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FACT SHEET

Juneteenth and the Enduring Call to Action for an Inclusive Economy

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What Is Juneteenth and Why Is It Important?

On the night of December 31, 1862, enslaved and free African Americans gathered in churches and homes across the country, holding vigil for a promise long-awaited. At midnight, the Emancipation Proclamation took effect, declaring that all enslaved people in Confederate states were legally free. Union soldiers, including many Black troops, carried that news as they advanced across the South, reading from pocket-sized proclamations and delivering freedom wherever they went.

However, the enforcement of emancipation depended on the presence of Union troops. In Texas, the westernmost Confederate state with little Union oversight, slavery persisted for more than two years. On June 19, 1865, approximately 2,000 Union soldiers arrived in Galveston Bay and announced that all enslaved people in Texas were free by executive decree. More than 250,000 Black Americans received news of their freedom that day.

This moment became known as Juneteenth, a celebration born out of delayed liberation and the enduring pursuit of justice. While the Emancipation Proclamation began the legal process of ending slavery, it wasn't until the ratification of the Thirteenth Amendment in December 1865 that slavery was formally abolished throughout the United States.

In 2021, Juneteenth was recognized as a federal holiday, but its meaning goes far beyond formal recognition. It is a moment to reflect on the legacy of slavery and racial discrimination and to consider how those injustices persist in new forms, including housing discrimination, underinvestment in communities of color, and unequal access to financial services and economic opportunity. Juneteenth is also a call to action for financial institutions to confront the structural inequities that shape our economy and build systems that are inclusive, equitable, and accountable.

This fact sheet describes how discrimination and lack of access hurts not just communities of color but all Americans, and outlines some of the ways the Trump Administration is threatening decades of progress to ensure a more inclusive economy.

How Does Celebrating Our Diversity Make Us Stronger?

Avoiding Groupthink and Making Better Decisions

Diversity is more than a slogan. It is a strategic advantage that strengthens institutions and improves outcomes. Research shows that diverse teams are more effective, innovative, and resilient in both the public and private sectors. That's because people from different backgrounds bring different perspectives, challenge assumptions, and help organizations avoid the pitfalls of groupthink.

Groupthink occurs when decision-makers are too similar in experience or worldview and begin reinforcing each other's ideas instead of interrogating them. This can lead to blind spots, flawed risk assessments, and ultimately poor outcomes. A lack of diversity in leadership, for example, contributed to the 2008 financial crisis, when regulators and executives failed to challenge the high-risk behavior that nearly collapsed the global economy.

A decade earlier, Brooksley Born, then Chair of the Commodity Futures Trading Commission, sounded the alarm about the risks posed by the unregulated over-the-counter derivatives market. She urged fellow regulators to act before these complex and opaque financial products threatened the broader economy. However, her warnings were repeatedly dismissed by a close circle of influential male policymakers, including Alan Greenspan, Robert Rubin, and Larry Summers, who resisted oversight and sidelined her efforts. Born's marginalization remains one of the clearest examples of how a lack of diversity in leadership can breed complacency, silence dissent, and ignore early warnings that might prevent future crises.

Celebrating and embracing diversity across race, gender, socioeconomic status, and lived experience helps create environments where better decisions are made. This strengthens organizations and benefits the communities they serve.

Diversity and Corporate Performance

The recent backlash against Diversity, Equity and Inclusion (DEI) initiatives is similar to the backlash against Environmental, Social and Governance (ESG) initiatives in that both ignore the impact of robust, qualitative opportunity and risk assessments on financial performance. With respect to ESG investing, the backlash comes at a time when the ESG factors have never been more financially relevant. Similarly, with respect to DEI initiatives and financial performance, "the data are unmistakably clear."

> Companies committed to diversity and inclusion significantly outperform those that aren't. In the most recent McKinsey Diversity Matters report, companies committed to diversity show 'a 39 percent increased likelihood of outperformance for those in the top quartile of ethnic representation versus the bottom quartile. . . . The penalties for low diversity on executive teams are also intensifying. Companies with representation of women exceeding 30 percent (and thus in the top quartile) are significantly more likely to financially outperform those with 30 percent of fewer. Similarly, companies in

> our top quartile for ethnic diversity show an average of 27 percent financial advantage over others. Meanwhile, those in the bottom quartile for both (ethnic and gender diversity) are 66 percent less likely to outperform financially on average, up from 27 percent in 2020, indicating that lack of diversity may be getting more expensive.

