

**EXCERPT FROM THOMPSON,
BIDEN vs. TRUMP VOTER’S GUIDE ON
ECONOMICS (SEPT. 2020)**

**CHAPTER 20, ECONOMICS OF INCOME &
WEALTH INEQUALITY & BvT**

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A. *What is in this chapter?*

This chapter explores various issues presented by the growing inequality in wealth and income in this country. * * *

B. *What are the views of Professors Piketty and Saez on the income inequality issue?*

As indicated above, Professors Piketty and Saez have extensively studied the income inequality issue. In a 2013 presentation at Stanford,¹ Professor Saez summarized as follows his conclusions on the status of income inequality since the beginning of the 20th century:

- 1) Dramatic reduction in income concentration during the first part of the 20th century

¹ Emmanuel Saez, *Income Inequality: Evidence and Policy Implications* (Jan, 2013).

- 2) No Recovery in the 3 decades following World War II
- 3) Sharp increase in top 1% income share since 1970s
- 4) Top 1% income share today is similar to top 1% share in 1920s but “working rich” have partly replaced “rentiers.”²

Professor Saez gave the following reasons for why we should care about income inequality:

- 1) Inequality matters because people evaluate their economic well-being relative to others, not in absolute terms . . .

- 2) Surge in US top 1% income share so large that income growth of bottom 99% is only half of average income growth
- 3) Surge in top incomes gives top earners more ability to influence political process (think-tanks, lobbying, campaign funds).³

Professor Saez laid out the following policy implications of the large income inequality:

- 1) US historical evidence and international evidence shows that tax policy plays a key role in the shaping the income gap
- 2) High top tax rates reduce the pre-tax income gap without visible effect [on] economic growth
- 3) In globalized world, progressive taxation will require inter-national coordination to keep tax avoidance/evasion low
- 4) Public will favor more progressive taxation only if it is convinced that top income gains are detrimental to the 99%.⁴

His second point is particularly important because it refutes the often-heard argument that high marginal tax rates depress economic growth.

C. What has the 2018 CBO report said about the studies on income inequality by Piketty and Saez, and others?

The 2018 CBO report on *The Distribution of Household Income, 2014*⁵ sets out the following description of the studies on economic inequality by Piketty and Saez and others:

A significant body of research has examined changes in U.S. income inequality over time using various data sources and measures of income. For example, Thomas Piketty and Emmanuel Saez rely on income tax data from the Internal Revenue Service’s Statistics of Income; see Piketty and Saez, “Income Inequality in the United States, 1913–1998,” *Quarterly Journal of Economics*, vol. 118, no. 1 (February 2003), pp. 1–39, <http://eml.berkeley.edu/~saez/pikettyqje.pdf> (470 KB). Gerald Auten and David Splinter also rely on income tax data, but reach different conclusions about how much income inequality has increased, relative to Piketty and Saez’s estimates; see Auten and Splinter, *Using Tax Data to Measure Long-Term Trends in U.S. Income Inequality* (draft, December 2016), <https://tinyurl.com/ycrhr4ez> (PDF, 686 KB). Timothy M. Smeeding and Jeffrey P. Thompson rely on the Federal Reserve’s Survey of Consumer Finances; see Smeeding and Thompson, “Recent Trends in Income Inequality,” in Herwig Immervoll, Andreas Peichl, and Konstantinos Tatsiramos, eds., *Who Loses in the Downturn? Economic Crisis, Employment, and Income Distribution*, vol. 32 (Research in Labor Economics), pp.1–50, <http://tinyurl.com/qdk92x4>. Philip Armour, Richard V. Burkhauser, and Jeff Larrimore

² *Id.* at Slide 11.

³ *Id.* at Slide 8.

⁴ *Id.* at Slide 24.

⁵ CBO, *2014 Distribution of Household Income*, *infra* Bibliography.

rely on the Census Bureau's Current Population Survey; see Armour, Burkhauser, and Larrimore, *Levels and Trends in United States Income and Its Distribution: A Crosswalk From Market Income Towards a Comprehensive Haig-Simons Income Approach*, NBER Working Paper 19110 (National Bureau of Economic Research, June 2013), www.nber.org/papers/w19110.⁶

D. What was the assessment by President Obama's 2015 Economic Report of the President on income inequality?

Chapter 1 of the *2015 Economic Report of the President*⁷ is entitled *Middle-Class Economics: The Role of Productivity, Inequality, and Participation*. The chapter makes several insightful observations of the impact of inequality. A section of the *Report* entitled "*The Importance of Productivity, Inequality, and Participation*," makes the following observation on the impact of these three factors on middle-class incomes:

As productivity, the income distribution, and participation evolved over the past 65 years, middle-class incomes went from doubling once in a generation to showing almost no growth at all by some measures. But if these three factors had recently continued the strong trends observed in earlier periods, the outcome for typical families would be quite different. Four counterfactual thought experiments give a sense of the magnitudes involved in this dramatic change:

The impact of higher productivity growth. What if productivity growth from 1973 to 2013 had continued at its pace from the previous 25 years? In this scenario, incomes would have been 58 percent higher in 2013. If these gains were distributed proportionately in 2013, then the median household would have had an additional \$30,000 in income.

The impact of greater income equality. What if inequality had not increased from 1973 to 2013, and instead the share of income going to the bottom 90 percent had remained the same? Even using the actual slow levels of productivity growth over that period, the 2013 income for the typical household would have been 18 percent, or about \$9,000, higher.

The impact of expanded labor force participation. What if female labor force participation had continued to grow from 1995 to 2013 at the same rate that it did from 1948 to 1995 until it reached parity with male participation? Assuming that the average earnings for working women were unchanged, and maintaining the actual histories of productivity and income distribution, the average household would have earned 6 percent more in 2013, or an additional \$3,000.

