Poverty & Race

May/June 2007 • Vol. 16, No. 3

Race, Wealth and the Commons

by Dedrick Muhammad & Chuck Collins

The Black-White racial wealth divide is a primary obstacle to racial reconciliation in the United States. The celebrated but brief heyday of the Civil Rights Movement ended legal sanction of white supremacy, yet vast inequalities of wealth persist.

There have been some advances in reducing the Black-White income gap. But if Black incomes rose at the same rate as they did between 1968 and 2001, it would take 581 years for Blacks to reach per-capita income parity with white America.

It is in the area of wealth that we best see the sedimentary results of inter-generational inequality. In 2004, the median family net worth of Blacks was $20,400, only 14.5% of the median white net worth of $140,700. The median net worth for Latino families was $27,100.

Wealth and savings are a stabilizing force for families, and intergenerational transfers open up access to higher education, homeownership, savings and investments. As a growing amount of sociological research reveals, the net worth of one generation contributes significantly to the wealth prospects of the next generation.

Our nation needs to make a dramatic re-investment in broadening wealth and opportunity. The massive past government investments in wealth-building, such as the Homestead Act and post-World War II "housing boom," were effectively "white only" programs that bolstered the economic supremacy of whites. Since the end of legal segregation and discrimination, there has not been a similar mass investment that Blacks and other people of color could benefit from as equal citizens.

The Commons Sector: Source of Wealth

One barrier to such a mass investment is a mythology of how private wealth is created. No one builds wealth alone, though the myth of individual wealth pioneers is deeply part of our culture. In U.S. society, private wealth (savings, homeownership, investment wealth) is derived from a combination of individual activity and the "commons."

The commons refers to the various forms of common wealth around us, what we have together. This includes the natural commons, such as fisheries, seeds, animals, air, land, water, soil and airwaves. It includes the social or community commons, such as libraries, transportation infrastructure, property and intellectual property. It also includes the cultural or knowledge commons, such as music, indigenous medicine, the Internet, languages.

There is a mythology of how private wealth is created.

Some of these commons are gifts from nature. Others were built by people or by community institutions, derived from shared funding and taxation. One way of viewing the commons, articulated by commons thinker Peter Barnes, is "the gifts of nature, plus the gifts of society that we share and inherit together—and that we have an obligation to pass onto our heirs, undiminished and more or less equally." The commons refers to forms of real wealth and property that can be counted and legally protected. Other forms of common wealth, however, don't have legal standing and may be difficult to quantify.

It is important to consider the struggle over the wealth divide as a contest over the distribution of common wealth. Corporations, benefiting their largely white and privileged shareholders, have looted the commons or shifted their costs onto it. Because most forms of common wealth are poorly defined, lack property rights or are poorly managed, corporations see common assets as largely free for the taking. For example, most extractive industries—such as fishing, oil, coal, mining and timber—take wealth from the ecological commons while paying little or nothing.

Corporations relate to the commons in several ways. They siphon off wealth created by public and community investments for private gain. They enlarge their profits by shifting costs off their balance sheets and onto the commons ledger. This is done by externalizing costs such as pollution, infrastructure and employee health care. Finally, corporations enclose socially-created and knowledge commons, placing them in private ownership and often charging us for their use. Enormous profits are made by corporations enclosing commons such as popular art, culture, Internet and much more. All this is done largely within the framework of the existing legal and economic belief systems.

In 1995, during the shift from analog to digital television, a new set of broadcast frequencies were required. Congress obligingly gave them away —free of charge—to the same media companies to which it had previously given analog frequencies. This was an estimated $70 billion give-away to some of the largest and wealthiest corporations in the country. Few Black businesses or corporations benefited from this historic subsidy, reinforcing white dominance in the broadcast industry.

Throughout U.S. history, whites have had privileged access to different forms of the commons. At the same time, Black labor has added to the common wealth without adequate compensation or claim. Former Secretary of the Interior Walter Hickel quipped, "If you steal $10 from a man's wallet, you're likely to get into a fight, but if you steal billions from the commons, co-owned by him and his descendants, he may not even no-

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tice." A commons perspective is important in looking at current wealth inequalities and solutions.