Although McKinsey has repeatedly found a connection between diversity and performance, its studies have been criticized, which is why it is important that other research has reached similar conclusions. For example, Boston Consulting Group's research demonstrates that organizations with diverse leadership see 19% higher innovation returns. And the UK's Financial Reporting Council found that "higher levels of gender diversity of FTSE 350 boards positively correlate with better future financial performance . . . with the effect being the strongest after three to five years." Morgan Stanley has also concluded that "a more diverse workforce, as represented by women across all levels of the organization, correlates to higher average returns."

> When our quantitative team analyzed global companies based on their percentage of female employees and other metrics of gender diversity, companies that have taken a holistic approach toward equal representation have outperformed their less diverse peers by 1.6% per year between 2011 and 2022.

Despite the plethora of studies finding that diversity boosts performance, other researchers question the methodologies of these studies and their focus on demographic diversity. But even the work of these researchers would not support the DEI backlash. Instead, these researchers go beyond simple diversity to find a more holistic measure of DEI initiatives and then find that it is these measures that are correlated with better financial performance. For example, researchers at the London Business School, Columbia University, and the Federal Reserve Board recently found that their measure of DEI was "positively associated with seven out of eight measures of future profitability, such as return on assets, return on sales, profits divided by employees, and sales divided by employees." Similarly, researchers at the London School of Economics recently found that their DEI proxy was "positively associated with long-term market valuation and innovation, suggesting that DEI initiatives can be of strategic importance for organizations."

Perhaps unsurprisingly in light of these studies, investors are increasingly focused on obtaining information about diversity among corporate employees and companies' DEI practices.

> Specifically, investors have been focused on disclosure of relevant policies and employee diversity statistics. Out of the 527 resolutions filed in the first quarter of 2024, 7.5% address workplace diversity, continuing to signal that this is an important issue for investors. There were also several resolutions filed seeking racial and gender median pay data to assess enduring pay inequities.

Institutional investors appear to be particularly focused on obtaining diversity information.

> About 27% want it 'reflected subtly through case studies, leadership behavior, or cultural signals—without using explicit ESG/DEI language. Another 27% want it 'framed through a financial/material lens (e.g., risks, returns, value creation).' And 25%

> want it 'integrated into overall firm and portfolio updates.' They also find ESG and DEI progress updates to be one of the most valuable aspects of annual general meetings.

Investors not only want information about diversity but also reward diverse companies. Research shows that firms "reporting better than expected workforce gender diversity saw abnormal positive returns—that is, higher returns relative to the overall market's performance that day—while firms with lower than expected diversity saw a negative reaction." The authors conclude that "executives may want to take note of how positively investors perceive diversity as they weigh whether to prioritize workforce diversity when making management or investment decisions."

How Do the Trump Administration Actions Endanger Inclusion and the Wider Financial System?

Though significant evidence suggests that diversity enhances economic resiliency and corporate performance, the Trump Administration is engaged in a series of actions to threaten progress and risk another financial crisis that devastates all American families.

Failure To Engage in Financial Regulation Generally Causes Busts That Disproportionately Hurt Minority Communities

In many ways, the story of the 2008 financial crisis is a story about how predation in minority communities can metastasize and harm not only those communities but the wider economy, making everyone poorer and less secure. After policymakers locked Black and Latino homebuyers out of the post-World War Two subsidized mortgage credit system in the United States, the country saw a dangerous pivot to "predatory inclusion," with lenders and brokers targeting these households with exotic mortgage products. Culminating in the late 1990s and early 2000s, Black and Latino households were sold the promise of homeownership through fee-extracting products like adjustable-rate mortgages, mortgages with deceptive teaser rates and mortgages with balloon payments. Many minority homeowners were also targeted with refinancing products that stripped wealth and exposed existing homeowners to foreclosure.

One study of homeowners from 2010 found that 17% of Latinos lost their homes to foreclosure or were at imminent risk of losing their homes, while 11% of Black households were in that position. By comparison, 7% of non-Hispanic whites lost their homes or were at risk. The data suggests that this was not driven by a lack of creditworthiness among Black and Hispanic households by instead by deliberate targeting of these families by financial institutions. At the height of the housing boom, one study found that Black and Hispanic families making more than $200,000 a year were more likely on average to be given a subprime loan than a white family making less than $30,000 a year. Controlling for geographic and economic factors, Black and Latino mortgage applicants were likewise more likely to be denied prime mortgage credit and steered into subprime loans, with the gap between white and minority mortgage applicants growing the higher up the income ladder one examines.

The 2008 crisis proved that minority households were the canaries in the coal mine – getting hurt fastest and hardest by Washington's failure to control Wall Street. Unbridled financial discrimination also had consequences for the American economy as a whole: all told, the crisis threw 27 million Americans out of work, caused 16 million foreclosure filings, pushed more than 40% of homes underwater, and took 10 years for unemployment to return to 2007 levels.

