

ASSIGNMENT

Why is there so much economic inequality between races? And how does TANF help that?

ANS: The rising gap of economic inequality around the world has contributed to a rising middle class in the emerging world and squeezed middle class earners in rich countries. The presence of economic inequality between races is a diverse and complexed issue influenced by numerous historical, social, economic, legal and systematic factors around the world.

The key drivers and factors that contribute to this economic disparity and inequality include:

- 1) Historical factors. Historical events such as slavery, colonization, segregation and discriminatory policies against the blacks and Asians during the colonization by the British and countries in power at the time has contributed to long-lasting effects on wealth accumulation and opportunities for different racial groups. These historical injustices have created significant disparities that persist today. This is the major cause of why many African countries still depend on their colonialists for financial aid which is given in bulk and takes a long period of time to pay back making the Africans slaves in one way or the other and even sometimes the African countries are forced to give properties that are financially beneficial to the state in order to make up for the huge debt for example Kenya has given China its ports in Mombasa to be able to pay its debts as they owe the Chinese government 8 billion dollars which will take decades to be paid.
- 2) Discrimination and bias. Systemic racism and racial bias continues to affect various aspects of society like education, employment, housing and access to capital from the state. Discriminatory practices like housing benefits, racial stereotypes like whites are smarter or more intelligent and hard-working than the blacks in white collar jobs unlike the blacks who are more proper for labor jobs in the farm or cleaning of toilets in the office as they lack the literacy and intellect needed to do a white collar job. This causes limiting opportunities for the blacks and Asians around the world leading to adverse economic disparity.
- 3) Lack or Unequal access to education. Unequal access to quality education is a significant contributor to economic inequality. This is because a country's economy is more productive with increased educated worked who are skilled, tasks are performed more efficiently and effectively. Racial segregated schools between the whites and blacks has lowered family income which has increased poverty rates between black and white students. Overtime the black students have had to work extra shifts and jobs just to cater for their needs, education and support their families back home. Unfunded districts and disparities in educational resources have contributed to economic inequality and opportunities available to individuals from marginalized racial backgrounds.
- 4) Lack or unequal access to employment. Racial bias and discrimination when hiring, promoting and workplace practices set to create a conducive environment for the employees at work may hinder career advancement and income growth for individuals from marginalized racial groups. This is because a white is more privileged than a black



in a work setting where white privilege is practiced. Occupational segregation is where certain industries or professions are dominated by a particular race for instance majority of doctors in the states are whites compared to blacks, professors, engineers, police officers contributing to increased economic inequality.

- 5) Wealth and Asset accumulation. Over the years due to colonization and racial discrimination of black and Asian people the whites have being more favored and at an advantage in wealth and asset accumulation contributing to a wide gap between the rich and the poor and growth of economic inequality around the world. Limited access to homeownership, business ownership and intergenerational wealth transfer can greatly contribute to a vast economic disparity and limited opportunities for racial minorities.
- 6) Financial and banking practices. Discrimination hinder lending practices, redlining and limited access credit and financial services which have for the longest time being a disadvantageous factor for the minority and marginalized in the society. With hindrance and lack of a strong financial backbone for the marginalized it makes it very hard for them to build and accumulate wealth and access capital for economic growth.
- 7) Shifting economic paradigms have greatly contributed to economic inequality. This is because countries around the world have vastly being distributed to three main categories: more unequal distribution of labor income with rising wage inequality as technology shifts labor demand from routine low-to middle-level skills to new higher-level skills and more unequal distribution of capital income with rising market power and economic rents enjoyed by dominant firms in increasingly concentrated and winner-takes-all-markets. The dynamics are more evident in advanced economies like United States of America, China, Russia could increasingly impact developing economies as the new technologies favoring capital and higher-level skills make deeper inroads.
- 8) Globalization. Globalization as greatly contributed to economic inequality around the world especially in advanced economies by negatively affecting wages and jobs of lower-skilled workers in tradable sectors. These sectors extend beyond manufacturing as digital globalization expands the range of activities including services, deliverable across borders.
- 9) Changes in institutional settings. These institutional settings include economic deregulation, increasing financialization of economies coupled with a high concentration of financial income and wealth, erosion of labor market institutions such as minimum wage laws and collective bargaining. Moreover, the redistributive role of the state has been weakening with declining tax progressivity and with transfer programs facing the pressure of tighter fiscal constraints.
- 10) Criminal Justice system. Racial discrimination within the criminal justice system including bias policing, sentencing disparities where the black are sentences to prison more or over offences they did not commit but are jailed as they are black and considered a threat and harmful to society. The impact of mass incarceration can have a long-term economic consequence for individuals and communities among the minorities.



