PENN STATE LAW

SPRING SEMESTER 2021

THE LAWYER'S ROLE IN HELPING CLOSE THE MINORITY-WHITE GAP IN BUSINESS OWNERSHIP:

Part I, *Introduction and in-Depth Analysis of the Minority-White Gap in Business Ownership,*

Part II, *The Lawyer's Essential Tools in Representing a Minority-Owned Small Business,*

Part III, *The Big Ideas for Addressing the Minority-White Gap in Business Ownership*

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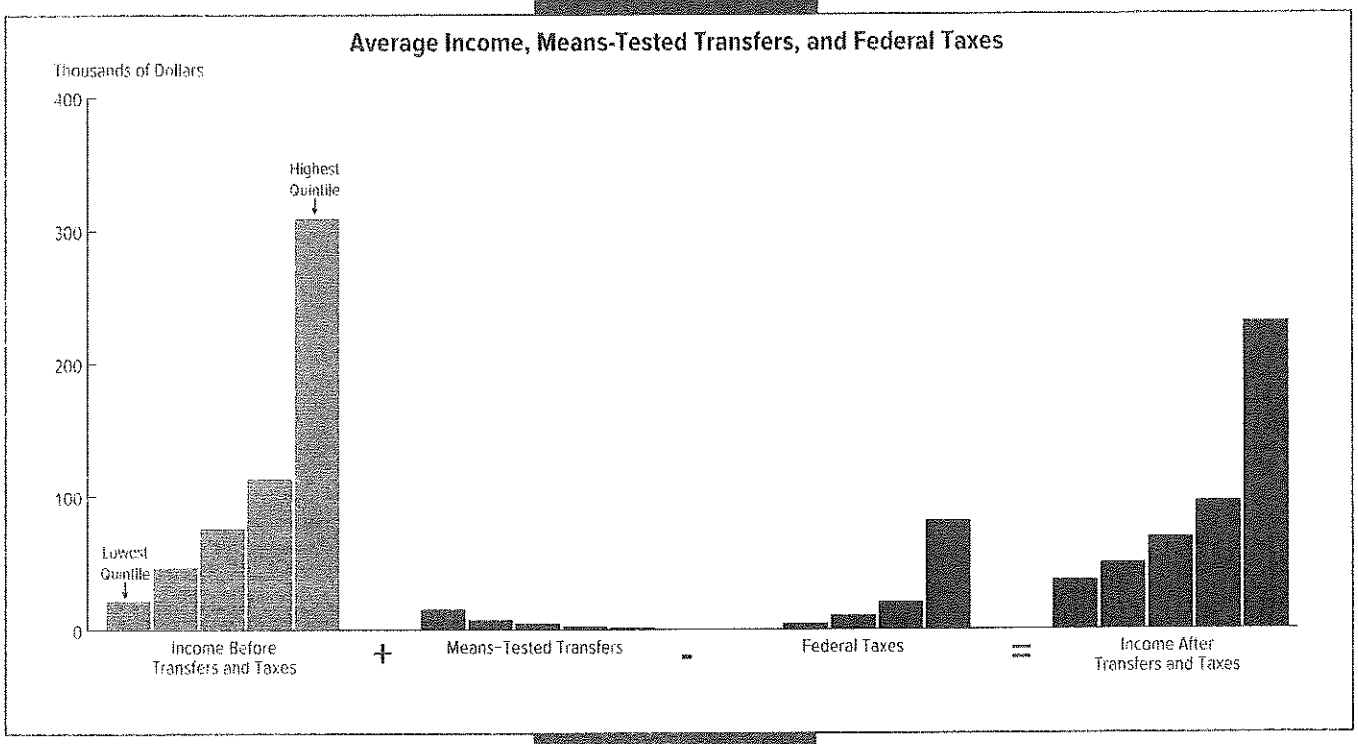
MATERIALS FOR FIRST CLASS—JANUARY 19, 2021

[NOTE: THIS IS A LONG ASSIGNMENT OF BACKGROUND INFORMATION, BUT THE READING SHOULD GO QUICKLY]

CONGRESS OF THE UNITED STATES
CONGRESSIONAL BUDGET OFFICE

CBO

The Distribution of Household Income, 2017



OCTOBER 2020

At a Glance

The Congressional Budget Office regularly analyzes the distribution of income in the United States and how that distribution has changed over time. As an update to that series, this report presents the distributions of household income, means-tested transfers, and federal taxes between 1979 and 2017 (the most recent year for which tax data were available when this analysis was conducted).

- **Income.** Households at the top of the income distribution received significantly more income than households at the bottom. Between 1979 and 2017, average income, both before and after means-tested transfers and federal taxes, grew for all quintiles (or fifths) of the distribution, but it increased more among the highest quintile than among all others.

- **Means-Tested Transfers.** Means-tested transfers are cash payments and in-kind benefits from federal, state, and local governments designed to assist individuals and families who have low income and few assets. Between 1979 and 2017, households in the lowest quintile received more than half of all means-tested transfers. Average means-tested transfer rates, which are the ratios of total means-tested transfers to total income before transfers and taxes, rose over the 39-year period, primarily driven by an increase in Medicaid spending.

- **Federal Taxes.** In general, higher-income households paid a higher average federal tax rate than lower-income households. Average federal tax rates fell between 1979 and 2017 across the income distribution, with the sharpest decline in the lowest quintile.

- **Income Inequality.** Income inequality, as measured by the Gini coefficients for income both before and after transfers and taxes, rose between 1979 and 2017. (A Gini coefficient is a standard measure of income inequality that summarizes an entire distribution in a single number.) The degree to which transfers and taxes reduced income inequality over that same period increased.

www.cbo.gov/publication/56575

Income Inequality

As the distribution of income shifted in the United States between 1979 and 2017, so did the degree of income inequality.[1] A standard measure of income inequality is the Gini coefficient, which summarizes an entire distribution in a single number that ranges from zero to one. At the theoretical extremes, a value of zero means that income is distributed equally among all income groups, whereas a value of one indicates that all income is received by the highest-income group, and none is received by any of the lower-income groups.

The Gini coefficient can also be interpreted as a measure of one-half of the average difference in income between every pair of households in the population, divided by the average income of the total population. For example, the Gini coefficient based on income before transfers and taxes of 0.521 for 2017 indicates that the average difference in income before transfers and taxes between pairs of households in that year was equal to 104.2 percent (twice 0.521) of average household income, or about $75,200 (adjusted to account for differences in household size).

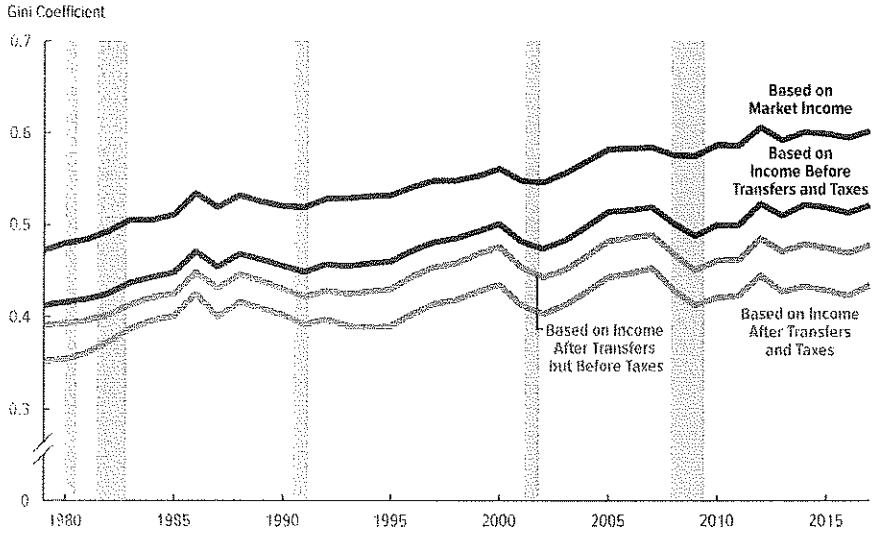
CBO's analysis compares Gini coefficients based on four different income measures: market income, income before transfers and taxes, income after transfers but before taxes, and income after transfers and taxes. Social insurance benefits, transfers, and taxes tend to reduce income inequality as measured by the Gini coefficient. Still, the Gini coefficients based on each of the four income measures indicate a rise in income inequality between 1979 and 2017; changes in the distribution of market income caused much of that increase.

The degree to which federal taxes and means-tested transfers reduce income inequality can be measured by the difference between the Gini coefficient for income *before* transfers and taxes and the Gini coefficient for income *after* transfers and taxes. That difference has fluctuated over time, as average federal tax rates and means-tested transfer rates have changed. But overall, the degree to which income inequality was reduced by transfers and taxes increased between 1979 and 2017.

1. A significant body of research has examined changes in U.S. income inequality over time using various data sources and measures of income. For recent examples, see Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, "Distributional National Accounts: Methods and Estimates for the United States," *The Quarterly Journal of Economics*, vol. 133, no. 2 (May 2018), pp. 553–609; and Gerald Auten and David Splinter, "Income Inequality in the United States: Using Tax Data to Measure Long-term Trends" (draft, December 2019), https://tinyurl.com/y53tqqfx (PDF, 485 KB).

Exhibit 22.

Income Inequality As Measured by the Gini Coefficient, 1979 to 2017



Source: Congressional Budget Office.

The Gini coefficient is a measure of income inequality that ranges from zero (the most equal distribution of income) to one (the least equal distribution of income).

For detailed definitions of income measures and information on the methods underlying this analysis, see "Appendix A: Data and Methods" and "Appendix B: Definitions."

Between 1979 and 2017, income inequality as measured by the Gini coefficient for all four income measures increased. Increases in market income at the top of the distribution drove much of the rising income inequality over that time. Of the four measures of income presented here, income inequality as measured by market income is the highest. Social insurance benefits, particularly Social Security and Medicare benefits, reduced income inequality relative to market income inequality. (Those benefits are included in income before transfers and taxes.) The progressive structures of means-tested transfers and federal taxes also reduced income inequality, but by smaller amounts than social insurance benefits did.

During periods of economic expansion, such as the mid-1990s and mid-2000s, income inequality tended to increase. Whereas income grew for all groups, including those at the bottom of the distribution, inequality increased because income at the top grew more.