The combined impact of all three factors. Finally, if all three factors had aligned—if productivity had grown at its Age of Shared Growth rate, inequality had not increased, and participation had continued to rise—then these effects would have been compounded and the typical household would have seen a 98-percent increase in its income by 2013. That is an additional \$51,000 a year.⁸

The *Report* discusses as follows the specific impact of inequality on middle-class incomes:

Income Inequality. The second important factor influencing the dynamics of middle-class incomes is inequality. This, too, is a global issue. In the United States, the top

⁶ *Id.* at 31, note 41.

⁷ *2015 Economic Report of the President*, *infra* Bibliography at 21.

⁸ *Id.* at 32.

1 percent has garnered a larger share of income than in any other G-7 country in each year since 1987 for which data are available, as shown in Figure 1-8. From 1990 to 2010, the top 1 percent's income share rose 0.22 percentage point a year in the United States versus 0.14 percentage point a year in the United Kingdom. While comparable international data are scarce after 2010, the gains of the top 1 percent continued since then in the United States, until a noticeable downtick in 2013.⁹ * * *

1. What is the Insight Center's Closing the Racial Wealth Gap Initiative?

The Insight Center has a *Closing the Wealth Gap Initiative*,¹⁰ and the following is a brief introduction to this initiative:

Who We Are: The Insight Center's Closing the Racial Wealth Gap Initiative is a national effort to address the wealth gap that leaves the average American family of color with only 16 cents for every dollar owned by the average white family. To close this gap in the next generation, we have brought together over 180 scholars, advocates, and practitioners of color to inform the national economic debate with diverse perspectives and provide policy solutions to create a more inclusive and equitable future for all Americans.

Why This Matters: Unleashing the potential that exists in all our communities to generate economic growth is essential to ensure a globally competitive economy, but it depends on our nation's commitment to eliminating inequities and providing opportunities for all families to build their wealth (assets minus debts). Without wealth, families and communities cannot become and remain economically secure. Public policies have and continue to play a major role in creating and sustaining the racial wealth gap, and they must play a role in closing it.

What We Want to Accomplish: To ensure that public policies address racial economic disparities and create economic opportunity for all, regardless of race and ethnicity, and to reframe the public policy debate to recognize the importance of wealth building and the racial dimension of the wealth gap. To that end, the Initiative has developed a set of policy principles, fact sheets and a white paper "Laying the Foundation for National Prosperity: The Imperative of Closing the Racial Wealth Gap," that serve as a framework for developing and implementing policies that will close the racial wealth gap and that include people of color as full and equal participants in the economy.

How We Work: [W]e are educating policymakers about the racial wealth gap, providing the media with experts who can speak on issues that are most relevant to today's economy, and developing solutions to close the racial wealth gap.¹¹

2. What are the proposals of the House Republican "A Better Way on Poverty, Opportunity, and Upward Mobility?"

In June 2016, the House Republican *A Better Way on Poverty* set out several proposals for addressing poverty, opportunity, and upward mobility. A detailed analysis of these proposals is

⁹ *Id.* at 35.

¹⁰ Insight Center, *Closing the Racial Wealth Gap Initiative*, available at <https://insightcced.org/past-archives/program-work/savings-and-asset-building/closing-the-racial-wealth-gap-initiative/#:~:text=The%20Insight%20Center's%20Closing%20the,by%20the%20average%20white%20family> (visited Aug. 19, 2020).

¹¹ *Id.*

beyond the scope of this chapter. However, the general thrust of the proposals is captured in the following *Introduction* and *Conclusion* to the proposals:

Introduction. The American Dream is the idea that, no matter who you are or where you come from, if you work hard and give it your all, you will succeed. But for too many people today, that's simply not true. Thirty-four percent of Americans raised in the bottom fifth of the income scale are still stuck there as adults. In fact, the rates at which people move up the ladder of opportunity have stayed remarkably stable over the past several generations. In that sense, Americans are no better off today than they were before the War on Poverty began in 1964.

That's why House Republicans created the Task Force on Poverty, Opportunity, & Upward Mobility. No amount of government intervention can replace the great drivers of American life: our families, friends, neighbors, churches, and charities. And Americans do not need more one-size-fits-all, top-down government programs that limit their ability to get ahead. Instead, they need opportunities to help them escape poverty and earn success. The federal government needs to build public-private partnerships to bring out the best of what each sector has to offer.

So through listening sessions, hearings, and collaboration across the entire conference, the task force has developed a blueprint for reforming our welfare, workforce, and education programs that will empower Americans to achieve the American Dream. . . .

Conclusion. In this report we have begun to chart a path forward for all Americans to achieve the American dream. All too often, our current system of welfare programs and education programs are too complex, or don't provide the assistance that individuals need in their unique circumstances. And the ability to save for retirement shouldn't be frustrated by red tape in Washington. Whether you are a young mother who wants to attain greater skills to provide for your family, or someone struggling to put food on the table, our goal for government programs should be to provide a way to increase salaries, build wealth and ensure eventual independence from government programs.

House Republicans believe there is a better way. While this task force is concentrated on reducing poverty and improving upward mobility, all of our work will help build a confident America. As we continue to roll out our agenda, House Republicans will put forward policies that will help expand opportunity for struggling Americans through tax and regulatory reform. Low-income Americans will also see greater access to health care, lower premiums, and higher quality care as we replace a broken health care law with a patient-centered alternative.