Large and persistent increase in inequality within economies are not an inevitable consequence of forces such as technological change, globalization, shift in economic paradigms; rather is much dependent on how public policy responds to the new dynamics that these forces generate. The difference lies largely in countries' institutional and policy settings and how they have responded. In general, looking across countries, public policy has been behind the curve. It has been slow to rise to the new challenge to promote more inclusive outcomes from economic change.

Public policy to reduce inequality is often viewed narrowly in terms of redistribution of taxes and transfers. This is indeed an important element especially in view of the erosion of the state's redistributive role in recent decades. The reforms spans competition policy and regulatory frameworks to keep markets competitive and inclusive in the digital age; innovation of ecosystems and technology policies to put innovation to work for broader groups of people, digital infrastructure and literacy to reduce the digital divide, labor policies and social protection systems to enable workers to obtain a fair share of economic returns and to support the in times of transition.

How does TANF help reduce the economic inequality between races?

ANS: TANF (Temporary Assistance for Needy Families) is a social welfare program in the United States that provides cash assistance and other support to low-income families. In the area of TANF, states could make their own policies to fund immigrants TANF assistance by using their own state funds in three areas: 1) Whether or not to provide pre-enactment immigrants (Immigrants who entered the U.S. before the PRWORA reform) TANF benefits; 2) Whether or not to offer post-enactment immigrants (immigrants who arrived to the U.S. after the PRWORA reform) TANF benefits during the five year bar set by the federal government 3) Whether or not to give post-enactment immigrants TANF benefits after the five year bar set by the federal government (Tumlin, Zimmerman, & Ost, 1999; Bier & Hoynes, 2013).

The states adopted quite different immigrant welfare policies in the area of TANF, with some generously offering state funds to provide immigrants cash assistance and others not providing any additional TANF assistance. For example, right after the 1996 PRWORA, states such as California, Connecticut, Delaware, Georgia, Illinois, Maine, Maryland, Minnesota, Nebraska, New Mexico, Oregon, Vermont, Washington, Wisconsin and Wyoming immediately decided to provide TANF assistance by using state funds to all three immigrant scenarios mentioned above.

Each TANF grant was established based on its historical spending on welfare related activities under AFDC, so states that that spent more under ADFC continue to receive larger TANF grants. To receive federal TANF funds, states must continue spending a minimum amount of state funds based on their historical spending known as the maintenance of effort requirement. States may use federal block grants and state maintenance of effort funds for any of the program's four broad purposes:

1. Provide assistance to needy families so that children can be cared for in their own homes



or in the homes of relatives.

2. End the dependency of needy parents on government benefits by promoting job preparation, work and marriage.
3. Prevent and reduce the incidence of out of wedlock pregnancies.
4. Encourage the formation and maintenance of two parent families.

Although TANF is best known for providing cash assistance to low-income families; the states where under no legal obligation to provide cash assistance and most TANF dollars now go towards other purposes. In 2015, only 25 percent of TANF funds nationwide went towards basic cash payments, a reduction from 71 percent of TANF funds in 1997.

TANF helps to reduce economic inequality between races and different states through the following ways:

- 1) Income support. TANF provides temporary financial assistance to eligible families with children. This assistance can help alleviate immediate financial hardships and provide a safety net for families facing economic challenges regardless of race.
- 2) Work requirements. TANF emphasizes work participation and often requires recipients to engage in work-related activities to continue receiving benefits. By promoting workforce participation, TANF aims to help individuals and families transition from welfare to work, which can potentially contribute to economic mobility for some recipients.
- 3) Education and training. Some TANF programs offer education and training opportunities to recipients to enhance their employability and skills. Access to education and training can be beneficial for individuals seeking better job prospects and higher income, potentially contributing to reducing economic inequality.
- 4) Supportive services. TANF may provide supportive services such as child-care assistance, transportation support and job placement services. These services can help facilitate employment and address barriers that low-income families including those may face in accessing and maintaining employment.
- 5) Limitation and challenges. While TANF provides temporary assistance, its cash benefits often fall below the poverty line, which may not be sufficient to lift families out of poverty or significantly address systematic economic inequality. Additionally, TANF'S effectiveness in reducing poverty and promoting long-term economic mobility varies across states and its impact on racial economic disparities is limited without targeted interventions addressing structural inequalities.

To address economic inequality between races, a comprehensive approach is necessary. That is implementing policies that address structural barriers, promoting equitable access to quality education, addressing discriminatory practices in employment, fostering wealth-building opportunities and ensuring fair and inclusive economic systems.



Despite TANF taking charge and assisting reduce the economic inequality between races, it is important to implement broader strategies that holistically tackle the root causes of economic inequality and address racial disparities in access to opportunities.

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Why does cash welfare depend on where you live?

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