This is Aspen Ideas to go from the Aspen Institute. I'm Tricia Johnson. Tax lawyer Dorothy A. Brown knew something wasn't right when she filled out tax returns for her parents. Her father was a plumber and mother, a nurse, and they were paying an unusually high percentage of their income in taxes. Brown, who's African American, set out to discover why what she uncovered was racism in America’s tax system.

Dorothy Brown

We need to have a conversation about how whiteness produces wealth, and there's nothing black people can do that will make us white. You know, whatever it is we do, we get disadvantaged and tax law hurts us to add insult to injury.

Tricia Johnson

Today, Brown talks about her book, "The Whiteness of Wealth: How the Tax System Impoverishes Black Americans and How We Can Fix It." Aspen Ideas To Go brings you compelling conversations hosted by the Aspen Institute. Today's discussion is from the Institute's Financial Security Program. In tax law, tax scholar Dorothy Brown says she thought the only color that mattered was green. But after decades of investigating the
country's tax system, she discovered tax policy and societal racism are closely linked. Tax policy perpetuates disparities and access to every asset that makes up a household's balance sheet, from education and homeownership to retirement savings. But she says that tax policy which has been a driver of wealth inequality can actually be used to close the wealth gap. She tells Aspen Institute Financial Security Program Executive Director Ida Rademacher that it took her 25 years of deep detective work to find a solution. It'll take a rethinking of the tax code, she says, and require both Black and white Americans to make different choices. Here's Rademacher.

Ida Rademacher 01:50

I want to start with a quote, that's actually at the end of your book. At first glance, tax policy may not seem an obvious way to fight systemic racism, but its effects on black families are insidious, debilitating, and ubiquitous. My sense is that that's a realization that came to you slowly and somewhat painfully. So I wonder if if we start at the end, maybe you go back to the beginning and say a little bit about who you are, and how this book came to be.

Dorothy Brown 02:20

So I fell into this research. In fact, I went into tax law, because I just knew it had nothing to do with race. In fact, I knew the only color that mattered was green. And imagine my surprise, when I became an academic, to discover or to think about maybe race has something to do with tax and how I got there was by filling out my parent's tax returns. And every year I fill out my return, I fill up their return my income by myself was equal to my parents combined income. And something always was often their tax return. And I thought they were paying too much, but I was doing it right. But I couldn't figure out what the problem was. So fast forward, I have the luxury of time when I become an academic. And I read an article that says, How do you know there isn't a race and tax question if you don't look? And I thought, Oh, my gosh, could race have something to do with tax and it was really the article was written by a mentor. And I picked up the phone and I said, I'm gonna write about race and tax, easier said than done. Because if you take away nothing else from my talk today, take away this, the IRS does not collect or publish statistics by race. So everything in my book would have remained hidden. Why not become a detective of sorts to find information elsewhere? Okay, so I make this promise. And then I discover, oh, why am I going to get this data from so I basically turned myself into a detective, whatever I've read, I was looking for some clues. And I read a commission on civil rights report that said 40% of household income is contributed by black wives compared to 29% by white wives. Now to you, that means nothing to me. I had just struck gold, because it explained why my parents are paying so much in taxes. They were paying
so much in taxes because their incomes were close together. My mother and my father made almost identical amounts of income. Some years my father’s overtime would put him over the top some years my mother would, because their incomes were close together. When they got married, they wound up ultimately pay higher taxes simply because they were married. So this twist for dessert race has something to do with tax started with the marriage penalty, and ended with my 25 years of research that led me to the conclusion that regardless of what black and white Americans do, tax policy subsidizes white Americans, disadvantages black Americans,

Ida Rademacher 05:21
And we’ll unpack layer by layer where that conversation goes. And also, you have to layer into data, a lot of lives lived experience, you do a lot of translating in each piece of this book for people like me, for, for others in the world that really, that it’s not intuitive, the ways that tax policy is the case. Overall, as we have a conversation about racial inequity in the US, and specifically the drivers and the dimensions of the racial wealth gap, I think that the disparities on display during COVID have been they’ve been around health, they’ve been around income. And then we’re increasingly seeing this wealth divide that grows and grows as the stock market goes forward. And as we’re having this case shaped recovery in terms of what who’s working and who’s not. It’s not intuitive that tax policies at the center of either problem or the solution, but as you unpack what is tax policy, and what is tax law, is how does it play that central role for folks who understand those pieces of a balance sheet, we already know that if you have wealth in America, it’s usually shows up in three places, maybe four, right? It shows up as Home Equity, saving or stock investments, primarily through retirement savings for most Americans, it can show up in small business wealth. And then of course, it shows up because of how people are educated and what kind of degree they have and what kind of job they get. You say that each one of those has a basis in tax policy, when we talked about this in preparation, and I said, if you had to pick just one, you told me, that was a little bit like having to pick one of your kids. So can you talk a little bit about just broadly, the headline here about tax policy in each of these dimensions that you go through in the book?