This is the beginning of a conversation. House Republicans will continue to collaborate and solicit ideas on how best to improve outcomes for lower-income Americans, and we will continue to craft policies to ensure that no matter who you are or where you come from, if you work hard and give it your all, you will succeed.¹²

If one did not know the author of the above proposals, one likely would conclude that the proposals were made by a liberal Democratic group. It is encouraging to know that under the leadership of Speaker Ryan, the House Republicans were addressing issues of poverty, opportunity, and upward mobility.

¹² *A Better Way on Poverty*, *infra* Bibliography, at 4 and 35.

E. What were the views of Candidate Trump on the income and wealth inequality issues?

A search for the term “inequality” on Candidate Trump’s campaign website resulted in no hits. Although some of his policies may have the effect of reducing income inequality, as will be discussed in Chapter 24, which deals with tax policy, Candidate Trump’s tax proposals, many of which were enacted during his presidency, have had the effect of increasing after-tax income inequality.

F. What are Trump’s current views on the income and wealth inequality issues and how does the 2020 Economic Report of the President address these issues?

Chapter 2, *Economic Growth Benefits Historically Disadvantaged Americans*, of the *2020 Economic Report of the President* sets out the pre-COVID-19 case for the proposition that the Trump Administration’s policies have significantly benefited blacks and other historically disadvantaged Americans. This chapter in the *2020 Economic Report of the President* runs for 34 pages, and this section provides a brief summary of many of the concepts addressed in the chapter. The chapter addresses income inequality but does not address wealth inequality.

1. What is the principal case the *2020 Economic Report of the President* makes in support of the proposition that the Trump Administration is addressing the income inequality issue?

The *2020 Economic Report of the President* argues as follows that the “pro-growth” policies of the Trump Administration are “disproportionately” supporting the historically disadvantaged:

The U.S. labor market is the strongest it has been in the last half century, as shown by economic data across various metrics. President Trump’s pro-growth economic policies are contributing to this strength. While the economic gains realized over the past three years are widespread, this chapter shows that they are disproportionately benefiting Americans who were previously left behind during the recovery. The Administration’s policies increase labor demand and decrease structural barriers to entering labor markets. This approach has contributed to reduced inequality through an economic boom that is greatly benefiting historically disadvantaged groups. These groups are becoming more and more self-reliant through economic activity rather than by remaining economically inactive to qualify for means-tested government programs.

Today’s tighter labor market and the resulting wage growth are predictable outcomes of the Administration’s historic tax cuts and deregulatory actions, which have delivered continued economic expansion. Eliminating unnecessary regulatory burdens and lowering taxes spur labor demand and incentivize firms to make productivity-enhancing investments (*see* Chapter 3). As a result, worker productivity, wages, and employment all increase.

Ultimately, these policies help boost the job market’s continued expansion, as increased demand with unchanged supply raises quantity (employment) and prices (wages) in labor markets. The United States has experienced 111 consecutive months of positive job growth, continuing the longest positive job growth streak on record. The civilian

unemployment rate, which in December 2019 remained at its 50-year low of 3.5 percent, has been at or below 4 percent for 22 consecutive months.¹³

The *2020 Economic Report of the President* elaborates as follows on the reasons for higher than normal wage growth for disadvantaged groups:

Importantly, wage growth for many disadvantaged groups is now higher than wage growth for more advantaged groups. And the lowest wage earners have seen the fastest nominal wage growth (10.6 percent) of any income group since the Tax Cuts and Jobs Act was signed into law. Beyond this pay increase for low-income workers, from the start of the current expansion to December 2016, average wage growth for workers lagged that for managers, and that for African Americans lagged that for white Americans. Since President Trump took office, each of these trends has been reversed, contributing to reduced income inequality. When measured as the share of income held by the top 20 percent, income inequality fell in 2018 by the largest amount in over a decade. The Gini coefficient, an overall measure of inequality in the population, also fell in 2018 (U.S. Census 2019).¹⁴

Turning to the Gini coefficient, which was introduced above, the *Report* says: “The Gini coefficient, an overall measure of inequality in the population, also fell in 2018 (U.S. Census 2019).”¹⁵

In addressing poverty rates, the *Report* says: “The number of people living in poverty decreased by 1.4 million from 2017 to 2018, and the poverty rates for blacks and Hispanics reached record lows.”¹⁶

2. Specifically, how does the *Report* elaborate on (1) the above observation concerning higher wage growth for the disadvantaged, and (2) the impact of such wage growth on poverty?

In elaborating on the above observation that the disadvantaged were seeing higher wage growth than generally, the *Report* says:

Minorities are experiencing some of the fastest increases in pay. In 2019:Q3, African Americans saw their weekly earnings grow by 6.0 percent over the year, while Hispanics’ weekly earnings grew by 4.2 percent. For comparison, the 12-month change in weekly earnings for all Americans rose by 3.6 percent. In addition to faster earnings growth, lower-income households are seeing the largest benefits from deregulatory actions that lower the costs of goods and services. Box 2-1 shows an example of the beneficial impact of the Administration’s deregulatory agenda on lower-income households.¹⁷

In addressing the impact of wage growth on poverty, the *Report* makes the following point:

The gains in employment and wages for those who had previously been left behind are lifting many out of poverty. In September 2019, the Census Bureau released its official measures of the economic well-being of Americans for 2018 using data from the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). While Americans across the board generally saw improvements, the data show that there were larger gains among historically disadvantaged groups.

¹³ *2020 Economic Report of the President*, *infra* Bibliography at 69.

¹⁴ *Id.* at 70

¹⁵ *Id.*

¹⁶ *Id.* at 71.

¹⁷ *Id.* at 81.

