Month 1: The Foundations of Economic Inequality in the U.S.

This first section of the Economic Inequality series examines the interconnected issues of race, geography, class, and government policies in perpetuating economic inequality in the United States. Racial economic disparities continue to hinder wealth accumulation and access to opportunities. Practices such as redlining and persistent wage disparities contribute to the economic divide. Meanwhile, geographic divides, such as the economic struggles faced by White rural communities and the shifting poverty from cities to suburbs, illustrate the broader scope of economic insecurity. Class remains a significant determinant of financial stability, with wage stagnation, generational poverty, and limited access to education further exacerbating inequality. The paper also examines how early gaps in public education and healthcare access continue to limit upward mobility for vulnerable communities and then proposes comprehensive policy reforms to address inequalities for all Americans.

How race, geography, and class have shaped economic exclusion

Race

Racial economic discrepancies in the U.S. have been built through centuries of unjust policies and practices that continue to shape wealth accumulation and access to opportunities. Black, Indigenous, Latino and Asian American communities have traditionally faced foundational exclusion, particularly through practices like redlining, which began in the 1930s when the federal government and banks denied mortgage loans to neighborhoods inhabited by people of color. This practice prevented homeownership and wealth accumulation for millions of Americans. Although outlawed in 1968, redlining's effects persist today, with formerly redlined neighborhoods still experiencing lower property values, underfunded schools, and reduced access to credit. The labor market further reflects these racial differences, with Black and Hispanic workers earning significantly less than their White and Asian counterparts, even when controlling for education and experience.

While race has been a defining factor in economic exclusion, geography and class have also shaped economic imbalance. Deindustrialization and wage stagnation have severely impacted rural White communities, particularly in Appalachia and the Rust Belt, where workers without college degrees face declining job prospects and economic insecurity. Homeownership, a key driver of generational wealth, shows White homeownership rates exceeding 73.8%, while Black and Hispanic rates remain significantly lower at 45.9% and 49.8%, respectively. However, class plays a significant role within racial groups as well. Low-income White Americans experience limited social mobility, high levels of debt, and financial instability.

Geography

Rural communities across the country face significant economic hardships with limited job opportunities, hospital closures, and underfunded schools, making it difficult for residents to escape poverty. Regions such as Appalachia, the Mississippi Delta, and Native American reservations have some of the highest poverty rates in the country, exceeding 25%. At the same time, urban poverty remains a major issue in cities like Detroit (31.5%), Baltimore (20.2%), and St. Louis (19.6%), which continue to struggle with the lasting effects of deindustrialization and disinvestment. These areas face concentrated poverty, housing instability, and limited economic opportunities, reinforcing cycles of financial hardship.

Suburban areas, often seen as centers of economic stability, are also experiencing increased economic exclusion. While many affluent suburbs continue to thrive, older, inner-ring suburbs with aging infrastructure and declining tax bases face many of the same challenges as urban communities. The shift of poverty from cities to suburbs in recent decades has complicated traditional narratives about economic exclusion, demonstrating that financial insecurity is no longer confined to inner cities. Additionally, while the Northeast and West Coast generally offer higher wages and greater economic opportunities, states in the South and parts of the Midwest, such as Mississippi (19.58%), West Virginia (17.10%), and Arkansas (16.08%), continue to experience persistent poverty, regardless of race. These regional divides highlight the need for policies that address both racial and geographic economic gaps.

Class

While race and geography play significant roles in economic exclusion, class remains one of the strongest predictors of financial security. Working-class and low-income individuals face foundational barriers to upward mobility, many of which have intensified over the past 50 years due to wage stagnation and the rising cost of living. The decline of manufacturing jobs, once a primary path to economic stability for working-class families, has led to an overreliance on low-wage service industry jobs. This shift has affected White working-class communities in former industrial centers, as well as workers who have traditionally concentrated in lower-wage sectors. Generational poverty compounds these issues, as families experiencing economic hardship often remain trapped in cycles of poverty due to inadequate schooling, poor healthcare access, and limited economic opportunities. These barriers are prevalent in both urban and rural areas, affecting all socioeconomic groups.

Education, another indicator of economic mobility, has become a major class divider. Higher education is often considered a pathway to financial stability, yet its rising costs and the burden of student loan debt impact low-income students to a greater extent. First-generation college students, many of whom come from lower-income White, Black, and Latino families, face significant challenges in completing their degrees and securing well-paying jobs. The increasing cost of education has further entrenched class divides, making it harder for working-class families to move up the economic ladder.

The role of government policies in perpetuating economic inequality

Government policies have traditionally reinforced economic inequality, often excluding vulnerable communities from wealth-building opportunities. The Homestead Act of 1862, which distributed 270 million acres of land, significantly benefited White settlers while denying access to Black and Indigenous people. Even when Black Americans were legally allowed to claim land, violent dispossession and unjust enforcement prevented them from securing the same economic advantages. Indigenous communities faced land seizures and forced removals under the Dawes Act of 1887, which divided tribal land and transferred much of it to White settlers and corporations.

Policies intended to support economic development have also had consequences for rural, low-income White communities. The Agricultural Adjustment Act (AAA) of 1933, designed to stabilize crop prices during the Great Depression, significantly benefited large landowners while displacing tenant farmers and sharecroppers, many of whom were White in the South. Similarly, the mechanization of agriculture, fueled by federal subsidies and rural electrification policies, reduced the demand for agricultural labor, forcing many to migrate in search of work, often to economically unstable industrial towns.