Policymakers learned from the 2008 crash and put in a set of rules to rein-in the financial services industry and prevent this kind of devastation from happening again. But the Trump Administration is now risking a repeat of the mistakes of the past with dangerous efforts to strip the rules that govern Wall Street.

Recent Attacks on Protections for Minority Communities

CFPB Retrenchment Away from Fair Lending Enforcement

Perhaps the most direct assault on financial access and inclusion for communities of color is the Administration's attack on the Consumer Financial Protection Bureau (CFPB). In addition to repeatedly trying to fire nearly all of the CFPB staff, Bureau leadership has undertaken a number of actions to gut equal access to credit and fair lending enforcement specifically. In April, the Bureau announced that it would no longer prioritize supervision or enforcement of fair lending laws and would only bring cases where there was direct evidence of a lender's intent to discriminate. This means that conduct that creates "disparate impact" – or a discriminatory effect, regardless of an explicitly stated intention to discriminate – would no longer be considered as a potential fair lending violation.

The Bureau likewise withdrew a raft of guidance provided to financial institutions to help them comply with various equal credit and fair lending laws. This includes guidance on how lenders can ensure that complex algorithms used for credit decisions are compliant with the Equal Credit Opportunity Act (ECOA), how financial firms should comply with anti-discrimination law on the basis of sexual orientation and gender identity, and guidance clarifying that ECOA applies not just to new loans but applications to extend existing lines of credit. The CFPB has also indicated to a court considering an industry challenge to the Bureau's small business fair lending rule that it intends to rewrite the rule entirely, presumably to narrow its scope.

Finally, in move without precedent, the CFPB is attempting to nullify an already agreed-upon settlement related to discriminatory lending. In the Townstone case, the Bureau is asking a court to retroactively bless claims of blatant race discrimination by a Chicago mortgage company that previously agreed to a settlement that included a civil penalty. Shockingly, the case in question was brought by the CFPB during President Trump's first term, where Bureau leadership agreed to sue Townstone for discouraging Black customers from seeking mortgage loans, in part through allegedly racist remarks broadcast on the company's radio show. The request to nullify the settlement is currently pending before the U.S. District Court for the Northern District of Illinois.

Executive Order that Would Remove Disparate Impact

For decades, as discussed previously, disparate impact theory has enabled agencies to investigate and remedy policies that, while appearing neutral and fair on their face, actually produce damaging discriminatory outcomes.

For example, as the FDIC's consumer compliance manual explains, a bank's policy may be to not make loans for single-family homes worth less than $60,000. At first glance this may seem to be a fair and objective policy, but it could be shown to disproportionately harm LMI communities or people of color who seek mortgage loans because their income levels or home values are structurally lower than other applicants. In this case, the bank would have to change its policy so that it does not produce such harm.

Alarmingly, the President's April 2025 Executive Order (EO), Restoring Equality of Opportunity and Meritocracy, threatens to fundamentally change this analytic and structural framework. The EO calls for the elimination of disparate-impact analysis and liability. In other words, it narrows the definition of discrimination so dramatically that entire categories of unequal impacts—redlining, biased algorithms, or credit decisions—could become legally invisible, simply because they don't come with explicit discriminatory intent.

If this EO is implemented, it would be devastating for all Americans because they would lose protections against actual harms that come from policies, whether intentional or unintentional. This will undoubtedly exacerbate the wealth and income gaps that already exist, allowing the rich to get richer while the poor remain poor.

Community Reinvestment Act Withdrawal

The Community Reinvestment Act ("CRA") was passed by Congress in 1977 in response to the fact that the cost of and access to banking products and services in America is unfair. Americans with low incomes and communities of color have been disproportionately harmed for generations, for example, with limited access to regular bank accounts and higher interest rates on loans. This egregious conduct by banks has led to intergenerational wealth gaps, poverty, and a debilitating lack of hope for underserved communities. In other words, it has robbed everyday Americans of the American Dream. Federal Reserve (Fed) Governor Michael Barr astutely stated,

> Access to financial services is critical to success in the modern American economy. Most households can take access to a bank account for granted. . . . The consequences of not having access to mainstream financial services can be severe.