In 2018, the official poverty rate fell by 0.5 percentage point, to 11.8 percent, the lowest level since 2001, lifting 1.4 million Americans out of poverty. This decline follows a decline of 0.4 percentage point in 2017, meaning that the U.S. poverty rate fell almost a full percentage point over the first two years of the Trump Administration.¹⁸

3. What does the Report say about the unemployment rate of various racial groups over the period 2007 through 2019?

Figure 2-4, Unemployment by Race, 2003-2019,¹⁹ shows that since the end of the 2007-2008 Financial Crisis, there was a steady decline in the unemployment rates for Blacks, Hispanics, and Asians as illustrated in Table 20-E.

a) Table 20-E, Approximate Unemployment Rates of Blacks, Hispanics, and Asians, 2009-2019

Year/Race	Asian	Hispanic	Black
2009	8%	13%	16%
2012	5.5%	10.5%	13.5%
2015	3%	7%	10%
2019	2.2%	4%	6%

As pointed out above, this steady decline in rates occurred in both the Obama Administration and the Trump Administration, which continued a trend started during the Obama Administration.

4. In addition to the discussion in the questions above addressing Opportunity Zones, what more does the *2020 Economic Report of the President* say about the economic rationale for this initiative?

Opportunity Zones, which were adopted by the Trump supported Tax Cuts and Jobs Act of 2017, are discussed above. In further explaining the Administration’s economic rationale for this initiative, the *Report* says:

The Trump Administration continues its relentless focus on reducing poverty by expanding self-sufficiency. The CEA (2019a) accounted for the value of government subsidies for goods (in-kind transfers) like healthcare, food, and housing, and we found that—contrary to claims from the policy community and the media—poverty has decreased dramatically since the War on Poverty began in the 1960s. However, the war was largely “won” through increasing government dependency (demand side) rather than through promoting self-sufficiency (supply side), meaning that there is still more progress to be made. This is where Opportunity Zones come in.

Opportunity Zones, which were created by the 2017 Tax Cuts and Jobs Act, are best understood as supply-side economic policies. These zones entail tax cuts, analogous to the corporate tax cut, designed to spur investment and drive up labor demand, and thus directly help the disadvantaged achieve self-sufficiency through increased economic

¹⁸ *Id.*

¹⁹ *Id.* at 75

activity. Supply-side tax cuts are the opposite of the traditional, failed approach to fighting poverty, which entails higher taxes to fund demand-side subsidies for healthcare, food, and other goods or services that incentivize people to limit their hours or stop working to qualify.²⁰

5. What are the initiatives for addressing income inequality discussed in the *2020 Economic Report of the President*?

In addition to Opportunity Zones, the *Report* discusses the following initiatives the Trump Administration was taking in *Support[] of Other Economic Gains*: (1) *Making Sure That Workers Have the Skills to Succeed*; (2) *Limiting Geographic Frictions in the Labor Market*; (3) *Reforming Occupational Licensing*; (4) *Expanding Opportunities for Ex-Offenders*; (5) *Supporting Working Families*; and (6) *Combating the Opioid Crisis*.

6. What is Trump's position on reparations?

The following is a June 2019 report on Trump's views on reparations, which were expressed in response to hearings on reparation in the House of Representatives:

President Donald Trump said in an interview on Monday that he thinks the concept of the federal government giving reparations to the descendants of slaves is "unusual" and "interesting" but he doesn't "see it happening."

"I think it's a very unusual thing," Trump told The Hill when asked about the idea of trying to rectify the enduring effects of slavery's legacy. "It's been a very interesting debate. I don't see it happening, no."²¹

Along these same lines, the report says that Senator McConnell, the Republican Leader of the Senate, expressed the following view on reparations:

[H]e didn't think that "reparations for something that happened 150 years ago" is a "good idea." "We've tried to deal with our original sin of slavery by fighting a civil war, by passing landmark civil rights legislation. We elected an African-American president."²²

G. What are the views of Biden on the income and wealth inequality issues?

1. What are Biden's positions on closing the income and wealth gap between men and women and among racial groups?

The *2020 Democratic Party Platform* describes as follows the various income and wealth gaps that are prevalent in America today:

America bills itself as the land of opportunity, but intergenerational mobility has plummeted; children born in the United States are less likely to move up the income ladder than those in Canada, Denmark, or the United Kingdom. Women still earn just 82 cents to every dollar men earn, with even greater disparities for women of color. Median incomes are lower and poverty rates are higher for Black Americans, Latinos, Native Americans,

²⁰ *Id.* at 72.

²¹ William Cummings, *Trump Says Slavery Reparations Debate Is 'Interesting,' But Doesn't 'See It Happening'*, USA Today (June 25, 2019).

²² *Id.*

and certain Asian American and Pacific Islander communities, compared to median white households. And there is a persistent, pernicious racial wealth gap that holds millions of Americans back, with the typical white household holding six times more wealth than the typical Latino family and 10 times more wealth than the typical Black family. President Trump's recession threatens to deepen existing inequities, as Black and Latino workers are less likely to work in jobs that can be done safely from home, less likely to have savings to fall back on, and less likely to be able to access unemployment insurance and other emergency programs electronically.