There were also several temporary drops in income inequality over the years. Some drops, such as that in 2008, were largely attributable to economic recessions that brought about significant capital income losses—and, to a somewhat lesser extent, labor income losses—at the top of the income distribution. Other drops, including the decline in 2013, followed changes in tax laws that probably caused some high-income households to shift the realization of capital gains into the prior year. ◆

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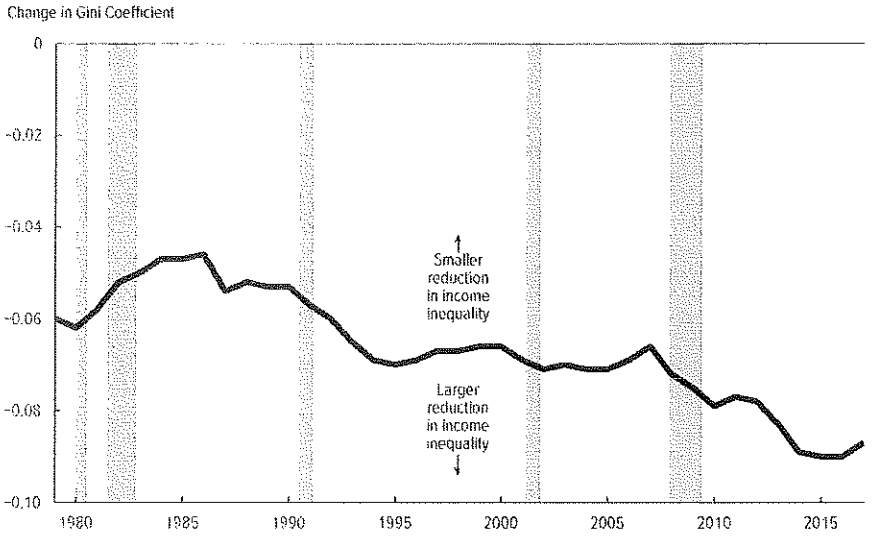
Exhibit 23.

Reduction in Income Inequality Stemming From Means-Tested Transfers and Federal Taxes, 1979 to 2017



Source: Congressional Budget Office.

To measure the effect of means-tested transfers and federal taxes on inequality in each year, CBO subtracted the Gini coefficient for income before transfers and taxes from the Gini coefficient for income after transfers and taxes. A Gini coefficient value of zero indicates complete equality, and a value of one indicates complete inequality; thus, a negative change in the Gini coefficient indicates that inequality was reduced. The more negative the change, the greater the reduction in inequality.

For detailed definitions of income measures and information on the methods underlying this analysis, see "Appendix A: Data and Methods" and "Appendix B: Definitions."

The Gini coefficient for income *after* transfers and taxes is lower than the coefficient for income *before* transfers and taxes because means-tested transfers and federal taxes in the United States are progressive. Although the degree to which transfers and federal taxes reduce income inequality varies from year to year, the extent to which they have done so has increased since 1979.

In 2017, the Gini coefficient for income after transfers and taxes was 0.434—that is, 0.087 less than the Gini coefficient for income before transfers and taxes (see Exhibit 22). That reduction in inequality is larger than in 1979, when transfers and federal taxes reduced the Gini coefficient by 0.060, from 0.412 to 0.352.

The reduction in inequality as a result of taxes increased in the early 1990s, after lawmakers expanded the EITC and raised top individual marginal tax rates. It increased again after higher individual income tax rates went into effect in 2013, particularly for households at the top of the income distribution.

Similarly, means-tested transfers increasingly lessened income inequality when transfer rates grew among households in the lowest quintile. Major expansions in transfer rates occurred in the early 1990s, during the 2007–2009 recession, and in 2014 after Medicaid expanded under the Affordable Care Act.

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Appendix B: Definitions

Household income, unless otherwise indicated, refers to income before accounting for the effects of means-tested transfers and federal taxes. Throughout this report, that income concept is called **income before transfers and taxes**. It consists of market income plus social insurance benefits.

Market income consists of the following:

- **Labor income.** Wages and salaries, including those allocated by employees to 401(k) and other employment-based retirement plans; employer-paid health insurance premiums (as measured by the Census Bureau's Current Population Survey); the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes; and the share of corporate income taxes borne by workers.

- **Business income.** Net income from businesses and farms operated solely by their owners, partnership income, and income from S corporations.

- **Capital income (including capital gains).** Net profits realized from the sale of assets (but not increases in the value of assets that have not been realized through sales); taxable and tax-exempt interest; dividends paid by corporations (but not dividends from S corporations, which are considered part of business income); positive rental income; and the share of corporate income taxes borne by capital owners.

- **Other income sources.** Income received in retirement for past services and other nongovernmental sources of income.

Social insurance benefits consist of benefits from Social Security (Old Age, Survivors, and Disability Insurance), Medicare (measured by the average cost to the government of providing those benefits), unemployment insurance, and workers' compensation.

Income after transfers and taxes is income before transfers and taxes plus means-tested transfers minus federal taxes.

Means-tested transfers are cash payments and in-kind services provided through federal, state, and local government assistance programs. Eligibility to receive such transfers is determined primarily on the basis of income, which must be below certain thresholds. Means-tested transfers are provided through the following programs: Medicaid and the Children's Health Insurance Program (measured by the average cost to the government of providing those benefits); the Supplemental Nutrition Assistance Program (formerly known as the Food Stamp program); housing assistance programs; Supplemental Security Income; Temporary Assistance for Needy Families and its predecessor, Aid to Families With Dependent Children; child nutrition programs; the Low Income Home Energy Assistance Program; and state and local government general assistance programs.

Federal taxes consist of individual income taxes, payroll (or social insurance) taxes, corporate income taxes, and excise taxes. In this analysis, taxes for a given year are the amount a household owes on the basis of income received that year, regardless of when the taxes are paid. Taxes from those four sources accounted for 94 percent

of federal revenues in fiscal year 2017. Revenue sources not examined in this report include states' deposits for unemployment insurance, estate and gift taxes, net income of the Federal Reserve remitted to the Treasury, customs duties, and miscellaneous fees and fines. Federal taxes comprise the following:

- **Individual income taxes.** Individual income taxes are paid by U.S. citizens and residents on their income from all sources, except those sources exempted under the law. Individual income taxes can be negative because they include the effects of refundable tax credits, which can result in net payments from the government. Specifically, if the amount of the refundable tax credit exceeds a filer's tax liability before that credit is applied, the government pays that excess to the filer.

- **Payroll taxes.** Payroll taxes are levied primarily on wages and salaries and generally have a single rate and few exclusions, deductions, or credits. Payroll taxes include those that fund the Social Security trust funds, the Medicare trust fund, and unemployment insurance trust funds. The federal portion of the unemployment insurance payroll tax covers only administrative costs for the program; state-collected unemployment insurance payroll taxes are not included in CBO's measure of federal taxes (even though they are recorded as revenues in the federal budget). Households can be entitled to a future social insurance benefits, including Social Security, Medicare, and unemployment insurance, as a result of paying payroll taxes. In this analysis, average payroll tax rates capture the taxes paid in a given year and do not capture the benefits households may receive in the future.

- **Corporate income taxes.** Corporate income taxes are levied on the profits of U.S.-based corporations organized as C corporations. In its analysis, CBO allocated 75 percent of corporate income tax in proportion to each household's share of total capital income (including capital gains) and 25 percent to households in proportion to their share of labor income.

- **Excise taxes.** Sales of a wide variety of goods and services are subject to federal excise taxes. Most revenues from excise taxes are attributable to the sale of motor fuels (gasoline and diesel fuel), tobacco products, alcoholic beverages, and aviation-related goods and services (such as aviation fuel and airline tickets).

Average means-tested transfer rates are calculated as means-tested transfers divided by income before transfers and taxes.

Average federal tax rates are calculated as federal taxes divided by income before transfers and taxes.

Income groups are created by ranking households by their size-adjusted income before transfers and taxes. A household consists of people sharing a housing unit, regardless of their relationships. The income **quintiles** (fifths) contain approximately the same number of people but slightly different numbers of households. Similarly, each full **percentile** (hundredth) contains approximately the same number of people but a different number of households. If a household has **negative income** (that is, if its business or investment losses are larger than its other income), it is excluded from the lowest income group but included in totals.

Income and Poverty in the United States: 2019

Current Population Reports

By Jessica Semega, Melissa Kollar, Emily A. Shrider, and John F. Creamer

Issued September 2020

P60-270

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Income and Poverty in the United States: 2019

INTRODUCTION

The U.S. Census Bureau collects data and publishes estimates on income and poverty in order to evaluate national economic trends and to understand their impact on the well-being of households, families, and individuals.

This report presents data on income and poverty in the United States based on information collected in the 2020 and earlier Current Population Survey Annual Social and Economic Supplements (CPS ASEC) conducted by the Census Bureau.[1] This report provides estimates for calendar year 2019, the last year of the economic expansion spanning from June 2009 through February 2020. The data collection period for the 2020 CPS ASEC coincided with the COVID-19 pandemic, the associated public health response, and the end of the economic expansion. For details on the impact of COVID-19 on CPS ASEC data collection, please see the text box "The Impact of the Coronavirus (COVID-19) Pandemic on the CPS ASEC."

This report contains two main sections, one focusing on income and the other on poverty. Each section presents estimates by characteristics such as race, Hispanic origin, nativity, and region. Other topics, such as earnings and family poverty rates, are included only in the relevant section.

Summary of Findings

- Real median household income increased 6.8 percent to $68,703 between 2018 and 2019.
- The real median earnings of all workers increased 1.4 percent, while the real median earnings of full-time, year-round workers increased 0.8 percent between 2018 and 2019.
- Between 2018 and 2019, the total number of people with earnings increased by about 2.2 million. The number of full-time, year-round workers increased by approximately 1.2 million.
- The official poverty rate in 2019 was 10.5 percent, down 1.3 percentage points from 11.8 percent in 2018. This is the fifth consecutive annual decline in poverty.
- The number of people in poverty in 2019 was 34.0 million, approximately 4.2 million fewer than 2018.

For all demographic groups shown in Figure 1, the 2019 median household income estimates were higher or were not statistically different from the 2018 estimates. For all demographic groups shown in Figure 8, poverty rates in 2019 were either lower than in 2018 or not statistically different.

[1] The Census Bureau reviewed this data product for unauthorized disclosure of confidential information and approved the disclosure avoidance practices applied to this release. CBDRB-FY20-372.

INCOME IN THE UNITED STATES

Highlights

- Median household income was $68,703 in 2019, an increase of 6.8 percent from the 2018 median of $64,324 (Figure 1 and Table A-1).
- The 2019 real median incomes of family households and nonfamily households increased 7.3 percent and 6.2 percent from their respective 2018 estimates (Figure 1 and Table A-1).[2] This is the fifth consecutive annual increase in median household income for family households, and the second consecutive increase for nonfamily households.
- The 2019 real median incomes of White, Black, Asian, and Hispanic households all increased from their 2018 medians (Figure 1 and Table A-1).[3]
- Real median household incomes increased for all regions in 2019: 6.8 percent in the Northeast, 4.8 percent in the Midwest, 6.1 percent in the South, and 7.0 percent in the West (Figure 1 and Table A-1).[4]

[2] The difference between the 2018–2019 percent changes in median income for family (7.3 percent) and nonfamily (6.2 percent) households was not statistically significant.