In recent years, policies have had mixed effects on economic inequality. The federal minimum wage, stagnant since 2009 at $7.25 per hour, acutely affects low-income workers, particularly in rural areas. Healthcare policy has also perpetuated unfairness, with states that chose not to expand Medicaid under the Affordable Care Act (ACA) leaving millions uninsured, especially in the South. Native American communities continue to face chronic underfunding of the Indian Health Service (IHS), leading to poorer health outcomes and life expectancy rates 5.5 years shorter than the national average. Additionally, tax policies such as regressive sales taxes and the 2017 Tax Cuts and Jobs Act (TCJA) greatly reduced corporate tax rates from 35% to 21% and provided large tax breaks for high-income earners. As of February 2025, the same concerns remain. The potential cut to Social Security, disability benefits and Medicaid through budget proposals will result in loss of coverage for millions of low-income individuals.

Early disparities in public education

Education has long been a fundamental determinant of economic mobility, yet discrepancies in public schooling continue to reinforce economic inequality. Traditionally, Black, Hispanic, and Indigenous students were segregated into underfunded schools, a legacy that persists today due to property tax-based funding models. Public schools in low-income areas receive significantly less funding, with a gap of $23 billion, despite serving the same number of students. Rural communities, where many low-income White and Indigenous students live, often struggle with limited educational resources, outdated facilities, and teacher shortages.

Discrepancies begin in early childhood education, where children of color are less likely to have access to high-quality pre-K programs. Indigenous children living on reservations also face a severe lack of early education opportunities, with many Bureau of Indian Education (BIE) schools underfunded. Low-income White children in rural areas experience barriers to early education due to long travel distances and fewer funding options. These gaps widen in K-12 education, where schools serving predominantly low-income students face higher teacher turnover, fewer advanced placement (AP) and STEM courses, and outdated materials.

Higher education is also marked by rising tuition costs and declining state funding, making college less accessible, particularly for first-generation students. Student loan debt acutely burdens Black borrowers, who graduate with an average of $30,000 more in debt than their White peers. Meanwhile, Latino and Indigenous students face lower college completion rates due to financial and institutional barriers, further perpetuating cycles of poverty.

Early disparities in healthcare access

Throughout the 20th century, Black Americans were excluded from employer-sponsored health insurance due to job discrimination and segregationist policies. Indigenous communities also face inadequate healthcare access, as seen in 2021 when the Portland branch of the Indian Health Service (IHS) had a 100% vacancy rate for dentist positions, limiting dental care in that region. Such examples illustrate the broader gaps exacerbated by underfunded healthcare services. Other persistent outcomes include higher rates of chronic illnesses such as diabetes, hypertension, and maternal mortality.

Geography further compounds healthcare challenges. Rural areas, home to many Indigenous and low-income White Americans, suffer from physician shortages and hospital closures. Between 2005 and 2023, over 100 rural hospitals closed, leaving entire communities without nearby healthcare. Indigenous communities, particularly those on reservations, rely on underfunded IHS clinics with long wait times and inadequate specialty care. Hispanic and immigrant populations in agricultural, construction, and service industries often lack employer-sponsored insurance, resulting in higher rates of uninsured and reliance on under-resourced community health centers.

Structural bias within the healthcare system also contributes to discrepancies. Black patients are less likely to receive pain medication for the same conditions as White patients, and maternal mortality rates for Black women are nearly three times higher than for White women, regardless of socioeconomic status. Language barriers also create obstacles for nonfluent English-speaking patients, as many healthcare providers lack translation services, leading to misdiagnoses and reduced access to preventive care. These disparities result in worse health outcomes, increased medical expenses, and lost economic opportunities, as individuals face higher medical debt, missed workdays, and long-term financial instability.

Policy Recommendations

To address the systemic economic inequalities outlined above, federal and state governments must implement policies that promote wealth accumulation, fair access to education and healthcare, and labor protections for diminished communities. Key actions include expanding federal investments in underfunded communities through direct subsidies, housing grants, and credit access programs. Strengthening the Community Reinvestment Act (CRA) and enforcing just-lending practices will ensure fair access to capital for neglected communities.

In addition to these economic interventions, raising the federal minimum wage is crucial to addressing wage stagnation and reducing income gaps. A livable minimum wage, adjusted for inflation, would directly benefit low-income workers and support greater financial stability. Strengthening labor protections for service industry and gig economy workers is also necessary to prevent exploitative practices that harm workers and those in rural or deindustrialized regions. Expanding federal job training programs and incentivizing workforce development will create pathways for upward mobility, particularly for those displaced by automation or the decline of manufacturing jobs.

Education reform is another critical area where targeted actions are essential. Shifting the funding model for public schools away from property taxes and toward state and federal funding would create a more uniform education system. Expanding access to universal pre-K, STEM, and vocational programs and addressing teacher shortages in underfunded rural and urban districts will ensure high-quality education for all students. Federal and state governments should also prioritize lowering the cost of higher education by increasing financial aid, expanding student loan forgiveness programs, and eliminating predatory lending practices that affect first-generation and rural students. Addressing healthcare access as an economic issue by expanding Medicaid in all states, and incentivizing healthcare providers to serve in insufficiently catered to regions is vital to improving overall health outcomes and economic mobility. Comprehensive tax reform and strengthened social safety nets will reduce wealth discrepancies and provide immediate relief to economically vulnerable populations.

Conclusion

The persistence of economic inequality in the U.S. underscores the need for structural change. Despite some progress, lack of access continues to limit opportunities for many, particularly in vulnerable communities. Addressing these challenges will require targeted interventions, such as reforming education and healthcare systems, ensuring fair economic policies, and dismantling the barriers that reinforce racial, class, and geographic divides. By focusing on comprehensive solutions, it is possible to create a more all-encompassing economic landscape for all.