That's bad for our economy, bad for our democracy, and bad for the soul of our nation.²³

And, the *Platform* goes on to outline as follows the economic policies Biden will pursue in attacking these gaps in economic equality:

That is why Democrats commit to forging a new social and economic contract with the American people—a contract that invests in the people and promotes shared prosperity, not one that benefits only big corporations and the wealthiest few. One that affirms housing is a right and not a privilege, and which makes a commitment that no one will be homeless or go hungry in the richest country on earth. A new economic contract that raises wages and restores workers' rights to organize, join a union, and collectively bargain. One that at last supports working families and the middle class by securing equal pay for women and paid family leave for all. A new economic contract that provides access for all to reliable and affordable banking and financial services. A new social and economic contract that at last grapples honestly with America's long and ongoing history of racism and disenfranchisement, of segregation and discrimination, and invests instead in building equity and mobility for the people of color who have been left out and left behind for generations.²⁴

2. What is Biden's 10-20-30 approach to "Ending Poverty?"

A section of the *2020 Democratic Party Platform* entitled "*Ending Poverty*," sets out the following general discussion of poverty in America and the 10-20-30 approach of accomplishing the goal of *Ending Poverty*:

Democrats remain committed to ending poverty and enabling all Americans to live up to their God-given potential. We recognize that the official poverty rate, as measured and communicated by the federal government, fails to capture critical needs like housing, education, health care, transportation, energy, and other necessities, and therefore understates the true share of Americans living in poverty. We will support the 10-20-30 funding approach, to direct at least 10 percent of federal funding to communities where 20 percent or more of the population has been living below the poverty line for 30 years or longer. Directing more federal investment to the communities most in need will help create jobs; improve and expand housing; modernize and expand transportation, clean water, wastewater, energy, and broadband infrastructure; and promote shared prosperity.²⁵

²³ *2020 Democratic Party Platform*, *infra* Bibliography at 13-14.

²⁴ *Id.* at 14.

²⁵ *Id.* at 23-24.

3. What are some of the other programs Biden will pursue in the mission of Ending Poverty?

The *Ending Poverty* section of the *2020 Democratic Party Platform* discusses as follows some of the other initiatives Biden will follow in pursuing this goal:

We will raise the minimum wage to \$15 an hour and guarantee equal pay for women, two measures that in combination will pull millions of families out of poverty. We will make it easier for working families to benefit from targeted tax breaks, including the Earned Income Tax Credit and the Child Tax Credit, which too often go unclaimed by the lowest-income tax filers. We will significantly expand affordable housing and build new public housing for the first time since the 1990s, and guarantee Section 8 benefits to all who qualify—all of which will help reduce housing costs and increase housing availability for low-income families.

In the wealthiest country on earth, it is a moral abomination that any child could ever go to bed hungry. Democrats will increase funding for food assistance programs, including SNAP, WIC, and school meals. We will also remove barriers that keep the formerly incarcerated from accessing food assistance. . . .

Democrats will provide substantially higher levels of support for programs and institutions that boost economic development in America's most impoverished communities, including by doubling funding for [Community Development Finance Institution Funds, CDFIs], expanding the Community Development Block Grant, increasing the number of Rural Business Investment Companies, and expanding and making permanent the New Markets Tax Credit.

One in four American households are either unbanked or underbanked, putting them at risk of losing money due to exorbitant fees or usurious interest rates. Democrats will support and encourage efforts in Congress to guarantee affordable, transparent, and trustworthy banking services that are language-accessible for low- and middle-income families, including bank accounts and real-time payment systems through the Federal Reserve and easily accessible service locations, like postal banking.²⁶

4. What does the Ending Poverty section say about health care?

Although health care issues are generally discussed in a separate section of the *2020 Democratic Party Platform*, and these provisions are examined in Chapter 17 of this book, which deals with Obamacare, the *Ending Poverty* section has the following discussion of this issue:

Democrats believe health care is a human right. We will incentivize states to expand Medicaid and enroll low-income people who do not otherwise have health insurance in a new, high-quality public option without premiums. We will double investments in community health centers and rural health centers, and expand mobile health units, to make it easier for low-income people to access health care.²⁷

²⁶ *Id.* at 24.

²⁷ *Id.*

5. What are Biden’s general positions on “Achieving Racial Justice and Equity?”

A section of the *2020 Democratic Party Platform* entitled “*Achieving Racial Justice and Equity*,” contains an extensive discussion of this issue, and the following are some of the economic proposals related to this goal:

Historic wrongs and abuses perpetrated against Native Americans, two and a half centuries of slavery, a hundred years of Jim Crow segregation, and a history of exclusionary immigration policies have created profound and lasting inequities in income, wealth, education, employment, housing, environmental quality, and health care for communities of color. Democrats are committed to standing up to racism and bigotry in our laws, in our culture, in our politics, and in our society, and recognize that race-neutral policies are not sufficient to rectify race-based disparities. We will take a comprehensive approach to embed racial justice in every element of our governing agenda, including in jobs and job creation, workforce and economic development, small business and entrepreneurship, eliminating poverty and closing the racial wealth gap, promoting asset building and homeownership, education, health care, criminal justice reform, environmental justice, and voting rights. Democrats will ensure federal data collection and analysis is adequately funded and designed to allow for disaggregation by race and ethnicity, among other important factors, to better design policies to address the needs of the most vulnerable communities and make informed policy choices. . . .

The extreme gap in household wealth and income between people of color—especially Black Americans, Latinos, Native Americans, and certain Asian American and Pacific Islander communities—and white families is hurting our working class and holding our country back. Democrats are committed to improving economic mobility for people of color. We will fight to tackle intergenerational poverty and close the racial wealth gap.

Democrats support policies to end discrimination and unfair practices in the housing market, will empower local governments to combat gentrification trends that disproportionately harm long-time residents of color, and will create a Community Restoration Fund to repair the toxic legacy of historic investments in transportation that were designed to enforce racial segregation.

We will equalize access to credit and expand support for first-time homebuyers to make homeownership and the wealth-building it creates more accessible for people of color.

Democrats recognize that racial wealth gaps are rooted in longstanding discrimination and unjust policies. We will equalize established pathways for building wealth while exploring innovative approaches to closing racial wealth gaps, including policies that provide seed capital in order to access the economic security of asset ownership.

The right to organize and collectively bargain benefits all workers, but especially for workers of color. Unions close pay gaps between white workers and people of color. The union wage premium is high for all workers, but remains especially substantial for people of color, including Latinos and Black workers. . . .