Dorothy Brown 07:15
Yes. So you mentioned home equity, and I did a New York Times op ed piece that talked about this. And really, tax policy interacts with societal racism, or as I like to say, taxpayers bring their racial identities on to their 1040. Even though there's no box that gets checked, I’m still black when I complete my taxes, which means the systemic racism that has worked against me gets replicated and magnified in our tax system. So let’s start with home home equity. So we have tax subsidies for homeownership. And you’re right, a
white middle class has been built off of home equity. But what we see is the housing market is racist and anti black. What do I mean by that? homes in predominantly black or racially diverse neighborhoods are worth less than similar homes in white neighborhoods. Okay, why is that because most white homeowners do not want to live in a neighborhood with too many black neighbors. Now, whenever I say that, I get pushback, right? The pushback is, I'm not a racist, but I'm worried about my home values, or there's just a small percentage that are racist, and that causes all of the problems that centers a white perspective. White Americans are interested in intent, but black Americans who are harmed don't care whether you are a racist, or you are acting like what, because you do not want to live next door to people, too many people who look like me, I'm home. Right? So we have tech subsidies for homeownership. The majority of homeowners are white. So tax subsidies for homeownership are going to benefit white homeowners. At which point you say, well, Dorothy, isn't the solution to just increase the number of black homeowners? Yes and no. First, black homeowners have significantly higher equity than renters. So it is a good thing to be a homeowner. However, when I buy a home if I buy one or buy when most black Americans want to buy, I'm going to not have a good financial investment. And if I buy a home in an all white neighborhood, I'm going to have a good financial investment, but I'm gonna have problems my neighbors might call the cops on me. My students might be racially profiled, so tax subsidies for homeless homeownership not only benefits the majority of homeownership, it benefits our white Americans experience homeownership with tax free gains on sale. Right? Let's make just one of my children I know will love love.

I loved how you said it. You said, well, you're choosing among your kids would be hard, the marriage penalties and the marriage abuse, but they're kind of like your first kid, right? This is the way I discovered homeownership was probably second because you were actually if you were in the world of finance...

Homeownership was my last child. Okay, and I'll explain how that happened. Right. So I write this marriage penalty marriage bonus. And I got pushback from tax academics. In fact, this is one of my favorite, not so funny stories, where I'm at a law professor conference and tax academic, and I presented my marriage penalty bonus work. And the first question comment was to me, Dorothy, everybody knows your work is irrelevant, because black support and don't pay a lot in taxes. Okay, so people would like. So I obviously respond that what you if you're right, then we all want our kids are going to be poor? No, we don't want our kids are going to be like Warren Buffett right, with lots of
income subject to even know to ask them a little preferentially. So I got pushback. And one of the pieces of the pushback was, well, Dorothy, this is really interesting. But I don't think you should write about this until you have a solution. Well, my response was, I needed tenure. And that might have taken me over 10 years to write and I wouldn't have gotten it. But more importantly, how do you eat an elephant one spoonful at a time. So I had to take little pieces. And then think about because remember, I'm studying the Internal Revenue Code from a race and class perspective. Nobody has done this. I'm doing it. I want to make sure I'm getting it right. So I talk about homeownership. And then I go, I think, to the earned income tax credit, and then I go to retirements. And then I go to homeownership, and I did it from the rate structure with marriage, as well as the earned income tax credit. exclusions were retirement accounts. And ownership was the deduction provision I looked at so I was marching through different types of provisions, credits, rate structure, and along the way talked about the preferential rate for capital gains. But the last piece of scholarship I did was homeownership. And and I really, with homeownership, figured out how race is brought into the tax law. It was what was going on in the market. It was the market for homeownership that was intersecting with the tax policy that caused white homeowners to win and black homeowners to live. And we'll get only after 25 years of studying that I began to say all I think I know how we could fix this. But before I was just figuring out where the problem was.