[3] The differences between the 2018–2019 percent changes in household median income for each race group were not statistically significant.

[4] The differences between the 2018–2019 percent changes in median household income for all regions were not statistically significant.

- Between 2018 and 2019, the real median earnings of all workers and full-time, year-round workers increased 1.4 percent and 0.8 percent, respectively (Figure 4 and Table A-6).
- The 2019 real median earnings of men ($57,456) and women ($47,299) who worked full-time, year-round increased by 2.1 percent and 3.0 percent, respectively (Figure 4 and Table A-6).[5] The 2019 female-to-male earnings ratio was 0.823, not statistically different from the 2018 ratio (Figure 5).
- Between 2018 and 2019, the total number of people with earnings, regardless of work experience, increased by about 2.2 million. The number of full-time, year-round workers increased by approximately 1.2 million.

Household Income[6]

Real median household income increased 6.8 percent from $64,324 in 2018 to $68,703 in 2019 (Figure 1 and Table A-1). After adjusting for the impact of the CPS ASEC survey redesign and processing changes, real median household income in 2019 was the highest since 1967, the first

[5] The difference between the 2018–2019 percent change in median earnings for men working full-time, year-round (2.1 percent) and women working full-time, year-round (3.0 percent) was not statistically significant.

[6] This report uses the characteristics of the householder to describe the household. The householder is the person (or one of the people) in whose name the home is owned or rented and the person to whom the relationship of other household members is recorded. If a married couple owns the home jointly, either spouse may be listed as the householder. Since only one person in each household is designated as the householder, the number of householders is equal to the number of households. The count of households in this report excludes group quarters.

The Impact of the Coronavirus (COVID-19) Pandemic on the CPS ASEC

The Census Bureau administers the CPS ASEC each year between February and April by telephone and in-person interviews, with the majority of data collected in March. This year, data collection faced extraordinary circumstances. On March 11, 2020, the World Health Organization declared that global coronavirus cases had reached pandemic levels. As the United States began to grapple with the implications of the COVID-19 pandemic for the nation, interviewing for the March CPS began (the official start date was March 15). In order to protect the health and safety of Census Bureau staff and respondents, the survey suspended in-person interviews and closed both Computer-Assisted Telephone Interviewing (CATI) contact centers on March 20. For the rest of March and through April, the Census Bureau continued to attempt all interviews by phone. For those whose first month in the survey was March or April, the Census Bureau used vendor-provided telephone numbers associated with the sample address.

While the Census Bureau went to great lengths to complete interviews by telephone, the response rate for the CPS basic household survey was 73 percent in March 2020, about 10 percentage points lower than in preceding months and the same period in 2019, which were regularly above 80 percent. Further, as the Bureau of Labor Statistics stated in their FAQs accompanying the April 3 release of the March Employment Situation, "Response rates for households normally more likely to be interviewed in person were particularly low. The response rate for households entering the sample for their first month was over 20 percentage points lower than in recent months, and the rate for those in the fifth month was over 10 percentage points lower."

The change from conducting first interviews in person to making first contacts by telephone only is a contributing factor to the lower response rates. Further, it is likely that the characteristics of people for whom a telephone number was found may be systematically different from the people for whom the Census Bureau was unable to obtain a telephone number. While the Census Bureau creates weights designed to adjust for nonresponse and to control weighted counts to independent population estimates by age, sex, race, and Hispanic origin, the magnitude of the increase in (and differential nature of) nonresponse related to the pandemic likely reduced their efficacy.[1] Using administrative data, Census Bureau researchers have documented that the nonrespondents in 2020 are less similar to respondents than in earlier years. Of particular interest for the estimates in this report are the differences in median income and educational attainment, indicating that respondents in 2020 had relatively higher income and were more educated than nonrespondents. For more details, see <www.census.gov/newsroom/blogs/random-samplings/2020/09/pandemic-affect-survey-response.html>.

[1] For more information about the design of the survey, see Technical Paper 77, <https://www2.census.gov/programs-surveys/cps/methodology/CPS-Tech-Paper-77.pdf>.

Caution for Historical Comparisons

This report provides historical estimates of income and poverty from 1959 to 2019. However, in making comparisons over long periods, it is important to be aware that the CPS ASEC is updated periodically to improve data quality. These improvements include changes to survey design such as sampling and survey instrument changes, as well as changes to data processing such as weighting and data imputation methods. These changes are footnoted for relevant years in the historical appendix tables contained in this report. When feasible, the Census Bureau provides data users with resources that allow them to evaluate the impact of these survey changes across years. Most recently, the 2014 CPS ASEC introduced new income questions, new relationship categories were phased in over the 2015 and 2016 CPS ASEC, and the 2019 CPS ASEC reflects the implementation of an updated data processing system.

Given these changes over time, historical comparisons should be made with caution. In this report, 2019 income and poverty estimates are compared to published estimates for earlier years when the questionnaire and processing system changes did not result in statistically significant differences. When survey changes did have statistically significant impacts on income or poverty estimates, comparisons are made by adjusting historical published estimates to approximate the magnitude of these impacts. For more details on the adjustment used for these comparisons, see <www.census.gov/income2020>.

year household income statistics were available (see "Caution for Historical Comparisons" text box).[7]

Type of Household[8]

The 2019 real median incomes of family households and nonfamily households increased 7.3 percent and 6.2 percent from their respective 2018 estimates (Figure 1 and Table A-1).[9] This is the fifth consecutive annual increase in median household income for family households, and the second consecutive increase for nonfamily households. Real median incomes increased for each type of family household between 2018 and 2019. Married-couple households had the highest median income in 2019 ($102,308), followed by family households maintained by men with no spouse present ($69,244). Family households maintained by women with no spouse present had the lowest median income ($48,098).

Looking at nonfamily households, real median income for female and male householders increased 6.2 percent and 4.1 percent, respectively, between 2018 and 2019.[10]

Race and Hispanic Origin[11]

The 2019 real median incomes of each race group shown in Figure 1 increased from their 2018 medians. These increases amounted to

[7] For more information on historical income comparisons across the recent survey redesigns, see <www.census.gov/income2020>.

[8] A family household is a household maintained by a householder who is related to at least one other person in the household by birth, marriage, or adoption and includes any unrelated individuals who may be residing there. A nonfamily household is a householder living alone (a one-person household) or sharing the home exclusively with nonrelatives.

[9] The difference between the 2018–2019 percent changes in median income for family (7.3 percent) and nonfamily (6.2 percent) households was not statistically significant.

[10] The difference between the 2018–2019 percent changes in median income for nonfamily female and male householders was not statistically significant.

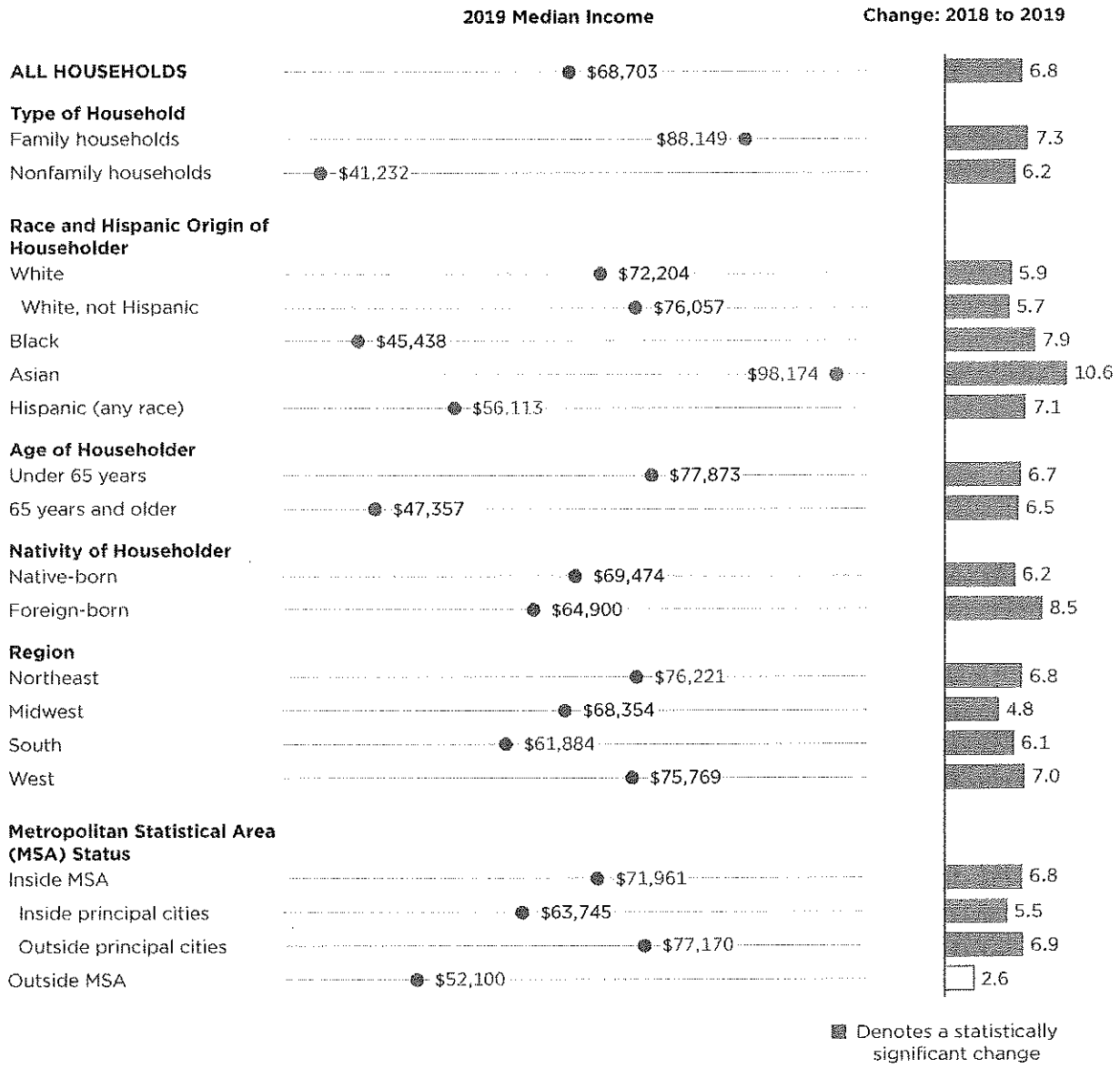
[11] Federal surveys give respondents the option of reporting more than one race. Therefore, two basic ways of defining a race group are possible. A group, such as Asian, may be defined as those who reported Asian and no other race (the race-alone or single-race concept) or as those who reported Asian regardless of whether they also reported another race (the race-alone-or-in-combination concept). The body of this report (text and figures) shows data using the first approach (race alone). The appendix tables show data using both approaches. Use of the single-race population does not imply that it is the preferred method of presenting or analyzing data. The Census Bureau uses a variety of approaches.