The CRA requires the Fed, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) to evaluate banks' records of meeting the credit needs of their local area, including low- and moderate-income (LMI) communities. On October 24, 2023, the banking agencies' work from multiple years culminated in a final rule that modernized the CRA, to work for the current financial system. Leaders such as Fed Chairman Jerome Powell praised the interagency work,

> I hear from all stakeholders—community groups, banks, and most importantly, the individuals and communities it is meant to serve—about the good [the CRA] does. . . .
>
> The final rule will better achieve the purposes of the law by encouraging banks to expand access to credit, investment, and banking services in low- and moderate-income communities; adapting to changes in the banking industry, such as mobile and online banking; providing greater clarity and consistency in the application of the CRA regulations; and tailoring to bank size and type.

While the 2023 CRA rule wasn't perfect, it would have produced critical investments in underserved communities and provided some protection for low- and moderate-income families against discrimination by banks.

Unforgivably, in March 2025, the Fed, FDIC, and OCC rescinded the 2023 CRA final rule, cavalierly trashing many years of expert deliberation, public input, and careful work. The only explanation provided was the fact that there is pending litigation related to CRA. The result of this action is that hardworking Americans who rely on the banking agencies to protect them, and who have already been harmed by inflation, income stagnation, wealth deprivation, and an economy rigged against them no matter how hard they work, will again be left exposed and vulnerable to continued discrimination by banks.

NASDAQ Diversity Rule Gutting

In December 2024, the Fifth Circuit Court of Appeals overturned Nasdaq's board diversity rule, which the SEC had approved in 2021. The rule required that companies listed on the Nasdaq stock exchange either have one director who identified as female and one director who identified as a racial or ethnic minority or a minority based on sexual orientation or gender identity, or explain why they did not. The SEC approved the rule in response to investors' increasing demand for diverse boards and diversity-related information about public companies. As Better Markets said at the time it was invalidated,

> A rapidly growing number of investors, including the largest investment managers in the world, are demanding information about the composition of corporate boards, and specifically their level of racial and gender diversity. That information helps investors make decisions about which companies to support with their capital. In the end, this type of rule promotes the vitality and strength of our securities markets, and that benefits millions of everyday Americans who rely on the markets to save for retirement and achieve their other financial goals.

The overturning of the rule as part of the Trump Administration's war against diversity thus not only harms the push for more diversity on corporate boards at the largest public companies in America but also prevents investors from making investment decisions with all material information. The rule did not promote disclosures about diversity for diversity's sake but because, as discussed above, diversity is an important metric that correlates with financial performance. So the invalidation of the rule harms all those who care about informed investing and efficient capital formation as much as it harms those who care about increasing diversity at public companies.

Destruction of Offices of Minority and Women Inclusion (OMWI" Offices and Reports

Fighting discrimination in finance starts with ensuring diversity at the regulatory agencies that enforce the financial laws. Not only do these agencies have the authority to fight racial economic inequality by stopping predatory financial practices that disproportionately harm people of color, but the American people count on them to achieve this vital mission. They also often have the power to tackle discrimination directly in their rules or at least by requiring disclosures that can expose unlawful practices.

Importantly, the way financial regulators exercise this power, and the extent to which they prioritize this effort, depends in part on their commitment to diversity in leadership and staffing decisions. Recognizing this, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) mandated the creation of the OMWI offices in the federal financial regulatory agencies under Section 342. The Dodd-Frank Act also mandated annual reporting by agency OMWIs to Congress.

On January 20, 2025, President Trump signed the Ending Radical And Wasteful Government DEI Programs And Preferencing EO which ends programs related to diversity, equity, and inclusion in federal agencies. Agencies have removed OMWI annual reports and other information from public webpages and put staff dedicated to diversity and inclusion work on leave or fired them entirely. Representative Maxine Waters rightly challenged the agencies' actions, questioning the legality of an EO overriding a law passed by Congress, but most agencies' OMWI webpages and reports remain inactive or inaccessible to date.

While the specific impact of this action is difficult to measure, it is undeniable that it will have a negative, chilling effect on underserved communities, who have faced structural discrimination in the financial industry for generations. Just last year, the Treasury Department published its inaugural National Financial Inclusion Strategy, which identifies the many actors that play a role in financial inclusion, including the public sector. Without support for diversity and inclusion at federal agencies, underserved communities and individuals will surely fall further behind financially, the wealth gap will increase, and household financial resilience will erode.

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Better Markets is a public interest 501(c)(3) non-profit based in Washington, DC that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living.

Better Markets fights for the economic security, opportunity, and prosperity of the American people by working to enact financial reform, to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.

By being a counterweight to Wall Street's biggest financial firms through the policymaking and rulemaking process, Better Markets is supporting pragmatic rules and a strong banking and financial system that enables stability, growth, and broad-based prosperity. Better Markets also fights to refocus finance on the real economy, empower the buyside and protect investors and consumers.

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