Ida Rademacher 13:08
Each of your chapters has a lot of the clear analysis of the issue and suggestions for solutions. At the end of the day, you kind of zoom back out, though and say, but here's the deal, right? You say but here's the big three, but there's actually a lot of playbook all the way through here, both for the systems. And for individuals. You even kind of dig into the individuals and you you have advice for black Americans, you have advice for white Americans, and it's not the same.

Dorothy Brown 13:42
One of these is not like the other. Yeah, it is not the same and and mainly and like you say each chapter I have solutions for that particular problem. But you know, when I think about homeownership, right, what I The advice I give to black Americans is to be intentional. When you buy a home, recognize that depending on where you buy, will determine whether it will be a good financial investment for you. And if you buy in a racially diverse a majority black neighborhood, do not become house poor, do not put all your money into your house, save some of your money from investing in the home and the housing market or the stock market or a 529 college savings account or beefing up your retirement account because you have to diversify, because for you, your home is not
going to pay off the way your white working colleagues home will pay off. Right. So that’s the advice I get for black Americans and I actually started writing my homeownership piece when I was selling a home in Virginia and I lived on a racially diverse neighborhood. The first home I bought and sold, it was an all white neighborhood subdivision like 200 houses, it was me and one of the black family that I didn’t even meet till I was about to move out that house sold like that I made money. So I thought, that’s how it worked. I’m doing this research, and I put my house on the market. And I have no takers, and what is going on? And then I realized, ah, it’s people who look like me and my neighbors who look like me, who are who were causing a fewer buyers to want to look in that neighborhood. Okay, so I figured that out the hard way. But the advice for white Americans is you basically your preferences, whether they are virulent racism, or I’m worried about protecting my investment, your decision to live with not many black neighbors are is causing harm to me and other black homeowners.

Ida Rademacher 15:56
And that’s one dimension of it. And and I want to go on to some of the other kids here. But I think the other thing you point out is that there’s a big disparity between homeownership, in general, between African American and white American households, for lots of reasons that go into these other issues, but also just centering, tax incentives and credits or deductions around ownership. But having nothing that’s parallel in a rental place, creates even more of a way that the tax system itself isn’t created to be realistic with the lives of many black Americans. So that’s another part that you really do get into.

Dorothy Brown 16:39
So any subsidy for homeownership is going to benefit those, the majority of whom own homes, the majority of black and Latinx are renters. So they’re left out. That’s why, you know, part of this rhetoric around Well, we just need to increase the percentage of black and Latinx homeowners misses the operation of the market. But yes, right off the bat, when we have tax subsidies for homeownership, we’re helping white people and we’re not helping black people, because most white Americans are not renters, the most black Americans.

Ida Rademacher 17:13
And then I think the other part of what for homeownership that you also get into is legacy issues of inheritances and things like that. Before we go there, just to make sure this is Armando saying, You’re saying why people should buy homes, within a diverse community instead of a majority white community? That’s not what you’re saying?
Dorothy Brown 17:30
Yes, actually, what I'm saying is, it's white preferences that are driving the racism in the housing market, if White Americans viewed all equal neighborhoods the same, we wouldn't have this differential in housing prices. Okay. So of course, I saw one of the questions as well, doesn't that raise gentrification, right? The reason that the housing market is depressed, because black people live there is not because the house itself is not a good house. It's because of what it's perceived as, right? So gentrification is a problem. And it's a particular problem when white Americans move in to a racially diverse neighborhood and try to center their experiences. So one of the piece of advice I give to white homeowners, if you want to live in a racially diverse neighborhood, don't make it about you, because that neighborhood was doing fine without you, right? You need to come in, you need to understand the culture and you need to go with it and not say, Well, I don't want this. And also one of my solutions, deals with a wealth credit that would give to people in gentrifying neighborhoods, Black Americans...

Ida Rademacher 18:45
We're gonna spend a lot of time on the wealth credit, don't you worry.

Dorothy Brown 18:48
It would give them money every April 15th. That would enable them to pay additional property taxes, etc, etc. So, yes, that is an issue, but I think I address it before I'm done with the book.

Ida Rademacher 19:03
Yeah, I think you do, too. So let's think about college education for Mila switch to college. And let's and just take us through the top line of the ways that that tax code disproportionately plays into, again, enhancing wealth disparity around education.