In this report, the terms "White, not Hispanic" and "non-Hispanic White" are used interchangeably and refer to people who are not Hispanic and who reported White and no other race. The Census Bureau uses non-Hispanic Whites as the comparison group for other race groups and Hispanics.

Since Hispanics may be any race, data in this report for Hispanics overlap with data for race groups. Hispanic origin was reported by 15.6 percent of White householders who reported only one race, 5.0 percent of Black householders who reported only one race, and 2.5 percent of Asian householders who reported only one race.

Data users should exercise caution when interpreting aggregate results for the Hispanic population or for race groups because these populations consist of many distinct groups that differ in socioeconomic characteristics, culture, and nativity. Data were first collected for Hispanics in 1972 and for Asians and Pacific Islanders in 1987. For further information, see <www.census.gov/programs-surveys/cps.html>.

Figure 1.
Median Household Income and Percent Change by Selected Characteristics
(Households as of March of the following year)



Notes: Statistically significant indicates the change is statistically different from zero at the 90 percent confidence level. For more details, see Table A-1. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2019 and 2020 Annual Social and Economic Supplements (CPS ASEC).

changes of 5.7 percent for non-Hispanic Whites, 7.9 percent for Blacks, 10.6 percent for Asians, and 7.1 percent for Hispanics (Figure 2 and Table A-1).[12] Among the race groups, Asian households had the highest median income in 2019.[13] This is the second consecutive increase in median income for Asian households.

The real median incomes of different groups can be compared by calculating the ratio of the median income of a specific group to the median income of non-Hispanic White households. For 2019, the ratio of Asian to non-Hispanic White household income was 1.29. In other words, the median Asian household had a household income 1.29 times greater than that of the median non-Hispanic White household. The ratio of Black to non-Hispanic White household income was 0.60, while the ratio of Hispanic to non-Hispanic White household income was 0.74. None of these ratios were statistically different from 2018.

Age of Householder

Real median household income in 2019 for householders under the age of 65 ($77,873) increased 6.7 percent from the 2018 median (Figure 1 and Table A-1). Every age group shown in Table A-1 experienced an increase in median income between 2018 and 2019.[14] Between 2018 and 2019, real median income for householders aged 65 and over increased 6.5 percent, from $44,487 to $47,357.

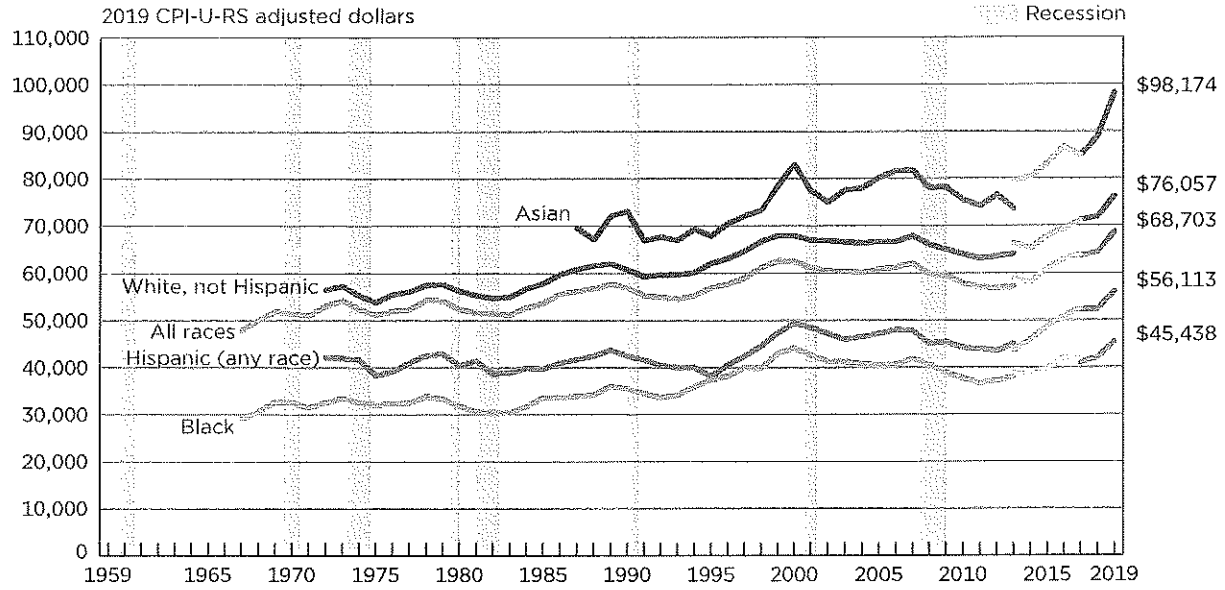
Householders aged 45 to 54 ($92,227) had the highest median incomes in 2019, followed by householders 35 to 44 ($88,858).

[12] The differences between the 2018–2019 percent changes in household median income for each race group were not statistically significant.

[13] The small sample size of the Asian population and the fact that the CPS ASEC does not use separate population controls for weighting the Asian sample to national totals contribute to the large variances surrounding estimates for this group. The American Community Survey (ACS), based on a much larger sample of the population, is a better source for estimating and identifying changes for small subgroups of the population.

[14] The differences between the 2018–2019 percent changes in median household income for all age groups were not statistically significant.

Figure 2.
Real Median Household Income by Race and Hispanic Origin: 1967 to 2019
(Households as of March of the following year)



Notes: The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. See Table A-2 for historical race footnotes. The data points are placed at the midpoints of the respective years. Median household income data are not available prior to 1967. For more information on the CPI-U-RS dollar adjustment and recessions, see Appendix A. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 1968 to 2020 Annual Social and Economic Supplements (CPS ASEC).

householders 55 to 64 ($75,686), and householders 25 to 34 ($70,283). Householders aged 15 to 24 ($47,934) and 65 and over ($47,357) had the lowest median incomes.[15]

Nativity[16]

Between 2018 and 2019, the real median income of households maintained by a native-born person increased 6.2 percent, from $65,407 to $69,474. The 2019 real median income of households maintained by a foreign-born person increased 8.5 percent (Figure 1 and Table A-1). The foreign-born can be classified into two categories: those who are naturalized U.S. citizens and those who are not U.S. citizens. Households maintained by naturalized citizens and those who were not U.S. citizens experienced increases in their median household incomes of 7.2 percent and 9.0 percent, respectively, between 2018 and 2019.[17]

In 2019, households maintained by a naturalized citizen ($71,538) and by a native-born person ($69,474) had the highest median household incomes.[18] Households maintained by a noncitizen had the lowest median household income ($57,668).

Region[19]

Real median household incomes increased for every region between 2018 and 2019 (Figure 1 and Table A-1). Median household income increased 6.8 percent in the Northeast, 4.8 percent in the Midwest, 6.1 percent in the South, and 7.0 percent in the West.[20] Median incomes were highest in the Northeast ($76,221) and the West ($75,769), followed by the Midwest ($68,354) and the South ($61,884) (Figure 1 and Table A-1).[21]

Residence[22]

The real median income for households within metropolitan statistical areas (MSAs) increased 6.8 percent between 2018 and 2019, from $67,363 to $71,961.

This is the fifth consecutive annual increase in median income for households within MSAs. Among households inside metropolitan areas, those inside principal cities experienced an increase in median household income of 5.5 percent, while the median for those outside principal cities increased 6.9 percent (Figure 1 and Table A-1). The change in real median income of households outside of MSAs was not statistically significant.[23]

In 2019, households inside metropolitan areas but outside principal cities had the highest median income ($77,170), followed by households inside principal cities ($63,745). Households outside metropolitan areas had the lowest median income ($52,100).

Income Inequality

The Census Bureau reports various measures of income inequality: (1) the Gini index, (2) the shares of aggregate household income by quintiles, (3) the ratio of income percentiles, (4) the Theil index, (5) the mean logarithmic deviation of income (MLD), and (6) the Atkinson measures. The Gini index is a statistical measure of income inequality ranging from 0.0 to 1.0. It measures the amount that any two incomes differ, on average, relative to mean income. It is a natural indicator of how far apart or "spread out" incomes are from one another. A value of 0.0 represents perfect equality, and a

[15] The difference between the 2019 median household income for householders aged 15 to 24 ($47,934) and householders aged 65 and over ($47,357) was not statistically different.

[16] Native-born households are those in which the householder was born in the United States, Puerto Rico, the U.S. Island Areas of Guam, the Commonwealth of the Northern Mariana Islands, American Samoa, the Virgin Islands of the United States, or was born in a foreign country but had at least one parent who was a U.S. citizen. All other households are considered foreign-born regardless of the date of entry into the United States or citizenship status. The CPS does not interview households in Puerto Rico. Of all householders, 84.7 percent were native-born; 8.7 percent were foreign-born, naturalized citizens; and 6.5 percent were not U.S. citizens.

[17] The differences between the 2018–2019 percent changes in median income for foreign-born householders by specific citizenship status were not statistically significant.

[18] The difference between the 2019 median household income for households maintained by a naturalized citizen ($71,538) and by a native-born person ($69,474) was not statistically different.

[19] The Northeast region includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. The Midwest region includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The South region includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia. The West region includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

[20] The differences between the 2018–2019 percent changes in median household income for all regions were not statistically significant.

[21] The difference in 2019 median household incomes for the Northeast ($76,221) and the West ($75,769) was not statistically significant.

[22] For the definition of metropolitan statistical areas and principal cities, see <www.census.gov/programs-surveys/metro-micro/about.html>.

[23] The differences between the 2018–2019 percent changes in median incomes for households inside principal cities (5.5 percent) and households inside metropolitan statistical areas (6.8 percent) as well as for households outside principal cities (6.9 percent) were not statistically significant. The difference between the 2018–2019 percent change in median income for households inside principal cities (5.5 percent) and households outside metropolitan statistical areas (2.6 percent) was not statistically significant.

value of 1.0 indicates total inequality. The Theil index and the MLD are similar to the Gini index in that they are single statistics that summarize the dispersion of income across the entire income distribution. The Atkinson measures are different in that they can be used to determine which end of the income distribution contributed most to inequality.[24]

Changes in money income inequality between 2018 and 2019 were not statistically significant as measured by the Gini index, the Theil index, and the Atkinson measures (Table A-3 and Figure 3).[25] However, the MLD shows reduced income inequality, a decrease of 4.2 percent, from 0.616 in 2018 to 0.590 in 2019. The money income Gini index was 0.484 in 2019, and the Theil index was 0.432.[26]

Between 2018 and 2019, the changes in the shares of aggregate household income by quintile were not statistically significant (Table A-3 and Figure 3). A quintile is one of five equal groups ranked by income from lowest to highest, so that 20 percent of all households are in each group. In 2019, households in the lowest quintile received 3.1 percent of aggregate household income, while households in the highest quintile received 51.9 percent of aggregate household income. Within the highest quintile, the top 5 percent of households received 23.0 percent of aggregate household income.[27]

In 2019, households in the lowest quintile had incomes of $28,084 or less. Households in the second quintile had incomes from $28,085 to $53,503, those in the third quintile had incomes from $53,504 to $86,488, and those in the fourth quintile had incomes from $86,489 to $142,501. Households in the highest quintile had incomes of $142,502 or more. The top 5 percent of households in the income distribution had incomes of $270,003 or more. Household income increased at every percentile limit shown in Table A-4 between 2018 and 2019.[28] Table A-4 provides the income cut-offs for each quintile and a variety of key percentiles, as well as the Gini index, MLD, Theil index, and Atkinson measures for income years 1967 to 2019.