White-Privileged Wealth Creation

The story of "wealth creation" in the U.S. needs to be revisited through a race and commons perspective. There is a long and unseemly history of the U.S. government channeling common wealth to expand the individual wealth and opportunity of privileged whites.

Even before the existence of the U.S. as a nation, Europeans confiscated and enclosed land and natural resources from indigenous peoples, creating the base of wealth from which our modern economy derives. Similarly, the U.S., often through military intervention, appropriated the resources of foreign nations, whether it be their natural resources or their markets, to the benefit of the U.S.

For hundreds of years, African people were shipped out of their native lands to be tools of wealth production in the U.S. Blacks were considered part of the wealth owned by whites. Black labor built wealth for white America—while their communities have been later used as dumping grounds for the negative externalities produced by industrialization.

Domestically, we can look back at the great "robber baron" fortunes of the Industrial Revolution that were based on white elites gaining free access to the nation's natural resources to exploit for personal enrichment. Great edifices and charitable institutions still carry the names of the individuals who cornered markets built on the natural commons, including oil, timber and minerals—as well as socially-created wealth such as railroads and capital markets.

But even the historical government programs most celebrated for building wealth for ordinary citizens were usually forms of "Jim Crow economic development"—providing whites privileged access to the commons. The Homestead Act of the 1880s, the largest 19th Century initiative for individual wealth-building, essentially expropriated indigenous peoples' lands—and enclosed large tracts of common property—to grant private property titles to white homesteaders.

The commons is the gifts of nature, plus the gifts of society that we share and inherit together.

In a similar way, the wealth-broadening programs of the New Deal and GI Bill are often lifted up as bold initiatives to broaden our middle class. But as Ira Katznelson chronicles in *When Affirmative Action Was White* (see his summary of the book in the March/April 2006 *Poverty &* Race), Social Security, the educational benefits of the GI Bill and homeownership programs of the 1950s all worsened the racial wealth divide.

These programs were designed by a Congress controlled by white supremacists and implemented in Jim Crow states so as not to upset local white rule. As a result, the first two decades of Social Security excluded agricultural and domestic workers, occupations disproportionately held by Blacks. During World War II, Blacks faced unequal treatment in the segregated military and in their ability to access the bountiful benefits of the GI Bill upon their return.

The post-war housing boom was fueled by subsidized assistance to over 35 million Americans between 1948 and 1972. During these years, 11 million families bought homes and another 22 million improved their properties. The biggest beneficiary was "whites only" suburbia, where half of all housing could claim FHA or VA financing in the 1950's and 1960's. The home mortgage interest and property tax deduction also disproportionately benefited suburban homeowners, and interstate highway construction served as an indirect subsidy, as it opened up inexpensive land for suburban commuters.

Unfortunately, due to economic inequality and various white racist practices—including discriminatory mortgage-lending, bigoted realtors and outright white racist violence used to maintain segregated housing patterns—most Black families were prohibited from this government investment into the private wealth of America. Whites, on the other hand, received privileged access to deeply subsidized government programs and common resources that catapulted them forward. At the end of World War II, 44% of U.S. citizens owned their home. In 2004, 76% of whites owned their home, compared to 49.1% of Blacks and 48.1% of Latinos.

Today, the children and grandchildren of GI Bill recipients benefit from intergenerational wealth transfers that enable them to purchase homes, attend private schools and start businesses. But they probably don't think of themselves as beneficiaries of "white affirmative action."

The Myth of Self-Made Wealth

It will be difficult to overcome the racial wealth divide if we adopt a narrative of wealth creation that ignores the role of the commons. We must start with the seldom recognized premise that much of what we consider "wealth" derives from common wealth.

Occasionally, the myth is exposed. In the debate over the federal inheritance tax, several thousand multi-millionaires and billionaires signed a public petition opposing repeal of the estate tax. Many stated that the tax was justified because their personal wealth was the result of direct and indirect public investments in the commons.