Dorothy Brown 19:25
And it has to do with, whoa, I just said that if this had been my first child, none of the others may have been born because this college chapter, the great equalizer, depressed me more than any of the other chapters and to be clear, it's not like the other chapters were uplifting. This one was just so depressing and made me shut down the computer and just go stare at the ocean for a couple of hours to talk myself into even going back home. Forget like doing more research. And this was the statistics 60% of black Americans don't
graduate from college 60% of those who attend don't graduate, okay? So they have debt, but they don't have a degree. And they don't, they're not able to get another job, a good job that would allow them to amortize the debt. So that statistic to be out. That is a function of where we go to college. If you go to a selective school, the graduation rates are very, very high. If you go to a really selective school, they're like 90 something percent.

_Ida Rademacher_ 20:36
And there's parity, black and white in terms of completion.

_Dorothy Brown_ 20:39
It's close. It's not equal, but it's close. It would be like 96 and 94. Okay, I mean, that's really close. Well, these selective institutions are the wealthiest among us, they are not for profits, they don't pay taxes, they don't pay taxes on their endowment. And they are not admitting a lot of black students. Yeah, so they're getting tough tax subsidized to create white spaces for white kids to do really well in graduate. Okay, so that's part of the problem. The other part of the problem is, we have very limited tax breaks for people who self finance, their college education and black students are more likely to sell finance or have their parents take out loans. Well, you only get a 20 $500 deduction for interest, and their income cut off at 5000. If you're single 170. If you're married, imagine two black college graduates, each with 50 something $1,000 a day, they will not be able to take all of their interest in the early years because it's higher than 2500. But they could take a good portion of it. Well, God forbid they marry each other. Now, they can only take 20 $500. That is crazy. So that's one other way that the tax law disadvantages black Americans who are more likely to graduate with higher debt loads than their white peers. And then the last way has to do with how white kids pay for their college, right? grandparents and parents may gifts to pay for their college. Well, why could they do that because they have wealth. Whereas black college students don't have grandma and grandpa who are here under Jim Crow to build up the wealth to enable them to pay for that college. So the tax free treatment of gifts and inheritances validates the way white Americans finance college, and disadvantage the way black Americans do.

_Tricia Johnson_ 22:59
In this pandemic recession, millions of Americans are going hungry and black and Hispanic households are hit harder than white ones. It's not the first time hunger has been tied to race. In our episode, how racism feeds the hunger crisis. Food historian Fred Opie talks about how slave owners in America gave slaves just enough food to survive.
Fred Opie 23:18
To be an enslaved person was to experience hunger. It was just a reality of this constantly
thinking about what was your next meal owners gave their enslaved people just enough to
survive and they’re on their own to do the rest.

Tricia Johnson 23:35
Families of color disproportionately lack access to clean water, air and nutritious food.
What are the solutions to this health crisis? Hear from Opie and others on the Aspen Ideas
to go podcast. Find the episode at Aspenideas.org. Let’s get back to today’s conversation.
Here’s Ida Rademacher.

Ida Rademacher 24:03
It struck me that there’s other places where the disparities show up where even high
income parents of black students have much higher debt loads.

Dorothy Brown 24:15
Yes, they can not protect wealthy black parents cannot protect their children from student
debt, the way their wealthy white peers can. And here’s why. Because they don’t have as
much Home Equity just talked about the racist housing market. And they don’t have
financial assets like stock to the extent their peers do. So they don’t have the wherewithal.
They don’t have the wealth and they don’t have the wealth in the same way their white
peers do. So we need to always focus across the income spectrum, not just on low income
blacks, not just on middle income blacks, but on high income blacks because many white
Americans think oh once you’re a black middle class, You’ve made it and what my book
shows is, oh, contraire, that’s not true.

Ida Rademacher 25:05
Reading that reminded me of a statistic, I had to go back and look up that I wrote in a
congressional testimony. And it turns out, it’s 10 years ago now, you know, but I often used
to say this income is not the same as wealth. And this statistic, I went back and looked it
up. It was, it was a Brookings Institution case. And this was, I used to make the distinction
that middle income does not equal middle class, because I, like many people in your book,
I’m much more comfortable talking about class than race. And your book has really, I
think, made a case for why we need to push ourselves, always right now to not stay in our
comfort zone. And to not conflate how we solve for these things. But the statistic was this
huge 2009 new families solidly middle income. If you looked at their children, one generation later, everything else look the same 45% of the black children whose parents were solidly middle income, were at the bottom of the income distribution as adults, that percentage for kids that were white was 16%. So I used to say that there was something else that was making the middle sticky. There was something else that was in there. And I think a lot of that something else is wealth. But I also think a lot of that something else is how tax policy was playing in what were the additional resources of that high income family to be able to finance the kids college. And you say this a lot. And we can go into the good jobs piece too. Because when you think about, it's not even that there's not wealth creation going on. But there is a much bigger extended set of needs connected to any particular black person in the job market with a with one of the best jobs you talk about. So let's, let's pivot to that a little bit.