We will invest in low-income communities, urban and rural areas, and communities of color by strengthening the Community Reinvestment Act, improving federal support

and access to credit for women- and minority-owned small businesses, expanding and making permanent the New Markets Tax Credit, and doubling funding for CDFIs.

We will restore and build on the Obama-Biden Administration's Fair Pay and Safe Workplaces policy, and use the purchasing power of the federal government to incentivize private companies to recruit and advance people of color, women, people with disabilities, and veterans.

Democrats believe it is unacceptable that schools are more segregated today than they were in the late 1960s. We believe education is a critical public good, and will increase investments to guarantee all students can access high-quality public schools, no matter where they live, so students of color are well prepared to thrive in college and careers. We will break the school-to-prison pipeline that sees children of color disproportionately punished by the criminal justice system for disciplinary issues that should be handled by school administrators or counselors.²⁸

6. What initiatives would Biden undertake in helping to eliminate inequities in the health care system?

The health care section of the *2020 Democratic Party Platform* has a section entitled: *Eliminate Racial, Gender, and Geographic Health Inequities*. This section identifies as follows the inequities in health care both before and after the COVID-19 crisis:

The national statistics on American health care mask profound disparities in insurance rates, access to primary and specialized care, and disparate health outcomes, which are a symptom of those disparities in access. Even before the COVID-19 pandemic, the uninsured rate was nearly three times higher for Latinos and nearly twice as high for Black Americans as it was for whites. Some segments of the Asian American and Pacific Islander population faced uninsured rates rivaling those of Black Americans and Latinos, and more than one in five Native Americans and Alaska Natives was uninsured. Black children are far more likely than white children to suffer from asthma. Latinos, Native Americans, Asian Americans and Pacific Islanders, and Black Americans are diagnosed with diabetes at higher rates than whites. And average life expectancy is more than two years lower for rural Americans compared to those who live in metropolitan areas.²⁹

The *2020 Democratic Party Platform* sets out the following strategies for addressing these inequalities:

We recognize it is not enough to have a commitment to eliminating health disparities: we must have a plan. That is why Democrats will launch a sustained, government-wide effort, with leadership at the highest levels, to eliminate racial, ethnic, gender, and geographic gaps in insurance rates, access to quality care, and health outcomes. That includes tackling the social, economic, and environmental inequities—the social determinants of health like poor housing, hunger, inadequate transportation, mass incarceration, air and water pollution, and gun violence—that contribute to worse health outcomes for low-income Americans and people of color.

We can and must fix these inequities by expanding coverage, making health care more affordable, and tackling implicit bias in our health care system. Democrats will ensure that people with disabilities are never denied coverage based on the use of quality-adjusted

²⁸ *Id.* at 40-41.

²⁹ *Id.* at 31.

life year (QALY) indexes. Democrats will ensure federal data collection and analysis is adequately funded and designed to allow for disaggregation by race, gender, sexual orientation, gender identity, geography, disability status, national origin, and other important variables, so that disparities in health coverage, access, and outcomes can be better understood and addressed.

We will expand access to health care for people living and working across the United States by extending Affordable Care Act coverage to Dreamers, and working with Congress to lift the five-year waiting period for Medicaid and Children’s Health Insurance Program eligibility for low-income, lawfully present immigrants.

Democrats remain committed to ending the HIV/AIDS epidemic, which disproportionately affects communities of color and the LGBTQ+ community, and will support critical investments under the Ryan White HIV/AIDS Program and the Minority HIV/AIDS Fund.³⁰

7. What does Biden say about the impact of the COVID-19 crisis on “Racial Justice and Equity?”

In addressing the impact of the COVID-19 crisis on inequality and how the Biden Administration will respond, the *2020 Democratic Party Platform* says:

The COVID-19 pandemic, which has disproportionately sickened and killed Black Americans, Latinos, Native Americans, and certain Asian American and Pacific Islander communities, has made long-standing racial and geographic disparities in health care and health outcomes into front-page news. Democrats will launch an all-of-government effort to eliminate health disparities, including by achieving universal health coverage through a high-quality, affordable public option; expanding funding for community health centers, rural health centers, and mobile health clinics; and tackling environmental racism that sees communities of color disproportionately impacted by air pollution, water pollution, and toxic chemicals.³¹

8. What proposal has Biden made regarding the role of the Federal Reserve Bank in achieving “Racial Justice and Equity?”

In addressing the role of the Fed in the fight against inequality, the *2020 Democratic Party Platform* says:

Unemployment rates for people of color are persistently higher than the national average, which is why Democrats support making racial equity part of the mandate of the Federal Reserve. Specifically, we will work with Congress to direct the Chair of the Federal Reserve to report on the extent of racial employment and wage gaps, and how the central bank is countering them, in addition to monitoring, reporting on, and responding to macroeconomic conditions in general.³²

As discussed in Chapter 14, which deals with the Fed’s conduct of Monetary Policy, the Fed’s Chairman Powell said the following about the Fed’s role in addressing inequality at his September 16 press conference after the Fed’s September 15-16 meeting:

³⁰ *Id.* at 31-32.

³¹ *Id.* at 41

³² *Id.*

So, disparities in income and in financial wellbeing by various demographic and racial categories is something we monitor carefully. Inequality [is] a multifaceted thing, but I would point to the relative stagnation of incomes for people at the lower end of the income spectrum and also lower mobility. So those are things that hold back our economy. They are [t]he thing[s] we don't really have the tools to address . . .

We have interest rates and bank supervision and financial stability policy and things like that, but we can't get at those things through our tools. When we lower the federal funds rate, that supports the economy across a broad range of people and activities. But we don't have the ability to target particular groups.