Bill Gates, Sr., father of the planet's wealthiest man, wrote:

> When someone has accumulated $10 million or $50 million or $50 billion (I can only think of one person in the last category), they have benefited disproportionately from society's investments in education, public infrastructure, scientific research and other forms of society's common wealth.
>
> Show me a first-generation fortune and I'll show you a successful partnership between a talented individual and society's invisible venture capitalist, the commons.... None of us can individually claim to own the commons but all of us benefit from it.

Still, the myth continues that one's wealth status is a reflection of one's individual effort and achievement. As long as whites and privileged individuals believe their wealth derives largely from their own effort, it will be difficult to build political support for an inclusive wealth-broadening initiative, let alone any form of reparations.

In *The American Dream and the Power of Wealth,* sociologist Heather Beth Johnson interviewed over 200 privileged white families about their attitudes toward family wealth and educational opportunity. While these individuals saw the important role that modest "intergenerational wealth transfers" from their parents made in giving themselves and their children tremendous educational advantages, they still deeply believed one's station in life is determined by individual effort. These interview subjects saw no relationship between the power of their wealth in creating privileged advantages and the inability of others to achieve the "American Dream."

PRRAC Research/Advocacy Grants

We've learned that the March/April *P&R*—which, among other things, announced re-opening of PRRAC's small grants program —arrived quite late to many readers (the hazards of the USPO's bulk mail delivery system). If your copy did not arrive (lead article is by Michael Honey, on Martin Luther King's last, Memphis campaign), let us know and we'll get you the issue right away.

In this context, wealth- and asset-building programs assisting low-income people and people of color that teach "self sufficiency" also risk perpetuating the myth that white and affluent people achieved their wealth status through some form of independent effort.

The Real Wealth Story

A more accurate narrative of individual wealth creation starts with the fundamental truth that anyone with substantial wealth has gotten a lot of help from the commons. Anyone who boasts that they are "self-made" is ignoring the remarkable fertile soil of common wealth that we have all built together. Individual initiative matters, of course, but is often akin to adding the cherry and whipped cream to top of the existing sundae of common wealth.

The story of "wealth creation" in the U.S. needs to be revisited through a commons perspective.

Central to the moral claim to eliminate the historical racial wealth divide is recognition that each of us has a birthright to a part of our inherited commons for our sustenance and livelihood. People chafe at the notion of "giving people something for nothing." Yet we don't think twice about corporations and generations of white-privileged individuals receiving from the commons for nothing.

These individual wealth "success stories" need to be unpacked. Even white middle-class achievement needs to be understood as privileged access to government programs and common wealth that was built through the efforts of many, some of whom have not benefited from their own efforts.

Common Wealth for the Common Good

In *Capitalism 3.0: A Guide to Reclaiming the Commons*, Peter Barnes argues that we are at a historical moment where our common wealth must be reclaimed and secured or we risk permanent loss of that which cannot be replaced. We need to find ways to protect the commons—and use its bounty for the common good, not for just the privileged few.

While private wealth is distributed unequally, common wealth belongs to all, and its benefits should, wherever possible, be universally shared. Income from commons-based sources should be used to reduce inequality and expand opportunity.

At the same time, common wealth should be managed not just on behalf of those living now, but also on behalf of future generations. Each generation has an obligation to preserve its shared inheritances and pass them on, undiminished, to the next.

Peter Barnes suggests that there are three large pools of common wealth that should be tapped at a national level to enhance the common good. These are: the waste absorption capacity of nature; socially-created wealth captured by individuals; and socially-created wealth captured by corporations. Taken together, these pools represent

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trillions of dollars worth of shared resources and hundreds of billions of dollars in potential annual revenue.

Our challenge is to identify possible uses of these pools of common wealth and organize to ensure their fair allocation. Barnes suggests that the criteria for selecting potential uses should be that they are: (1) universal, (2) permanent or perpetual, and (3) aimed at redressing historical inequities caused by unequal distribution of common wealth. We need to have a practical and political discussion about which common resources should be used for which common goods.