Equivalence-Adjusted Income Inequality

Another way to measure income inequality is to use an equivalence-adjusted income estimate that takes into consideration the number of people living in the household and how those people share resources and benefit from economies of scale rather than money income. For example, the distribution based on money income treats an income of $30,000 for a single-person household and a family household similarly. In contrast, the equivalence-adjusted income would be the same for a single-person household with an income of $30,000 and a family household with two adults and two children and an income of nearly $65,000. The equivalence adjustment used here is based on the equivalence scale used in the Supplemental Poverty Measure (SPM).[29]

Figure 3 and Table A-3 show several income inequality measures, including aggregate household income shares and the Gini index, using both money income and equivalence-adjusted income for 2018 and 2019. For both 2018 and 2019, the Gini index was lower when based on an equivalence-adjusted income estimate than on the traditional money-income estimate, suggesting a more equal income distribution. Generally, the income shares in the lower quintiles are higher with equivalence-adjusted income than money income, while the reverse is true for the higher quintiles. This redistribution would be expected because the lower end of the income distribution has a higher concentration of single-person households and smaller family sizes than those at the upper end of the distribution.

[24] The Atkinson measure indicates the amount of social utility to be gained by complete redistribution of a given income distribution, for a given "e" parameter; the measure varies between 0.0 and 1.0, and it becomes more sensitive to changes at the lower end of the income distribution as "e" increases. For more information on the Atkinson measure and the other inequality measures, see James Foster, Suman Seth, Michael Lokshin, and Zurab Sajaia, "A Unified Approach to Measuring Poverty and Inequality: Theory and Practice," World Bank, Washington, DC, 2013, <https://openknowledge.worldbank.org/bitstream/handle/10986/13731/9780821384619.pdf>.

[25] Money income is the baseline measure of income for the income and poverty statistics in this report. See Appendix A for the definition of money income.

[26] The differences between these index values (Gini index, MLD, Theil index, and Atkinson measures) did not undergo statistical testing because these indices are not directly comparable.

[27] The difference in the 2019 shares of aggregate household income in the fourth quintile and for the top 5 percent was not statistically significant.

[28] The differences between the 2018-2019 percent changes in household income at each percentile limit were not statistically significant, except between the following: 40th percentile (5.1 percent) and 70th percentile (7.6 percent); 40th percentile (5.1 percent) and 80th percentile (7.7 percent).

[29] For more details on the three-parameter equivalence scale, see Liana Fox, "The Supplemental Poverty Measure: 2019," *Current Population Reports*, P60-272, U.S. Census Bureau, September 2020, <https://www2.census.gov/library/publications/2020/demo/p60-272.html>.

Figure 3.

Income Distribution Measures and Percent Change Using Money Income and Equivalence-Adjusted Income

	2018	2019	Change: 2018 to 2019
MONEY INCOME			
Shares of Aggregate Income by Percentile			
Lowest quintile	3.1	3.1	1.8
Second quintile	8.3	8.3	Z
Third quintile	14.1	14.1	-0.5
Fourth quintile	22.6	22.7	0.4
Highest quintile	52.0	51.9	-0.2
Top 5 percent	23.1	23.0	-0.6
Summary Measures			
Gini index of income inequality	0.486	0.484	-0.2
Mean logarithmic deviation of income	0.616	0.590	-4.2
Theil	0.436	0.432	-0.9
Atkinson:			
e=0.25	0.105	0.104	-0.9
e=0.50	0.205	0.203	-1.1
e=0.75	0.311	0.306	-1.6
EQUIVALENCE-ADJUSTED INCOME			
Shares of Aggregate Income by Percentile			
Lowest quintile	3.5	3.6	2.4
Second quintile	9.1	9.0	-0.4
Third quintile	14.7	14.6	-0.8
Fourth quintile	22.4	22.3	-0.4
Highest quintile	50.3	50.5	0.3
Top 5 percent	22.5	22.7	0.7
Summary Measures			
Gini index of income inequality	0.464	0.465	0.1
Mean logarithmic deviation of income	0.628	0.597	-4.9
Theil	0.405	0.404	-0.2
Atkinson:			
e=0.25	0.097	0.097	-0.3
e=0.50	0.191	0.190	-0.7
e=0.75	0.296	0.291	-1.7

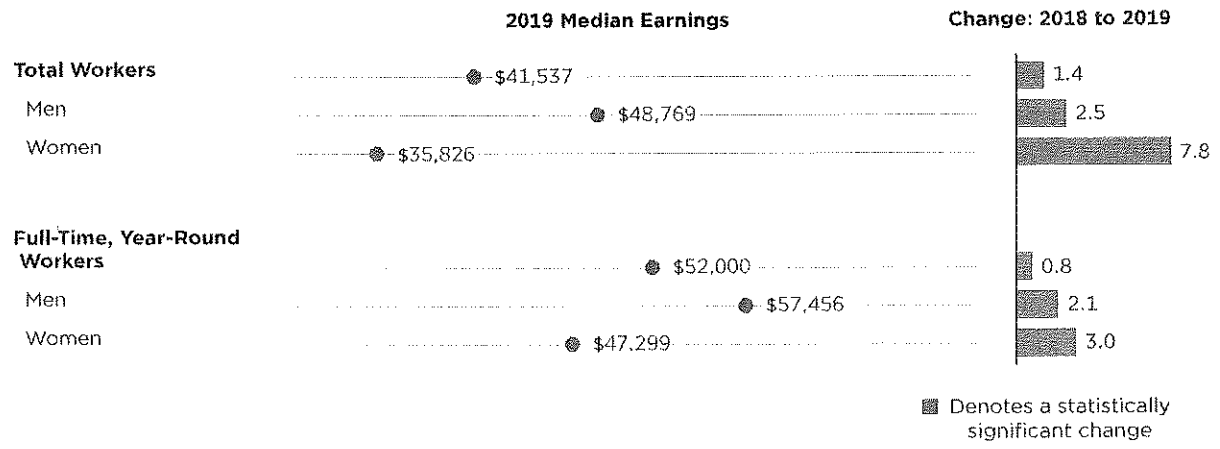
Denotes a statistically significant change

Z Rounds to zero.

Notes: Percent change estimate may be different due to rounded components. Statistically significant indicates the change is statistically different from zero at the 90 percent confidence level. For more details, see Table A-3. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2019 and 2020 Annual Social and Economic Supplements (CPS ASEC).

Figure 4.
Median Earnings and Percent Change by Work Status and Sex
(People 15 years and older with earnings as of March of the following year)



Notes: Statistically significant indicates the change is statistically different from zero at the 90 percent confidence level. For more details, see Table A-6. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2019 and 2020 Annual Social and Economic Supplements (CPS ASEC).

Based on equivalence-adjusted income, changes in inequality between 2018 and 2019 were not statistically significant as measured by the Gini index, the Theil index, and the Atkinson measures, but, as with the traditional money-income estimate, income inequality decreased as measured by the MLD (Figure 3 and Table A-3). In 2019, the equivalence-adjusted Gini index was 0.465, and the Theil index was 0.404. The equivalence-adjusted MLD decreased from 0.628 in 2018 to 0.597 in 2019.

The share of equivalence-adjusted aggregate household income in the lowest quintile increased 2.4 percent between 2018 and 2019; the changes in the other quintiles were not statistically significant. Table A-5 shows equivalence-adjusted measures of the income distribution, as well as the Gini index, MLD, Theil index, and Atkinson measures for income years 1967 to 2019.

Earnings and Work Experience[30]

The real median earnings of all workers increased 1.4 percent between 2018 and 2019, from $40,976 to $41,537. The 2019 median earnings of men and women increased 2.5 percent and 7.8 percent, respectively, from their 2018 medians (Figure 4 and Table A-6). Between 2018 and 2019, real median earnings of all full-time, year-round workers increased 0.8 percent. Specifically, median earnings of men ($57,456) and women ($47,299) who worked full-time, year-round increased by 2.1 percent and 3.0 percent, respectively (Figure 4 and Table A-6).[31]

[30] Earnings are the sum of wage and salary income and nonfarm and farm self-employment income (gross receipts expenses). In 2019, approximately 77 percent of aggregate income came from earnings. In this section, "all workers" includes people 15 years and older with earnings who, during the preceding calendar year, worked on a part-time or full-time basis. A full-time, year-round worker is a person who worked at least 35 hours per week (full-time) and at least 50 weeks during the previous calendar year (year-round). For school personnel, summer vacation is counted as weeks worked if they are scheduled to return to their job in the fall. For detailed information on work experience, see Table PINC-05, "Work Experience in 2019—People 15 Years Old and Over by Total Money Earnings in 2019, Age, Race, Hispanic Origin, and Sex" at <www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-05.html>.

[31] The following differences between the 2018–2019 percent changes in median earnings were not statistically different from one another: total workers (1.4 percent), and men with earnings (2.5 percent); total working full-time, year-round (0.8 percent), and men working full-time, year-round (2.1 percent); and men working full-time, year-round (2.1 percent), and total workers (1.4 percent). The following differences between the 2018–2019 percent changes in median earnings were also not statistically different from one another: men working full-time, year-round (2.1 percent), women working full-time, year-round (3.0 percent), and men with earnings (2.5 percent).