Notwithstanding that, we do talk about it because these are important features of our economy. And I think those distributional issues are issues that are really for our elected officials.

And I would say, I take them seriously as holding back our economy. The productive capacity of the economy is limited when not everyone has the opportunity, has the educational background and the healthcare and all the things that you need to be an active participant in our workforce. So, I think if we want to have the highest potential output and the best [output] for our economy, we need that prosperity to be very broadly spread in the longer run.

And again, I would just say [that at] the Fed, we can talk about those things a lot. And when we think about maximum employment in particular, we do look at individual groups. So, the high unemployment in a particular racial group, like African Americans, we would look at that as we think about whether we're really at maximum employment. We would look at that along with a lot of other data. So, the answer is we do look at all those things and do what we can with our tools, but ultimately these are issues for elected representatives.³³

9. What is Biden's position on reparations?

In a section of the *2020 Democratic Party Platform* entitled *Achieving Racial Justice and Equity*, the following position is stated on reparations and related issues:

We believe Black lives matter, and will establish a national commission to examine the lasting economic effects of slavery, Jim Crow segregation, and racially discriminatory federal policies on income, wealth, educational, health, and employment outcomes; to pursue truth and promote racial healing; and to study reparations. We must acknowledge that there can be no realization of the American dream without grappling with the lasting effects of slavery and facing up to the centuries-long campaign of violence, fear, and trauma wrought upon Black Americans.³⁴

While this is a clear statement in support of "studying reparations," a June 2019 article said the following about Biden's position on the issue:

³³ Jerome Powell Fed Press Conference Speech Transcript September 16: Interest Rates Should Remain at Zero for Years, Rev (Sept. 16, 2020), available at <https://www.rev.com/blog/transcripts/jerome-powell-fed-press-conference-speech-transcript-september-16>.

³⁴ *Id.* at 40.

Former Vice President Joe Biden . . . has not said what his current position on reparations is, but in 1975 he said, "I'll be damned if I feel responsible to pay for what happened 300 years ago," according to an interview published in *The Washington Post*.³⁵

However, Biden's current position apparently is the same as the position set forth above in the *2020 Democratic Party Platform*. This shows that for many there has been an evolution on this issue, just as for many there has been an evolution on the issue of the Black Lives Matter movement.

H. What is Biden's position on providing assistance to minority-owned small businesses?

The *2020 Democratic Party Platform* addresses as follows the assistance Biden would provide to small businesses:

Democrats know that small businesses are among the best job creators in our country. We will significantly boost funding for state small business grant and lending initiatives that generate tens of billions of dollars of private-sector investment, especially for small businesses owned by women and people of color. We will increase access to credit for small businesses in low-income and rural areas, including for unbanked or underbanked businesses. And we will increase funding for programs supporting businesses owned by women and people of color, including ending the Trump Administration's effort to starve the Minority Business Development Agency, improving and expanding Small Business Administration (SBA) programs that most effectively support women- and minority-owned businesses, and increasing opportunities for women- and minority-owned businesses to obtain or participate in federal contracts.³⁶

I. What is my take on the income inequality issue?

1. What is my general position?

I strongly support policies that would reduce income inequality, including the progressive tax policies discussed in Chapter 24, and many of the policies advanced by Biden.

2. Is there a relationship between income equality and economic growth?

As discussed in Chapter 24, which deals with tax policy, some have noted a negative relationship between economic growth and a significantly unequal distribution of income, that is, countries with a significantly unequal distribution of income experience lower economic growth. For example, in an article, Alesina and Rodrik have found that "income inequality is negatively correlated with subsequent economic growth."³⁷ Further, a research paper by Fishman and Simhon

³⁵ William Cummings, *Trump Says Slavery Reparations Debate Is 'Interesting,' But Doesn't 'See It Happening'*, USA Today (June 25, 2019).

³⁶ *2020 Democratic Party Platform*, *infra* Bibliography at 18.

³⁷ Alberto Alesina and Dani Rodrik, *Distributive Politics and Economic Growth*, 109 *Quarterly Journal of Economics* 465, 481 (May, 1994).

finds that when the capital stock of a country is large as in the U.S. “greater equality increases investment in specialization and leads to a greater division of labor and higher growth.”³⁸

Although it cannot be determined with certainty whether a more or less equal distribution of income and wealth in the U.S. will promote economic growth, on the basis of the available evidence, it seems reasonable to conclude that long-term economic growth in the U.S. is more likely to be fostered by policies that lead to a more, rather than a less, equal distribution of income. This conclusion is intuitively appealing from the following common sense perspective.

There is a high correlation between income and education. Further, there is a high correlation between an educated workforce and economic growth. For example, as discussed in Chapter 18 which addresses the relationship between education and economic growth in their *Macroeconomics* textbook, Mankiw and Taylor give the following explanation of the positive impact of education on economic growth:

Education-investment in human capital-is at least as important as investment in physical capital for a country’s long-run economic success. In the developed economies of Western Europe and North America, each extra year of schooling raises a worker’s income by about 10 per cent on average. . . . Thus, one way in which government policy can enhance the standard of living is to provide good schools and to encourage the population to take advantage of them.³⁹

Thus, to the extent that the tax system is structured to get more after-tax income into the hands of the lower income classes, the more likely these classes will be able to afford enhancements in education. These enhancements will, in turn, lead to more productivity and economic growth.

Thus, it seems that the resolution of distributional issues can have an impact on the long-term growth of the economy and that policymakers at a minimum should be cautious in adopting tax policies that contribute to a less equal distribution of income, that is, policies that cause the tax system to be less progressive.