Dorothy Brown 26:57

Yeah, so research shows that black college graduates are more likely to send money home to their parents, and white college graduates are more likely to receive money from their parents. So even if you have a black American with a six figure job, they are financing supporting a parent, a sibling, perhaps a grandparent, that is not tax deductible, their next door neighbor at work, who's White is getting money from their parents for a down payment for a home to make sure their student loans are paid off to pay for K through 12. Of that college children or their parents, grandchildren. Right? So money is flowing down. Whereas in the black household, there's this competition between grandparent and grandchild, right? Do I make sure that my mother isn't affected? Or do I set aside money for my child? So it's, it's heartbreaking to think about people who have done everything right, I went to college, I got the degree, I got the best job, and I'm still doing worse than treading water. The reason I call it the best jobs is because it comes with tax free benefits, like health insurance, and retirement account,

Ida Rademacher 28:23

That's another place where you say that it's not always just about income at or right, or, as we talked about it, in our most recent financial security framework, there's wage income, there's labor income, and there's non labor income. And let's be really clear that they both matter a lot. And then that non labor income, there's a set of benefits that are really part of that so and and for you. I think you were quoting some of the great Brandeis research. But I think it's, you said a third of benefits a third of overall salary package is that. So talk a little bit so. So talk a little bit more about how occupational segregation and the tax code come into play in such a big way in your analysis.
Dorothy Brown  29:10
So what you find is there are white occupations, there are black occupations, there are Latinx occupations, and the white occupations are the ones most likely to come with tax free benefits of health insurance and retirement accounts. And the predominantly black occupations are least likely to have those tax free perks. And what you see is even when a black American is able to get one of those great jobs, and you’ve climbed Mount Everest to get to this point, when you get one of those jobs, black Americans are more likely to have to withdraw money from their retirement account because of extended family needs. So Jim Crow, societal racism has put black Americans behind and we are trying To fix our own problems that were created by the government, right, so we have more, but we wind up with less, because we have family members who we love and who we are not going to turn a blind eye to that society, however, and this safety net has turned a blind eye to

Ida Rademacher  30:19
Our upcoming Leadership Forum is going to be virtual again this year, but really doing a deep dive on the racial equity issues of the retirement saving system. The system itself has shifted from all defined benefit to majority contribution. So you talk a lot about that. And the implications of that. And you don't just talk about which jobs have vironment as a benefit, but who takes it and why. And so I don't know if you can say a little bit about that there's there's other parody, it looks like if there's an automatic enrollment feature, correct.

Dorothy Brown  30:48
It is an automatic if you have to opt out. So you’re automatically in the retirement account. But you have to opt out research shows more people have retirement accounts. And that comes with a fixed investment plan. And that means and that comes with black employees and white employees having similar investment portfolios, which is a good thing. So we know there are things that you can do, that employers can do, I argue we need to tie tax subsidies for employers to that, right. So we need to tie tax subsidies from wages to employers that pay equal wages, we should require an audit of the company so that they see that their black employees are not pushed into lower paying jobs when their white employees when they’re equally qualified. And over a three to five year period, if you don’t fix it, you lose your wage deduction. Speaking of solutions, right, employers are part of the problem. And honestly, so our universities, because universities should care about the research I talked about in the book, that if you’re black and a Harvard graduate, you have to say more resumes to get an interview. And then when you get an interview, you’re targeted toward lower paying jobs. Harvard should be doing audit studies
to see what is happening to their graduates. And if an employer keeps doing this, they should be barred from him from interviewing on campus. So that’s true across the board, right? colleges can do better employers can do better. White homeowners can do better at every stage, there are things that we can do to ameliorate it. But it’s still a broken system.

