

# Closing the Wealth Gap and the Role of Black Banks

*with guest lecturers*

**Mehrsa Baradaran**

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**&**

**Dr. William (“Sandy”) Darity**

*Samuel DuBois Cook Professor of Public Policy*

## **Logistics:**

Date: February 27, 2018

Time: 4:30pm – 7:00pm

Location: UNC School of Law, 160 Ridge Road, Room 5042

## **Event Description:**

Until barriers to access the wider economy are removed, not only will the wealth disparities plaguing Black & Latino communities continue to grow, but the businesses supporting them will continue to fail. At least that is what research conducted by both University of Georgia Banking Law Professor Mehrsa Baradaran and Duke Professor of Public Policy Dr. William (“Sandy”) Darity has revealed. Professor Baradaran’s book, [The Color of Money](#) provides a detailed historical account of U.S. policies, both economic and social, from Reconstruction to President LB Johnson’s War on Poverty programming and beyond, that have prevented these communities from building wealth, despite their otherwise heroic efforts. Dr. Darity has taken significant steps to address and resolve these disparities. His projects include, amongst others, the Baby Bond Initiative and Re-Distributive Reparations. While these projects provide promising results, it is clear that “private action and market forces alone cannot close [the] unjust racial wealth gap[s] plaguing Black and Latino communities.” Significant policy changes are required and must be led by a new generation of big thinkers from many fields.

On February 27, both Professor Baradaran and Dr. Darity will present their research and projects to illustrate how the wealth disparities were created and how they can be eliminated. Lawyers, economists, public health administrators, educators, social scientists, entrepreneurs, and others will be needed. Come learn how we can work together to achieve what has previously been denied these communities from two trail-blazing leaders in the field!

## **Source Information:**

Professor Baradaran:

- Book: THE COLOR OF MONEY: BLACK BANKS AND THE RACIAL WEALTH GAP (2017)
- Link: <https://www.amazon.com/Color-Money-Black-Racial-Wealth/dp/0674970950>
- Interview with WNYC’s The Takeaway:  
<http://www.hup.harvard.edu/catalog.php?isbn=9780674970953>

Dr. Darity:

- <https://sanford.duke.edu/people/faculty/darity-jr-william>
- *The Economics of Reparations*, 93(2) *The American Economic Review* 326 (May 2003)
- *Can ‘Baby Bonds’ Eliminate the Racial Wealth Gap in Putative Post-Racial America?*, 37(3-4) *The Review of Black Political Economy* 2007 (Sept. 2010)

## Tentative Agenda:

### Event Introduction:

- 1) **5 min:** Introduction
  - a. Folks to get food and seated
  - b. Introduce (1) the event, (2) the speakers, and (3) the agenda

### Speaker 1: Professor Baradaran

- 1) **50 min:** Intro to banking and history lesson regarding banking/economic policies
  - a. What banks require to succeed
    - i. Generally how they operate
      1. Profits made from loaning depositor money
      2. Loan participation and securitization—risk mitigation through cooperation and coordination with other banks
      3. Capital requirements (regulations regarding how much money banks must keep in the vault)
      4. Chartering: Requirements to earn a charter, state/federal regulations once chartered, and the practical implications on operations
    - ii. Four points illustrated in book (why white-owned banks better positioned to succeed)
      1. Large, steady, and stable deposits
      2. Supporting networks for risk mitigation
      3. Access to capital: Federal reserve banks and FDIC
      4. Access to larger economy
  - b. Main reason why black banks have failed where others have succeeded
    - i. The impact of policies: History of incomplete, weak, or misguided support for blacks
      1. Freedman's Bureau—Reconstruction into Gilded Age
      2. Federal Reserve Act of 1914—Southern re-emergence post-civil war and their financial attack on northern wealth
      3. The Great Depression and the uneven effect of the New Deal
      4. Post-WWII: Federal Home Loan Act, GI Bill, disproportionate effects
      5. Civil Rights Era
    - ii. Comparison between banks:
      1. Freedman's Bureau
      2. Bank of America vs. Jackie Robinson's bank
      3. Any other white-owned bank
- 2) **10 min:** So what does all this mean?
  - a. State of black banks today
  - b. Discussion of what Professor Baradaran believes really required to drive the change we want to see and how (e.g. breaking down barriers to access to wider economy, postal banking)
  - c. Macro focus (economy, business, policy) vs. Micro focus (financial literacy, job skills training)
  - d. What is—or should be—the roll of banking in communities?

----- **5 MIN. BREAK** -----

## **Speaker 2: Dr. William (“Sandy”) Darity—Ways to close the wealth disparity gap and what’s required to make them happen**

- 1) **30 min**: Introductory context:
  - a. Describing the wealth disparities between whites and blacks/latinos
    - i. What does NOT explain the wealth gap—the myths
    - ii. What *does* explain the wealth gap—“intra-familial, blatant non-merit based transfers of wealth”—Prof. Baradaran just lectured on why
  - b. What initial research shows would be required to close those gaps
  - c. Failed attempts at closing those gaps
  - d. Initial conclusions as to what will be required—i.e. leading to redirected research efforts
  
- 2) **30 min**: On-going promising projects:
  - a. Baby Bonds Initiative:
    - i. How arrived at the idea (*for purposes of providing a framework for student audience to follow to generate new ideas to tackle novel issues*)
    - ii. What is the idea and how does it work
    - iii. Why Baby Bonds (CDA) over other demonstrations?
    - iv. Next steps—what’s required to ensure success
  - b. Re-Distributive Reparations:
    - i. National and international examples of reparations given
    - ii. The African-American case for reparations
    - iii. Major issues or roadblocks in structuring a reparation program
    - iv. Potential solutions, i.e. different potential forms of reparations
  - c. Other projects or promising ideas that merit further investigation and experimentation

## **Speakers Together: Professor Baradaran, Professor Darity, and James Sills, M&F Bank CEO**

- 1) **10 min**: Guided discussion—pre-written questions
  
- 2) **10 min**: Open up for questions