately tossed aside in favor of direct loans to the banks, free of any lending requirements. Although TARP had been sold as method to help both the banks and the people, it provided no help to struggling citizens and even incentivized banks to not loan money (due to a requirement that banks keep a certain amount of their cash in Federal Reserves). Later, the Obama administration introduced HAMP to help poor homeowners, earmarking $50 billion of TARP funds for the program. As of 2013, only $4 billion had been spent (Taibbi, 2013). And, in 2011 it was revealed that the Fed had used $7.77 trillion between August of 2007 and March of 2009 to help save the banks. The banks ended up making an estimated $13 billion in income because of the Fed's massive liquidity injections and below-market rates (Ivry et al., 2011). The federal response to the 2008 crisis was completely focused on the banks, strengthening and emboldening them to take even more risks. The lending promised in the early stages of the recession never materialized as banks were not given any incentive or requirement to help the average American family. While corporate profits were rising again by the end of the 2009, black and Latino families had not yet even entered the worst period of their recession. As black and Latino families continued to struggle into the second half of the decade, it has become clear that TARP and subsequent government spending had only increased the power and wealth of the rich and ignored the plight of the middle-class and poor.

4.2 Current Government Spending

The initial bill introduced in response to Coronavirus was the "Coronavirus Preparedness and Response Supplemental Appropriations Act. The $8.3 billion package mainly addressed federal, state and local preparedness for the impending spread of the virus, along with funding for the development of a vaccines, therapeutic treatments and diagnostics. There were also $1 billion allocated in loan subsidies to allow the Small Business Administration to provide an estimated $7 billion in loans to small business and other small organizations impacted by the virus. The "Families First Coronavirus Response Act" was the first significant response to the economic shocks caused by the Coronavirus. The act notably forced employers with fewer than 500 employees to pay employees up to 80 hours of emergency sick leave if the employee is required to quarantine or care for another individual in quarantine. It also required the same employers to allow employees to take up to 12 weeks of Emergency Family Medical Leave if they have to care for a child whose school has been closed due to COVID-19 precautions. The employee must be paid at minimum two thirds of their salary and must be restored to their position upon return. These actions are helpful, especially as many black and Latino individuals do not have access to paid leave. This act does directly remedy a concern expressed in Section 3.2. However, the narrow scope of employers forced to comply limits its effectiveness.

The "Coronavirus Aid, Relief and Economic Security Act" (CARES Act) was the largest economic stimulus package in U.S history, totaling over $2 trillion. The act will distribute a one-time cash payment of $1,200 to individuals earning less than $75,000 and $500 per child to families. Like the Families First Act, the CARES Act also allocates more money for unemployment benefits. While a direct cash payment is useful, $1,200 over the many months this virus may pause our country is not significant enough to account for rent and mortgage payments, along with other expenses. 77 percent of respondents gathered in the Data for Progress survey stated that the $1,200 check will cover expenses for one month or less (Swasey et al., 2020). There also have been concerns raised about how long payments may take to arrive.

The most concerning aspect of the CARES Act is the $500 billion set aside for corporate loans, a program alarmingly similar to TARP in 2008. The issue with TARP was the absence of strings attached to its loans. While more restrictions have been attached to this set of loans, like a ban on stock buybacks and outsourcing overseas, there is still ambiguity that will allow corporations to take advantage of the terms. Treasury Secretary Steven Mnuchin, a former investment banker and hedge fund manager, is not only in charge of dispersing loans, he is tasked with enforcing the restrictions. Mnuchin can waive any of the conditions if necessary to protect the interests of the federal government, a vague condition ripe for misuse. Furthermore, there are no explicit employee protections attached to these loans (Eisinger, 2020). The lack of oversight also gives Mnuchin more power. An inspector general has been appointed by Trump and while Congress has assembled an oversight panel, it lacks true power; former congressman Barney Frank labeled oversight as "an impossible task," while President Trump said "Look, I'll be the oversight" (Rappeport and Smialek, 2020). Throughout this presidency Congress has shown no ability to provide effective oversight of the executive branch. There is no reason to believe they will be able to stop Mnuchin from misusing funds, even if it is blatant.

Furthermore, the Fed has been providing loans to businesses at miniscule interest rates (0.25 percent), much like the secret loans the Fed gave to banks in 2008. Again, corporations are more well positioned to take advantage of fiscal policy than the average American. The Fed has successfully propped up the stock market, but its actions have not affected the average American family. And, while these loans are designed to stimulate the economy, looking at 2008, the absence of conditions associated with these loans will lead to the opposite. The Paycheck Protection Program may also disproportionately help larger business and corporations. Banks stand to make billions in fees offering these loans (Eisinger, 2020) and have devoted resources to helping their wealthier clients better access the loans (Flitter and Cowley, 2020). Lastly, these banks are not incentivized to distribute loans in a timely fashion, especially to black and Latino families who are do not give banks consistent business.

A staffer who worked on the CARES Act stated that they believe, “This will paper over bank balance-sheet problems, help tech valuations and boost leveraged loans. In three months, I think the stock market will look good. But the vast majority of workers will be worse off. The law will amplify inequality and the power of large corporations over labor and the workforce, and they won’t be able to recover for a generation” (Eisinger, 2020). Like in 2008, the government has prioritized corporations and created systems that do not incentivize banks to help the average American. Black and Latino families may benefit from enhanced paid leave and will certainly use $1,200 per person. However, these actions are too small, especially compared to the massive corporate bailout that dangerously resembles that of 2008.

5. CONCLUSION

While health disparities have becoming alarmingly clear during the COVID-19 pandemic, the effects of the pandemic and recession on the racial wealth gap remain unclear. A lack of clarity makes projections tenuous at best. The early reporting reveals large racial disparities in employment and economic security. The situation is incredibly dire for many Americans, especially blacks and Latinos. However, the fundamental cause of this economic crisis decreases the likelihood of a Great Recession level effect on the wealth of black and Latino families. While black and Latino workers have been laid off at higher rates than white workers, the disparities in the demographics of the workforce do not compare to the disparities in home equity loss during the Great Recession. It was the housing crisis that truly devasted the median black and Latino household wealth a decade ago. Yet, in 2008 inequities in federal spending exacerbated the inequality caused by the housing crisis. The use of similar bailouts by our current government will not lead to different results; these policies will create more inequality. While the current crisis may not set black and Latino families back like they were in the aftermath of the Great Recession, disparities in the workforce, healthcare and distribution of government spending will cause the racial wealth gap to widen.

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