Ida Rademacher 32:39
It’s a nail, but it thinks there’s a lot of ways to get frustrated with any particular page, it takes take some time with this book to go through because there’s so many ways once you see it, you can see the ways that this plays out differently for folks. But Dorothy, I’m going to call you an iconoclast in the way that you actually start to size up solutions. And there is a whole chapter as well on preferential, you know, within the tax code preferential rates for stocks, yep. Some of the work we did over the summer, after the murder of George Floyd. And we reached out, we said, we need to be starting to figure out how to have a new conversation in this country about wealth, we need a new wealth agenda. And we’re not alone in saying that there’s the Business Roundtable was looking at an entire range of racial equity work that corporations can lead on, we’re gonna get into the Biden executive order. So what government can do like that seems really exciting. And important, the thing that has gotten the most play has been around, you know, hiring more black talent, and making sure that there’s more capital flowing to small businesses. But those are incredibly important, but they’re also not going to close the racial wealth gap.

Dorothy Brown 33:59
No, and they’re not going to close the racial wealth gap, because the system is designed for white wealth, okay, until we fix the system, then we’re going to see more of what we’re seeing. Now. We can do things to slow it down, right? We can forgive student debt, you know, there are things we can do to slow it down. But we actually have to have a conversation, which will require white Americans to admit, they got where they got to be not because it’s a meritocracy. But because grandma or mom and dad gave him a boost.

Ida Rademacher 34:39
At the end of the day, you come up with three things, even though there’s all of these different things to do within each of these systems at the end the day, you know, but you know what, that’s still the system. And that system is still built to privilege. White, you know, white building and so you say a couple of things on page 213 A you call it you say Call on white Americans to consciously shift their behaviors. If you’re a white American
taxpayer, no matter your income, or your history, the system has benefited you at the expense of black Americans. And you must be intentional about dismantling it. And then you also say, how over and over and I want to hear some of the stories of people because your book is full of people and stories and experiences that you actually ended up being you’ve got amazing characters, black Americans in here, you’ve got Rachel, you’ve got Joe Paul, you’ve got all these incredible folks, you’re very few whites that were willing to go on record, because they were uncomfortable talking about the ways that they had had advantage. And no individual wanted to skew, you know, the way that they and they didn’t want to look bad. You said they downplayed the inheritances, they downplayed the gifts, they did no want to go on the record to discuss their good fortune. And so we not only have to reckon with the system’s you really do call on us to have a different dialogue. Yes, chicken an egg to that?

Dorothy Brown 36:03
Well, you know, I’d say it goes back to the notion, you know, so the white Americans that were interviewed for the book, didn’t want us to use their last name, they didn’t want to be associated, you know, their families associated, etc, etc. But the fact that this is silent, really facilitates black Americans thinking I must be doing something wrong. Because the person sitting next to me in the same job can’t be making that much more than me, how are they able to send their kids to K through 12? How are they able to buy a house I went to it? Well, they may not have bought the house, Grandma, when she died might have left them the house. But they don’t say that why people don’t walk around saying I have my house because my grandma gave it to me? And if so, we need to have a conversation about how whiteness produces wealth, and there’s nothing black people can do that will make us white. Okay. So, you know, tell us get married, how to taxes, no tax cut, buy a house, we’re gonna get screwed in the finances, get a good job, I’m gonna have to withdraw from my time and account to pay for my for my relative, you know, whatever it is we do. We get disadvantaged and tax law hurts us to add insult to injury, what white Americans are just living their lives, scooping up tax cuts, building wealth and thinking it’s not that hard. I don’t know why more black people can’t do it. So to some extent, this is such the norm for white Americans, they don’t even know about let’s be clear to people interviewed in the book new which we talked about their last days, right? They don’t necessarily know that this doesn’t happen in all families. That’s what privilege does.

Ida Rademacher 37:46
And that’s why the conversation seems so critical to start having out loud, right?
Dorothy Brown  37:51
Yes, yes, which is one of the things I call on the book, telling your stories out loud.