POVERTY IN THE UNITED STATES

Highlights

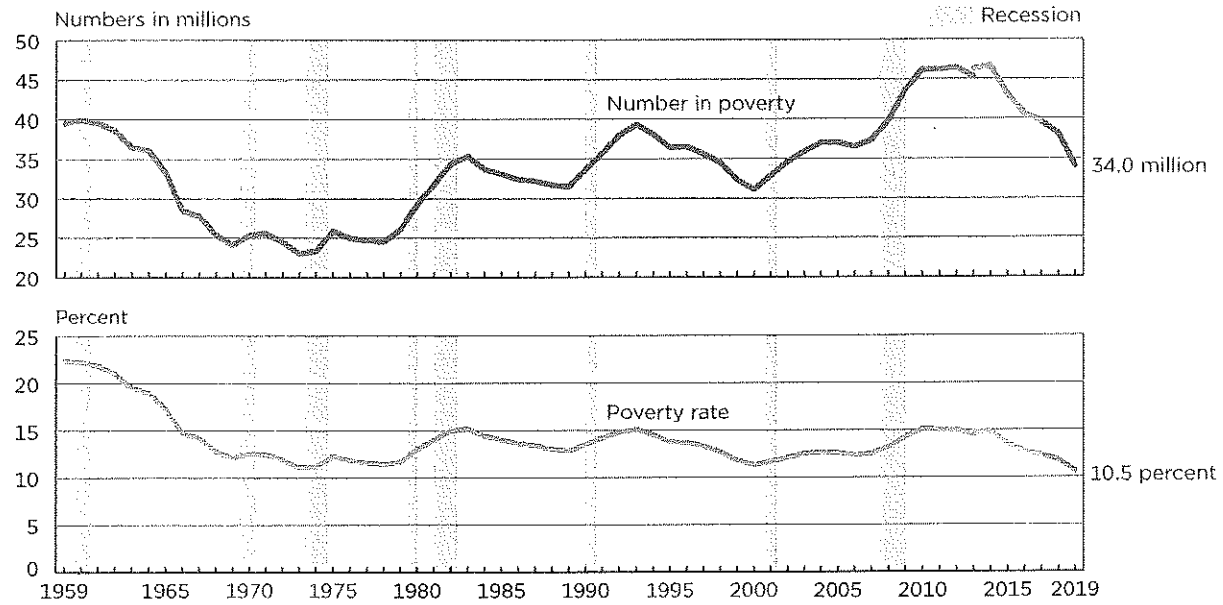
- The official poverty rate in 2019 was 10.5 percent, down 1.3 percentage points from 11.8 percent in 2018.[35] This is the fifth consecutive annual decline in poverty. Since 2014, the poverty rate has fallen 4.3 percentage points, from 14.8 percent to 10.5 percent (Figure 7 and Table B-5).
- The 2019 poverty rate of 10.5 percent is the lowest rate observed since estimates were initially published in 1959 (Figure 7 and Table B-5).
- In 2019, there were 34.0 million people in poverty, approximately 4.2 million fewer than in 2018 (Figure 7 and Table B-1).
- For all demographic groups shown in Figure 8 and Table B-1, poverty rates in 2019 were either lower than or not statistically different from those in 2018.
- Between 2018 and 2019, poverty rates declined for all race and Hispanic origin groups shown in Figure 8 and Table B-1. The poverty rate for Whites decreased 1.0 percentage point to 9.1 percent. The poverty rate for Blacks decreased by 2.0 percentage points to 18.8 percent.[36] The poverty rate for Hispanics decreased by 1.8 percentage points to 15.7 percent.[37] The poverty rate for Asians decreased 2.8 percentage points to 7.3 percent (Figure 8 and Tables B-1 and B-5).
- Between 2018 and 2019, poverty rates for people under the age of 18 decreased 1.8 percentage points, from 16.2 percent to 14.4 percent. Poverty rates decreased 1.2 percentage points for people aged 18 to 64, from 10.7 percent to 9.4 percent. The

[35] The Office of Management and Budget (OMB) determined the official definition of poverty in Statistical Policy Directive 14. Appendix B provides a more detailed description of how the Census Bureau calculates poverty.

[36] The percentage point change from 2018–2019 for Blacks is not significantly different than the percentage point change for Whites, Asians, or Hispanics.

[37] The percentage point change from 2018–2019 for Hispanics is not significantly different from the percentage point change for Asians.

Figure 7.
Number in Poverty and Poverty Rate: 1959 to 2019
(Population as of March of the following year)



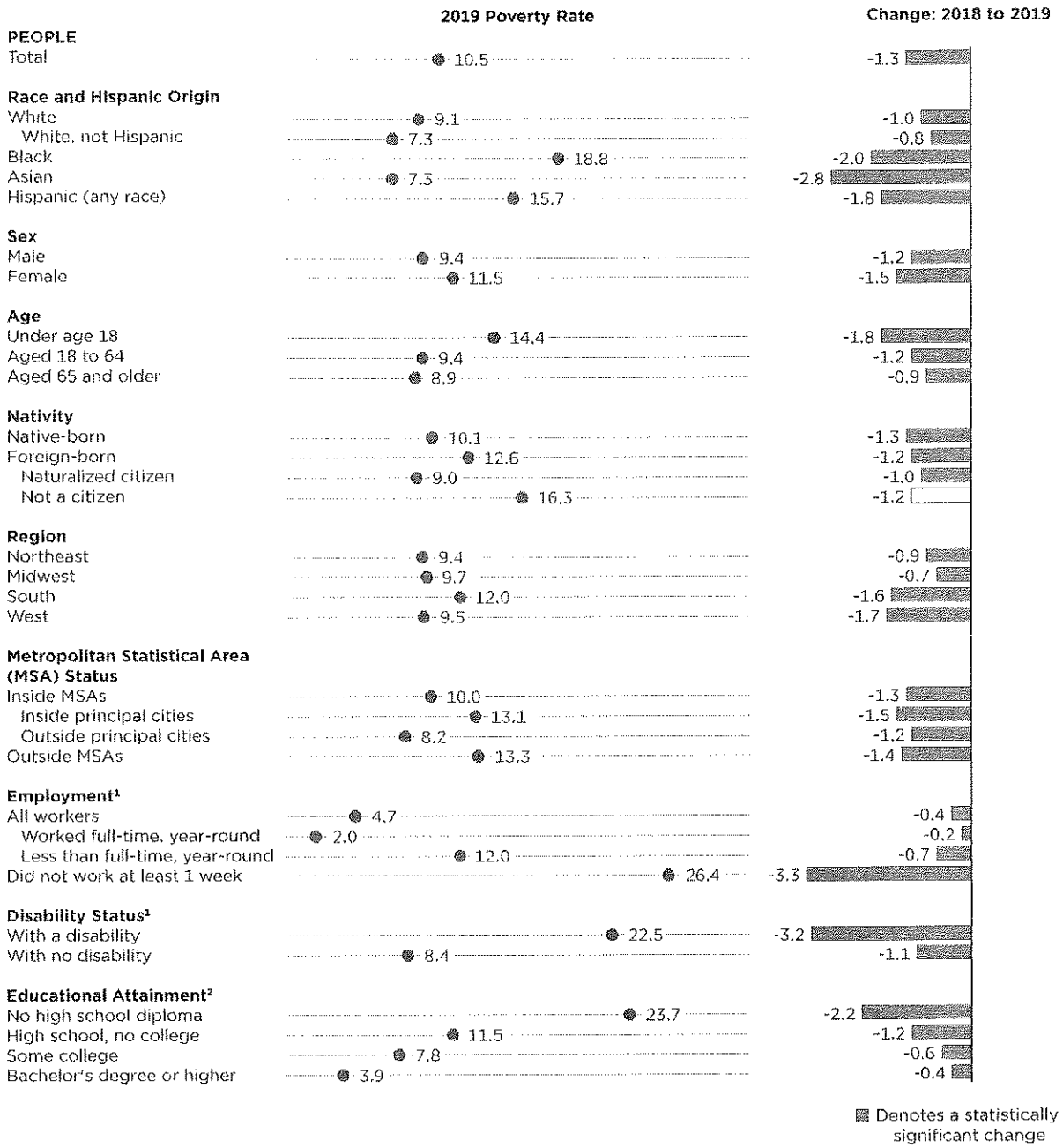
Note: The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. See Table B-5 for historical footnotes. The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2020 Annual Social and Economic Supplements (CPS ASEC).

Figure 8.

Poverty Rate and Percentage Point Change by Selected Characteristics: People

(Population as of March of the following year)



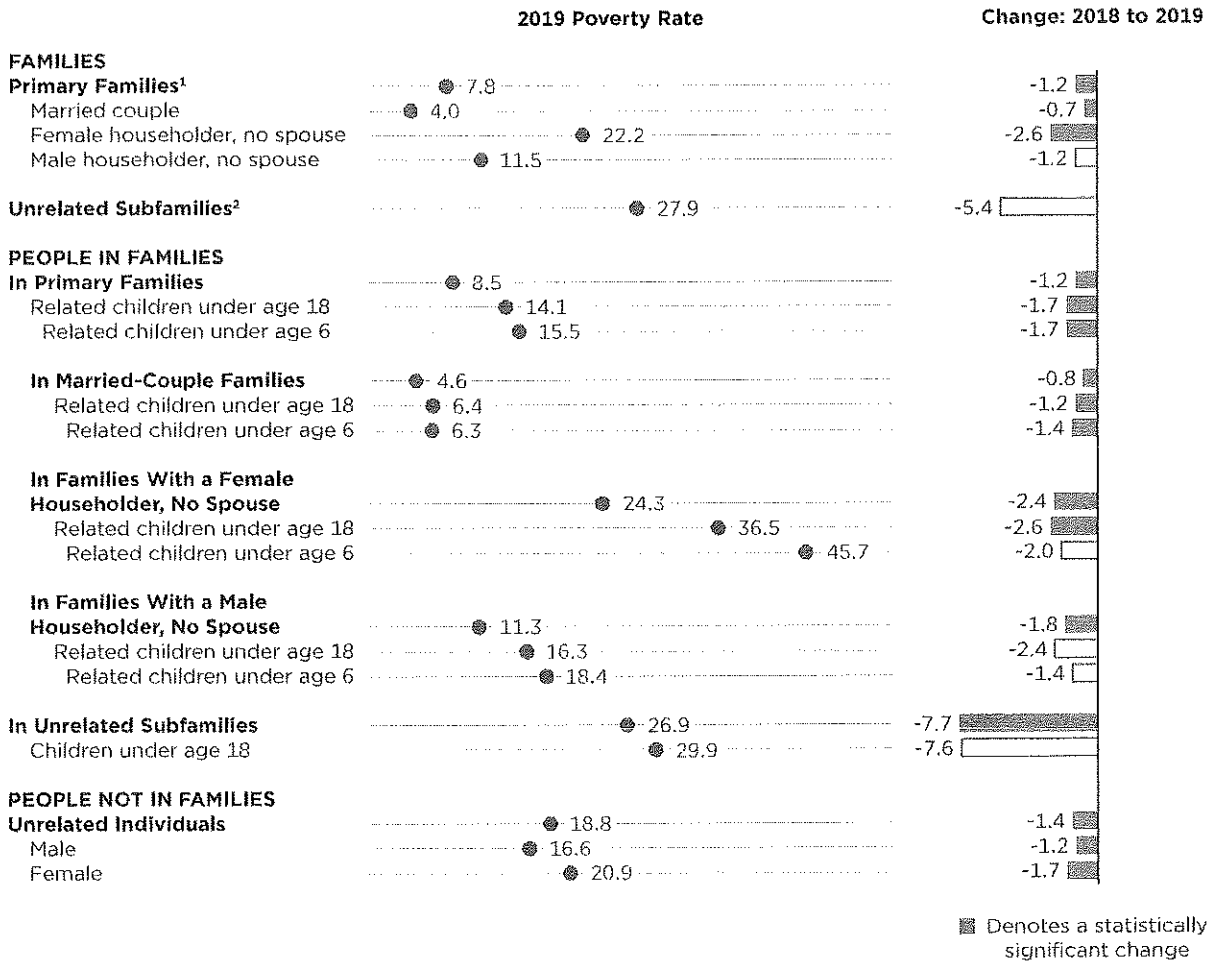
[1] Population limited to individuals aged 18 to 64. The overall poverty rate for this group in 2019 was 9.4 percent.
[2] Population limited to individuals aged 25 and older. In 2019, the overall poverty rate for this group was 8.8 percent.
Notes: Statistically significant indicates the change is statistically different from zero at the 90 percent confidence level.
For more details, see Table B-1. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2019 and 2020 Annual Social and Economic Supplements (CPS ASEC).