These observations are consistent with the following June 2012 evaluation of the U.S. economy by the OECD, an organization of developed and some developing countries:

Income inequality and relative poverty [in the U.S.] are among the highest in the OECD. . . . [T]here is no consensus in the economic literature that reducing inequality would be harmful to economic growth. High income inequality is attributable to a significant degree to the large dispersion of earned income To reduce both income inequality and distortions in resource allocation, tax expenditures that disproportionately benefit high earners should be limited over time.⁴⁰

3. What is my position on the closing of the wealth gap including the use of reparations to do so?

My views on this issue are evolving; however, here are a few observations. First, it is obvious that part of the economic gap between Whites and Blacks in America is attributable to systemic racism starting with slavery, continuing through Jim Crow (*i.e.*, legal and non-legal discrimination), and now present with implicit bias. Because of this systematic racism and its

³⁸ Arthur Fishman and Avi Simhon, *The Division of Labor, Inequality and Growth*, 14, at www.ssrn.org (December, 2001).

³⁹ Mankiw and Taylor, *Macroeconomics*, *infra* Bibliography at 120.

⁴⁰ *2012 Economic Survey*, *infra* Bibliography at Summary.

after-effects, I believe that some type of reparations should be paid for those Blacks who have suffered and continue to suffer from the racist system.

To be clear, as a Black man who has had the opportunity to get a good education and who has not been significantly handicapped by any racial discrimination, I would not, under any system I would construct, qualify for reparations. To take a polar opposite case, this is not the case with a black woman working as sharecroppers in Alabama or a jobless black man living on the South Side (a principally black section) of Chicago. Both of them should clearly qualify for reparations. The difficult cases will come in drawing the line between those that do and do not qualify.

But, in my view, reparations will not alone solve the problem. In my view, just as this country undertook a Marshall Plan to rebuilt Europe, our country needs to undertake a Marshall Plan to train and educate disadvantaged Black and other needy people, so that they will be in a position to (1) provide for themselves and their families, (2) make a positive impact on the economy, and (3) build wealth.

It seems to me that education is, in most cases, a necessary condition for building wealth, and for that reason, as stated in Chapter 18, which deals with Education, one initiative I would adopt in promoting education is to have the Federal government fund the teaching of the three Rs: Reading, Writing, and Arithmetic.

And, in closing on this issue, I strongly agree with the following statement made by Chairman Powell of the Federal Reserve Board:

The productive capacity of the economy is limited when not everyone has the opportunity, has the educational background and the healthcare and all the things that you need to be an active participant in our workforce. So, I think if we want to have the highest potential output and the best [output] for our economy, we need that prosperity to be very broadly spread in the longer run.⁴¹

This is such an important point that I also include it in Chapter 14, which deals with the Federal Reserve Board's conduct of monetary policy, Chapter 17, which deals with Obamacare, and Chapter 18, which deals with education.

J. One Final Parting Shot: Is there a broader aspect to the inequality issue?

A September 10, 2020 article in the New York Times⁴² that was co-written by Leo Strine, a former Chief Justice of the Delaware Supreme Court, addresses the intellectual case in support of inequality made by Milton Friedman the famous University of Chicago Economist and recipient of the Nobel prize. The article describes as follows Friedman's philosophy:

Mr. Friedman argued, every corporation should seek solely to "increase its profits within the rules of the game." Not only that, Mr. Friedman sought to weaken the rules of the game by opposing basic civil rights legislation, unions, the minimum wage and other measures that protected workers, Black people, and the environment.⁴³

The article details as follows the corporate reaction to the Friedman paradigm:

As would be expected when corporate leaders were told not to worry about "eliminating discrimination," corporate political spending was used to help seat elected

⁴¹ Jerome Powell Fed Press Conference Speech Transcript September 16: Interest Rates Should Remain at Zero for Years, Rev (Sept. 16, 2020), available at <https://www.rev.com/blog/transcripts/jerome-powell-fed-press-conference-speech-transcript-september-16>.

⁴² Leo E. Strine Jr. and Joey Zwilling, *What Milton Friedman Missed About Social Inequality*, New York Times (Sept. 10, 2020).

⁴³ *Id.*

officials who opposed measures designed to reduce racial disparities in education, pay and wealth, and to support gerrymandering and voter suppression efforts.⁴⁴

The article goes on to say that Friedman’s “cramped vision enhanced the power of the stock market and silenced the voice of workers, leading to profound inequality.”⁴⁵ The article details as follows some of the inequality:

From 1948 to 1979, worker productivity grew by 108.1 percent and wages grew by 93.2 percent, with the stock market growing by 603 percent. By contrast, from 1979 to 2018, worker productivity rose by 69.6 percent, but the wealth created by these productivity gains went predominately to executives and stockholders. Worker pay rose by only 11.6 percent during this period, while compensation for chief executives grew by an enormous 940 percent and the stock market grew by 2,200 percent.⁴⁶

And, the article sets out the following antidote for helping to “reverse the Friedman paradigm:”

[C]ompanies should embrace an affirmative duty to stakeholders and society. This requires tangible, publicly articulated goals, such as paying living wages to their workers, respecting workers’ right to join a union, promoting racial and gender inclusion and pay equity, enhancing safety protocols, and reducing carbon emissions. By committing to goals of responsible citizenship, companies allow stakeholders, institutional investors and the public to hold them accountable to their inclusive ideals. In doing so, corporate leaders will also set an example that institutional investors should be required to follow in their own investing and voting policies.⁴⁷

While this type of private sector initiative to reverse the Friedman paradigm is quite desirable and beneficial, in my view, it is the obligation of Congress and the president to enact laws that unequivocally attack the rampant inequality that exists at many levels in our country today.

Inequality will not go away easily.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*