Ida Rademacher  37:57
Aspen can help do that. I think we I think it's one of the incumbent sees of our institution to help create a place that's safe for everyone. But sometimes we privilege the safety of some over others. And we need to be holding ourselves really accountable for that. And changing on it. At the end of the day, the stories are going to be most powerful if they're aligned with your big solutions. And I want to lay them out for purpose, use it just so people know, get through all the kids, but then get to the party at the end. Because I think Dorothy, you've you've done a couple of things that are also quite disruptive, even to the set of individuals who are really already deeply into solving for racial wealth inequality, you have a pragmatic streak with how you solve for these things I really do. So just to say the three, I'll unpack them quickly, so you can talk about them. You know, at the end of the day, you can change all the things within each area of the tax code, but it's not going to change wealth inequality, because we're still dealing in a system that we can't see the privilege and the so the first thing you talk about is the disinfectant of daylight, and that comes in the form of data. Right? So that's going to go to one piece of that. The second piece, I've decided that my term for what you want to do the tax code is you want to Maria Maria Kondo the tax code you want to use, and I want to hear about that. And then at the end of it, while you talk about the need for reparations. In the tax code, you end with a wealth credit because of what legal precedent is in this country. So I want you to take each of those and say a little bit about why those three for you feel like the starting point versus the iterative pieces.

Dorothy Brown  39:45
So the data without my book, you don't know any of this, and no one should be put through 25 years of research was to come up with this book. We need IRS statistics by race. period and stop. And the President's President Biden's executive order called for the disaggregation of data by race and ethnicity, among other issues like disability, etc, etc. But, so I'm optimistic, but I'm not too optimistic because he doesn't have in the Treasury. So the person in the Treasury is responsible for this, the Assistant Secretary for tax policy. This is an academic who's never written about race. But I don't know how on earth, the President expects his executive order to be implemented at Treasury when the person is put in charge, talks about wealth, but not race talks about inheritance but not race. Okay, so used to me ever problem, somebody can fix that. But we need the data. We needed public so that we can talk about it. Number two, the Maria Kondo the tax code, oh my god, I love that. It's basically getting rid of these deductions, exclusions, exemptions,
because they're benefiting white Americans get going, let's have all income tax, the same income from capital should be taxed the same as income from labor, I should pay the same tax rate when I work for my money as when my money works for me, okay. And the only deduction you have is a living allowance. So if you don't make enough to live in your geographical area, the difference gets paid to you by the government. If you make more than you pay tax at a progressive rate on the difference.

Ida Rademacher  41:36
Is that your wealth credit?

Dorothy Brown  41:37
No. That's just in my Maria Kondo system, it's clean, the base is broad in my system, and therefore the tax rates do not have to be that high. Okay. The wealth credit, my ideal would be to have a reparations tax credit for black Americans, like my parents who have paid higher taxes for decades. The Supreme Court's not gonna allow that they're gonna find that unconstitutional. So my second best alternative that I believe that people would readily find constitutional is a wealth trade. Anyone with below median wealth gets a tax credit. Okay, so they'd wind up with a check to the government. So below median wealth, think about the gentrifying neighborhood, and the elderly black couple who has had their home forever? Well, they don't have wealth, they have below median wealth, they're going to wind up getting a tax credit that will help them pay for their increased property taxes. So the well we can, the Supreme Court has said we can discriminate on the basis of wealth, which means I can have a tax system that says low wealth people, you get this break high wealth, people, no break for you.

Ida Rademacher  42:59
And interestingly enough, if you do go to a wealth credit, pragmatically, because it's constitutional, even if it's not ideal...

Dorothy Brown  43:07
White Americans will wind up getting it...

Ida Rademacher  43:09
It's politically probably more feasible too, I mean, these are questions to be debated and longer conversations about there's deep uncomfort with a wealth tax, a wealth credit,
potentially. You know, it’s a different thing. There’s a lot of other issues here as well. But I think that the data provides us with the ability to refute our own instinct readmission, we have our with our own reference group. Right, right, you can really have real conversations around that. The need to look at tax reform, and it’s been since 1986, since we’ve had a major tax reform for households. So there’s a lot of I think, conversation around that. And I think, especially group with the executive order, and the IRS, we can look at that. And then the wealth credit, we can get into that as well.

Dorothy Brown 43:53

The one thing I want to say about the tax data, yeah, the president is starting to talk about his tax plan. But there’s a disconnect, because he’s not connecting it with race. He’s talking about tax proposals, but no one in the administration is remembering he signed this executive order, why are we going to collect race and tax data if not to apply in tax reform discussions? So whenever you hear someone talking about a tax reform proposal, you should be thinking, what impact is that going to have on the racial wealth gap? What are the racial disparate impacts of that proposal? And if you’re not hearing it from the Biden administration, the Biden administration is not living up to what they said they were going to do with that executive order.

Ida Rademacher 44:42

It’s a good first step, there’s going to need to be a lot of external pressure.