Collectively, we have a pretty good sense of what needs to be done to broaden wealth and opportunity. The "white only" programs of the last 60 years were successful in lifting the opportunities for a segment of the population. Combined with some of the new innovations around asset creation, we can detail a wealth-broadening program that would close the racial wealth divide. The elements include:

- Debt-free higher education, like the G.I. Bill and Pell grants that enabled millions to graduate from college without deep debts.
- Matching savings programs, such as Individual Development Accounts (IDAs) that bolster private wealth.
- Kid Save accounts that contribute to greater asset-building and opportunity. One proposal is to allocate to every child born in U.S. a tax-free inheritance of $5,000. When the child reaches 18, funds (greatly appreciated over nearly two decades) could be withdrawn for education, first home purchase or starting a business.
- Expanded homeownership, through various first-time homeowner mechanisms such as soft second mortgages and subsidized interest rates.
- Annual dividends to supplement wages. Alaska residents receive an annual dividend from the Alaska Permanent Fund, a portion of the state's oil wealth.
- Establishment of "Community Wealth-Building" funds, pools of capital to provide support for community development corporations, nonprofit housing organizations, employee-owned firms, social enterprises, community land trusts and other community-serving, asset-building efforts.

Anyone with substantial wealth has gotten a lot of help from the commons.

Commons-based revenue can go to individuals or support commons institutions that expand opportunity. In Texas, a percentage of oil wealth contributes to several trust funds that pay for K-12 and higher education.

How will we pay for this wealth-broadening program? An important source of revenue is to harness income from commons-based sources.

Scarcity Rents for Natural Resources. Historically, polluters have dumped into the scarce natural commons without cost. If we charge for the use of our shared natural resources, we create both price incentives to reduce pollution and generate a revenue stream for the common-good uses described above. With the tremendous push to reduce carbon emissions and address our climate crisis, there will be new mechanisms to cap carbon and assess fees. The trouble with cap-and-trade systems to date is they have been "give-aways" to historic polluters. A "sky trust" could capture this substantial revenue, probably in the range of billions of dollars per year, to broaden wealth and opportunity.

Common Wealth Recycling Program. If we recognize that large accumulations of private individual wealth are the result of commons, we should more aggressively tax inheritances and recycle these opportunities. There is a clear moral rationale for taxing inheritances: Socially-created wealth may be temporarily claimed by individuals, but at some point should return to society. Inheritance taxes could be dedicated to a Wealth Opportunity Fund to serve as a source for several of the uses described above.

In Washington State, the state's estate tax is levied on estates over $2 million ($4 million for a couple). This generates about $100 million a year that is channeled into the Education Legacy Trust Account. Funds are used to reduce class size in K-12 education statewide and provide higher education scholarships for 7,900 lower-income students. Bill Gates, Sr. defended the tax, observing that: "If we abolish the state's inheritance tax we stop the opportunity-recycling program. We allow the common wealth

Rep. Cohen's Apology for Slavery Resolution

Memphis Congressman Steve Cohen, whose comments on Michael Honey's book on MLK's last campaign appeared in the March/April *P&R*, has introduced H. Res. 194, a Resolution "Apologizing for the enslavement and racial segregation of African- Americans." Introduced on Feb. 27 with 36 original co-sponsors, it now has 72 co-sponsors and has been referred to the Judiciary Comm. for markup. The "Whereas" clauses are truly eloquent and comprehensive, and the last of the three "Resolveds" reads "That the House of Representatives expresses its commitment to rectify the lingering consequences of the misdeeds committed against African-Americans under slavery and Jim Crow and to stop the occurrence of human rights violations in the future." Further inf. is available from James Park, Rep. Cohen's Legislative Asst., 202/225-3265, James.Park@mail.house.gov.

to stop flowing and concentrate it in the hands of a few. And worse, we slow the investments in opportunity that aim to provide every young person a chance, whether they were born in South Seattle or Mercer Island."