Figure 9.

Poverty Rate and Percentage Point Change by Type of Family: Families and People

(Population as of March of the following year)



[1] A primary family is a group of two or more people, one of whom is the householder, related by birth, marriage, or adoption and residing together. All such people (including related subfamily members) are considered as members of one family.

[2] An unrelated subfamily is defined as a married couple with or without children or a single parent with one or more own, never-married children under the age of 18 living in a household and not related by birth, marriage, or adoption to the householder.

Notes: Statistically significant indicates the change is statistically different from zero at the 90 percent confidence level. For more details, see Appendix Table B-2. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2019 and 2020 Annual Social and Economic Supplements (CPS ASEC).

poverty rate for people aged 65 and older decreased by 0.9 percentage points, from 9.7 percent to 8.9 percent (Figure 8 and Table B-1).[38]

Race and Hispanic Origin

The poverty rate for non-Hispanic Whites was 7.3 percent in 2019, with 14.2 million individuals in poverty, down from 8.1 percent and 15.7 million in 2018. The poverty rate for non-Hispanic Whites was lower than the poverty rates for the Black and Hispanic populations, but was not statistically different from the poverty rate for Asians in 2019 (Figure 8 and Table B-1).

The poverty rate for Blacks was 18.8 percent in 2019, with 8.1 million individuals in poverty, down from 20.8 percent and 8.9 million in 2018. Of the racial groups shown in Figure 8 and Table B-1, Blacks had the highest poverty rate. After adjusting for the impact of the CPS ASEC survey redesign and processing changes, the Black poverty rate was the lowest since 1959, the first year for which poverty estimates were published.

In 2019, the poverty rate for Hispanics was 15.7 percent, with 9.5 million individuals in poverty, a decrease from 17.6 percent and 10.5 million in 2018. The 2019 Hispanic poverty rate of 15.7 percent reflects the lowest poverty rate for this population since estimates were first produced in 1972.[39]

For Asians, the 2019 poverty rate and the number in poverty were 7.3 percent and 1.5 million, respectively, a decrease from 10.1 percent and 2.0 million in 2018. For Asians, the 2019 poverty rate of 7.3 percent is the lowest observed since estimates were first produced for this population in 2002.[40]

Looking at poverty more closely, there are disparities in the distribution of poverty among the different race groups. In 2019, non-Hispanic Whites accounted for 59.9 percent of the total population and 41.6 percent of the people in poverty in 2019. Blacks accounted for 13.2 percent of the total population and 23.8 percent of the people in poverty. Hispanics accounted for 18.7 percent of the total population and 28.1 percent of the people in poverty. Asians accounted for 6.1 percent of the total population and 4.3 percent of the people in poverty.

Sex

In 2019, the poverty rate for males was 9.4 percent, a decrease from 10.6 percent in 2018. The 2019 poverty rate for females was 11.5 percent, down from 12.9 percent in 2018 (Figure 8 and Table B-1).

The poverty rate in 2019 for women aged 18 to 64 was 10.8 percent, while the poverty rate for men aged 18 to 64 was 8.1 percent. The 2019 poverty rate for women aged 65 and older was 10.3 percent, while the poverty rate for men aged 65 and older was 7.2 percent.[41] For people under the age of 18, the poverty rate for girls (14.5 percent) and the poverty rate for boys (14.4 percent) were not statistically different (Figure 10).

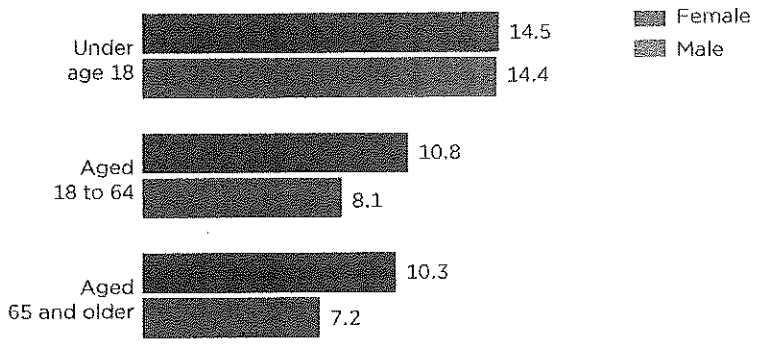
[38] The percentage-point change from 2018–2019 for 18- to 64-year-olds is not statistically different from the percentage-point change for those under 18 years or for those aged 65 and older.

[39] Caution should be used when comparing Hispanic estimates over time since independent population control totals for people of Hispanic origin were not used before 1985.

[40] Caution should be used when comparing single-year Asian estimates over time due to the small sample size of the Asian population and the fact that the CPS ASEC does not use separate population controls for weighting the Asian sample to national totals.

[41] The 2019 poverty rate for women aged 18 to 64 and women aged 65 and older were not statistically different.

Figure 10.
Poverty Rates by Age and Sex: 2019
(In percent. Population as of March of the following year)



Note: For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2020 Annual Social and Economic Supplement (CPS ASEC).

Brookings Examining the Black White Wealth Gap

Examining the Black-white wealth gap

Kriston McIntosh, Emily Moss, Ryan Nunn, and Jay ShambaughThursday, February 27, 2020

A close examination of wealth in the U.S. finds evidence of staggering racial disparities. At $171,000, the net worth of a typical white family is nearly ten times greater than that of a Black family ($17,150) in 2016. Gaps in wealth between Black and white households reveal the effects of accumulated inequality and discrimination, as well as differences in power and opportunity that can be traced back to this nation's inception. The Black-white wealth gap reflects a society that has not and does not afford equality of opportunity to all its citizens.

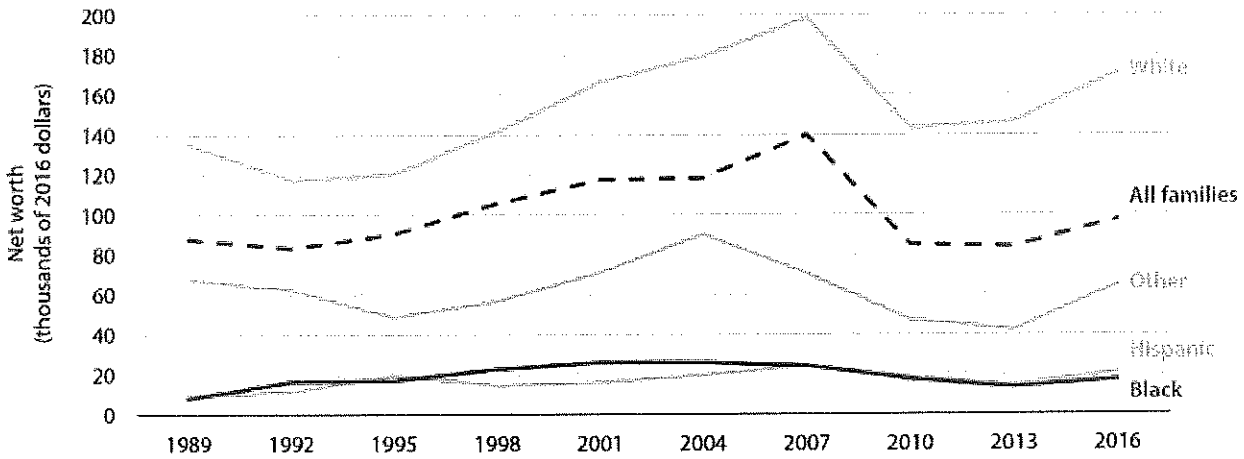
Efforts by Black Americans to build wealth can be traced back throughout American history. But these efforts have been impeded in a host of ways, beginning with 246 years of chattel slavery and followed by Congressional mismanagement of the Freedman's Savings Bank (which left 61,144 depositors with losses of nearly $3 million in 1874), the violent massacre decimating Tulsa's Greenwood District in 1921 (a population of 10,000 that thrived as the epicenter of African American business and culture, commonly referred to as "Black Wall Street"), and discriminatory policies throughout the 20th century including the Jim Crow Era's "Black Codes" strictly limiting opportunity in many southern states, the GI bill, the New Deal's Fair Labor Standards Act's exemption of domestic agricultural and service occupations, and redlining. Wealth was taken from these communities before it had the opportunity to grow.

This history matters for contemporary inequality in part because its legacy is passed down generation-to-generation through unequal monetary inheritances which make up a great deal of current wealth. In 2020 Americans are projected to inherit about $765 billion in gifts and bequests, excluding wealth transfers to spouses and transfers that support minor children. Inheritances account for roughly 4 percent of annual household income, much of which goes untaxed by the U.S. government.

Just how large and persistent are these racial wealth gaps? As figure 1 shows, median net worth for white households has far exceeded that of Black households through recessions and booms over the last thirty years. While movements in white wealth are easier to see due to the larger scale, during the most recent economic downturn, median net worth declined by more for Black families (44.3 percent decline from 2007 to 2013) than for white families (26.1 percent decline). In fact, the ratio of white family wealth to Black family wealth is higher today than at the start of the century.

FIGURE 1.

Median Net Worth by Race/Ethnicity, 1989–2016



Source: Survey of Consumer Finances 1989–2016.
Note: Net worth refers to the difference between assets and debt for a household head. Race and ethnicity are those of the survey respondent.