Dorothy Brown 44:48

Yes, because I’m already seeing this talk this conversation about Biden’s tax plan and no one is talking about ways and it’s like did you did he not mean it when he said i believe he mentioned when he said it but because race and tax has not previously been connected together people don’t get you cannot talk about tax policy without talking about race.

Ida Rademacher 45:13

A number of people are talking about reparations and should estate taxes fund reparations as a book address reparations. Maybe say a little bit more about what’s in here and what still needs to be grappled with

Dorothy Brown 45:27

So, to be clear, I talked about a reparations tax credit as a way to compensate black
taxpayers who have paid extra that's the extent of my discussion of reparations in the book sandy daredi and kristen mellon have written a book from hearing equality an entire book about reparations i recommend you read it the book i want to write next is about reparations that's the next book that’s that this book okay so in talking about reparations i support reparations what if everybody if every black person were to get $100,000 tomorrow we would use it in a system designed for white wealth we have to clean up the system that produces white wealth before reparations in my opinion could have could make a significant dent.

Ida Rademacher  46:21
You actually are you're favorably inclined around the baby bond idea except that if you put that into the existing system say somebody at 18 does have 46,000 and they have that extended family there's you have your doubts that again without the roof cleaning up of the system these are the right solutions but they need an additional layer of fix

Dorothy Brown  46:42
What they need, I think, is to be based on wealth and not income because you actually have high income black americans who don't have a lot of wealth because they are paying for family members so you know baby bonds that would pay for college that could pay for homes homes in the you know the messed up system right so they would get the most bang for their buck if they cleaned up the system but if we saw baby bonds tomorrow it would make a difference in the lives of individual black americans it said something about white people have higher income but they also have more deductions so it isn't just you know an $80,000 white person with income and $80,000 black person with income they're going to wind up with different taxable income because white americans have been in that same household is going to have a mortgage interest deduction that the black couple household may not have they're going to have tax free gifts that the black person is not getting so our system that tells you if you make $80,000 your equal is the problem that is not our progressive tax system benefits white americans because a lot of white americans get out of the progressive tax system by having stock that's taxed at the low preferential rate so this notion that progressive tax helps black people no i wrote a whole book refuting that.

Ida Rademacher  48:15
And the marriage chapter which we glossed over actually goes into a lot of the aha moments you had trying to understand most of this i'll end this on this broader question because i think there's a major opportunity here and i think this is why your book is so
timely there's a reckoning happening in america with racial inequity and there are leaders in the private sector and there are leaders in the public sector that mean to take action to deliver food and so i think that at the moment we need to be getting smart and fast about who needs to be talking to who and so one of the questions here is about who needs to be at the table in order to craft blank more equitable tax policy more equitable education who needs to be at the table to craft more equitable governance structures and business i think there's a bit of a generic answer from you that who are the kinds of people you can't be at every table dorothy but how do we start this process?

Dorothy Brown  49:14
So who needs to be at the table are there the community organizers who have been working on these issues forever they are the scholars who have been working on these issues so let's be clear white reporters have been calling me about recent attacks since the murder of george lloyd i spent the prior 2324 years in the wilderness okay i couldn't get a white reporter who wanted to talk to me about race attacks so i think you're right we are at a moment but i think the anyone who wants to make a difference needs to get informed needs to read needs to who's been doing the work in every area there are people who have been doing the work There are other people who have written about. So Jeremy, they're a friend who's a professor at George Washington law school wrote an amazing piece about the IRS as colorblind, right. He needs to be at the table.

Ida Rademacher  50:15
There's a deeper bench. And as with most things right now, it's going to be incumbent on us to be super intentional and do our homework. And it's not okay to not have a very different set of people and Wow, what's going to be different because we are, thank you for your leadership and thank you for your time.

Dorothy Brown  50:31
Thank you.

Tricia Johnson  50:36
Dorothy Brown is the author of “The Whiteness of Wealth: How the Tax System Impoverishes Black Americans and How We Can Fix It,” which was released this month. Ida Rademacher co chairs the Aspen Partnership for an Inclusive Economy. Today’s conversation was held by the Institute's Financial Security Program. Make sure to subscribe to Aspen Ideas to go wherever you listen to podcasts. Follow Aspen Ideas year
round on social media at Aspen Ideas. Today's show was produced by Marci Krivonen and me. Our music is by Wonderly. I'm Tricia Johnson. Thanks for joining me.