Socially-Created Wealth Captured by Corporations

Corporations also hold socially-created wealth—and we should look at means to recapture some of this wealth for the common good. Peter Barnes describes the numerous ways that society transfers wealth to corporations. First, we grant them special privileges that are not available to real human beings, such as limited liability, perpetual life and the ability to grow without limit. We supplement these gifts with other privileges, such as patents and copyrights that enable them to charge higher prices than a truly competitive market would allow. On top of that, society creates public infrastructure—roads, the Internet, regulated capital markets and trade policies—that greatly enhances corporate wealth. And on top of that, we often give corporations common resources (land to railroad companies, minerals to mining companies, spectrum to broadcasters, pollution rights to polluters) worth billions.

We rationalize these common wealth gifts to corporations by arguing that corporations create jobs and strengthen our economy. But in reality, most of these benefits flow to privileged elites who own most of the corporation's stock and are disproportionately white. Corporations pay back a portion of this through corporate income taxes, but this contribution is shrinking to nothing for some of the country's most profitable enterprises. Barnes proposes a levy on corporate wealth, placing a percentage of stock into an American Permanent Fund, to be managed on behalf of the common good.

These are just a few examples of ways to creatively pair sources of common wealth with common-good uses. The Tomales Bay Institute is sponsoring a series of conferences and discussions aimed at fleshing out a series of policy initiatives (see below).

We need to find ways to protect the commons—and use its bounty for the common good, not the privileged few.

Tapping the commons for initiatives to reduce the racial wealth divide is an appropriate and necessary remedy to centuries of exclusion from common wealth. Current contests over capping of carbon emissions and preserving the federal estate tax provide immediate opportunities to inject this commons perspective into public policy and the public consciousness.

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Chuck Collins (chuck@ips-dc.org) is a senior scholar at the Institute for Policy Studies and co-author of The Moral Measure of the Economy *(Orbis, 2007) and* Economic Apartheid in America *(New Press, 2005).*

This summer, the Tomales Bay Institute is convening a Common Wealth Task Force to build support for policy initiatives to protect the commons and redirect commons-based revenue to the common good. For more information, contact the authors. TBI promotes public understanding of the commons through publications, gatherings, media outreach and a variety of projects. For more information about the commons and several free and downloadable publications, see www.onthecommons.org ❑

Michael Honey

Prof. Honey, author of *Going Down Jericho Road: The Memphis Strike, Martin Luther King's Last Campaign* (his precis of which was the lead article in the March/April *P&R*), will speak on May 15, 6-7:30 pm at Busboys & Poets (14th & V NW), DC's great new bookstore (run by our partner organization Teaching for Change)/ meeting place/restaurant. Also speaking about his new book, *From Civil Rights to Human Rights: Martin Luther King, Jr. and the Struggle for Economic Justice*, will be Prof. Thomas Jackson of the UNC-Greensboro History Dept. William Lucy, Pres. of the Coal. of Black Trade Unionists and Sec./Treas. of AFSCME, will be a commentator, and there will be music by Elise Bryant and the DC Labor Chorus. PRRAC is co-sponsoring the event. If you're anywhere near DC, come (and have a good meal before, during or after).

Further Readings

Peter Barnes, *Capitalism 3.0: A Guide to Reclaiming the Commons* (Berrett Koehler, 2006)

Dalton Conley, *Being Black, Living in the Red* (University of California Press, 1999)

Kenneth Jackson, *Crabgrass Frontier* (Oxford University Press, 1987)

Heather Beth Johnson, *The American Dream and the Power of Wealth* (Routledge, 2006)

Ira Katznelson, *When Affirmative Action Was White* (W.W. Norton, 2005)

Meizhu Lui, Barbara Robles, Betsy Leondar-Wright, *The Color of Wealth* (New Press, 2006)

Melvin Oliver and Thomas Shapiro, *Black Wealth, White Wealth* (Routledge, 1995)

Thomas Shapiro, *The Hidden Cost of Being African American* (Oxford University Press, 2004)