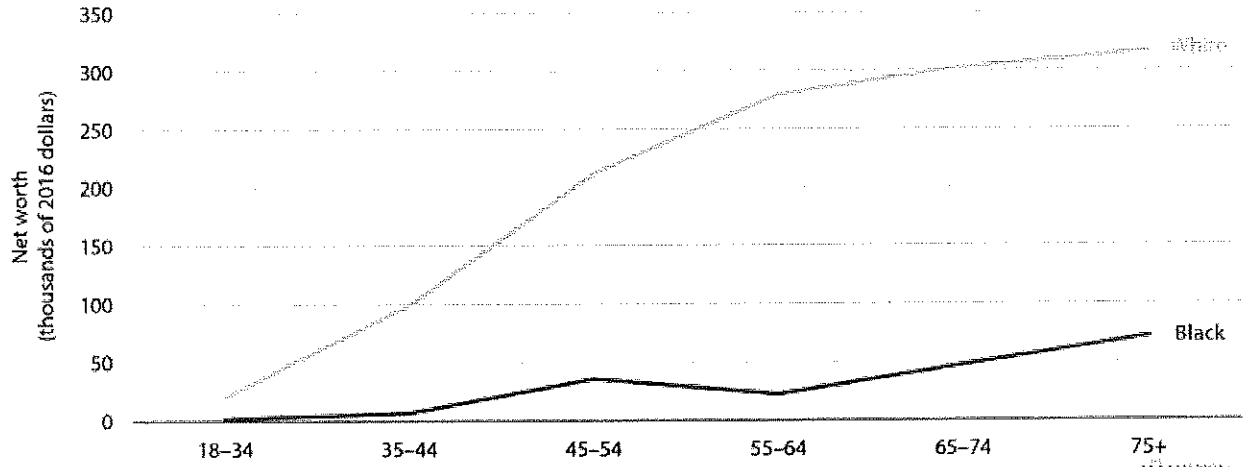
HAMILTON PROJECT BROOKINGS

Median wealth—or the wealth of the household at the middle of a distribution—gives the experience of the typical family, but does not reflect the bulk of national wealth that is held by the richest households. White *average* wealth ($929,800), which is more influenced by very rich families and does not characterize the typical experience, is 6.7 times greater than Black average wealth ($138,100).

White adults tend to be older (median age of 55) than African Americans (49 years old), and older people tend to have more wealth, but figure 2 shows that the wealth gap remains when looking within age groups. The typical young adult (18–34 years old) of either race has little wealth, but the gap rises quickly with age, and for 65–74-year-olds accumulates to $302,500 in median white wealth and $46,890 in median Black wealth.

FIGURE 2

Median Net Worth, by age of Household Head



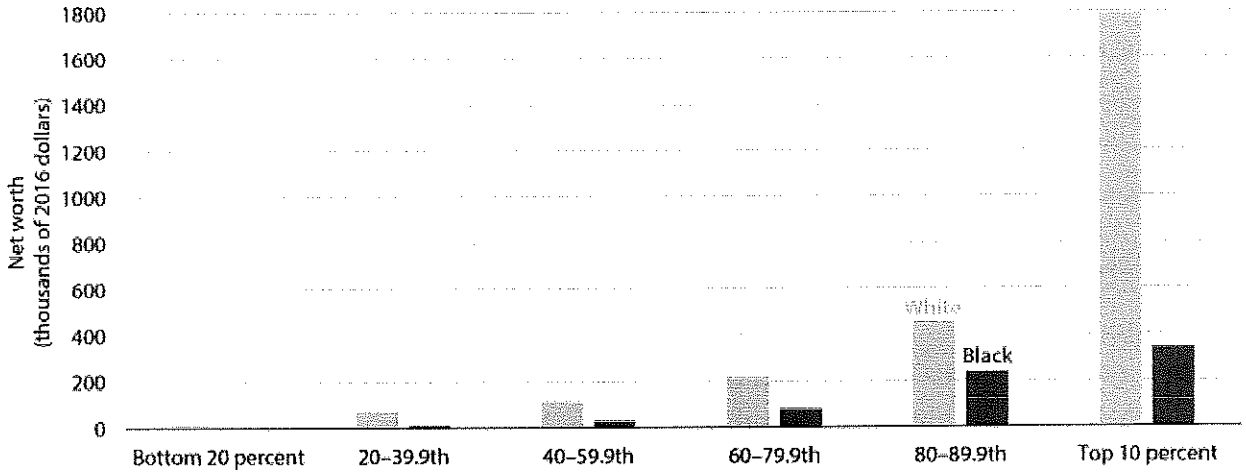
Source: Survey of Consumer Finances 2016, authors' calculations.
Note: Data are from 2016. Net worth refers to the difference between assets and debt for a household head. Race and ethnicity are those of the survey respondent.

HAMILTON PROJECT BROOKINGS

Wealth is the sum of resources available to a household at a point in time; as such it is clearly influenced by the income of a household, but the two are not perfectly correlated. Two households can have the same income, but the household with fewer expenses, or with more accumulated wealth from past income or inheritances, will have more wealth. Figure 3 shows median net worth at different points in the family income distribution. What is immediately evident is that the racial wealth gap remains even for families with the same income. For those in the top 10 percent by income (only 3.6 percent Black), the racial wealth gap is still quite large: median net worth for white families in this income group is $1,789,300 versus $343,160 for Black families. A racial gap exists in every income group except the bottom quintile (23.5 percent Black), where median net worth is zero for everyone.

FIGURE 3.

Median Net Worth, by Household Income Percentile



Source: Survey of Consumer Finances 2016; authors' calculations.
Note: Data are from 2016. Net worth refers to the difference between assets and debt for a household head. Race and ethnicity are those of the survey respondent.

HAMILTON PROJECT BROOKINGS

Why are high- and middle-income white families so much wealthier than Black families with the same incomes? We note a few reasons. White families receive much larger inheritances on average than Black families. Economists Darrick Hamilton and Sandy Darity conclude that inheritances and other intergenerational transfers "account for more of the racial wealth gap than any other demographic and socioeconomic indicators." In addition, the income groups in figure 2 are based on a snapshot of family income, which does not fully capture lifetime income. Black families who make it to the top of the income distribution in a particular year are more likely than white families to drop out of the top in subsequent years, and their respective wealth levels reflect this difference. Likely less important, but still notable, high- and middle-income Black families are more likely than their white counterparts to be called upon to assist family members and neighbors.

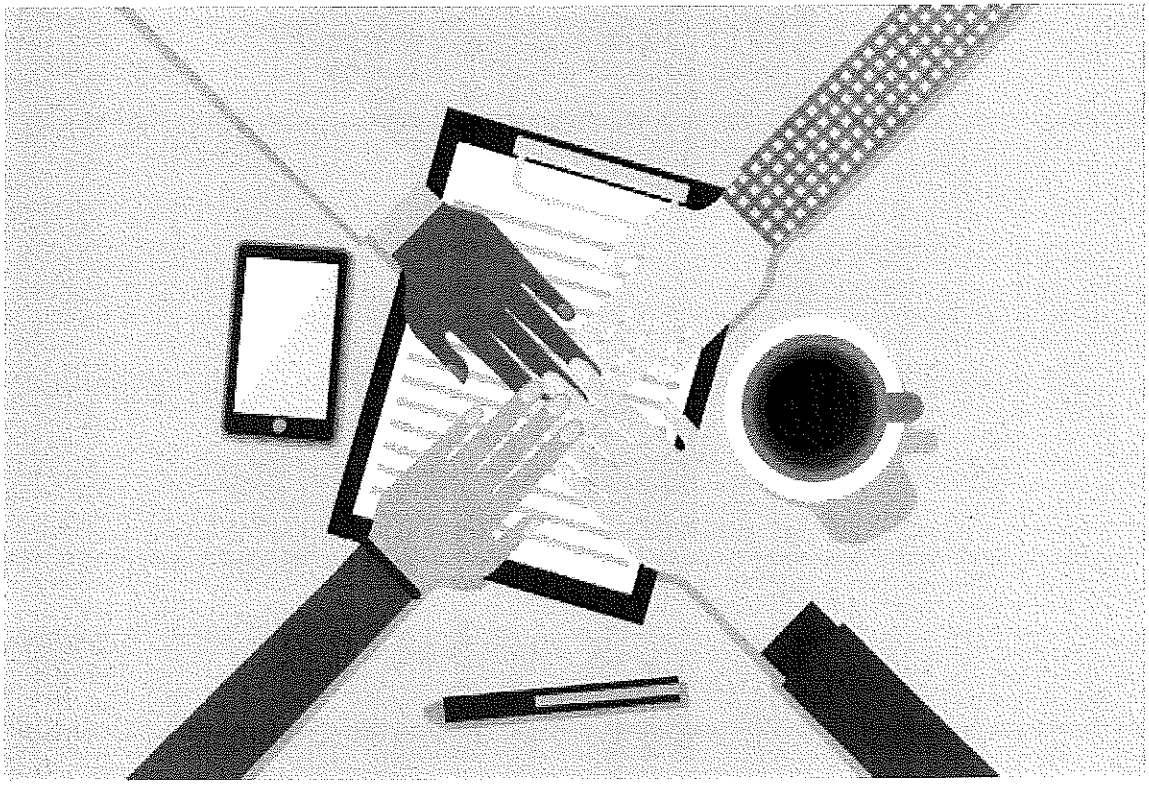
All of this matters because wealth confers benefits that go beyond those that come with family income. Wealth is a safety net that keeps a life from being derailed by temporary setbacks and the loss of income. This safety net allows people to take career risks knowing that they have a buffer when success is not immediately achieved. Family wealth allows people (especially young adults who have recently entered the labor force) to access housing in safe neighborhoods with good schools, thereby enhancing the prospects of their own children. Wealth affords people

opportunities to be entrepreneurs and inventors. And the income from wealth is taxed at much lower rates than income from work, which means that wealth begets more wealth.

There is no single, simple explanation for the racial wealth gap. It is not explained away by differences in educational attainment, as Darrick Hamilton and Trevon Logan show in a recent article, and as we show in a recent Hamilton Project volume on tax policy. It is not accounted for by indebtedness—white families actually tend to have higher levels of debt. It is not even fully accounted for by differences in income, as seen in figure 3. In addition, the fact that intergenerational transfer of wealth is lightly taxed means that historical gaps persist over generations. Furthermore, inadequate investments in the public goods that facilitate economic mobility make it harder to erase past gaps.

The solutions to the Black-white wealth gap—and the policies that address racial inequity more generally—are largely outside the scope of this post. But the analysis above points to at least one type of reform: taxation of income from wealth. The income from inheritances, and from wealth more generally, is taxed at an inequitably low rate, especially when compared to earnings.

Well-designed taxes on inheritances, reforms to capital income taxation, and even taxes on wealth could be part of the solution. Inheritance or estate taxes in particular could enhance equality of opportunity, especially if revenues were invested in programs that give low-income children a better chance at economic success.



MAY 2018

Race, Economics, And Social Status

Reginald A. Noël

Social and economic status of an individual or group can be measured as a blend of wealth, income, occupation, and education. Other contributors to social and economic status include race, ethnicity, home ownership, family size, family types, and even types of foods purchased. The combination of social and economic status can reveal a group or individual's unequal access to resources, privilege, power, and control in a society. This Spotlight on Statistics examines Consumer Expenditure Survey data to explore the patterns of social and economic factors by race and ethnicity.

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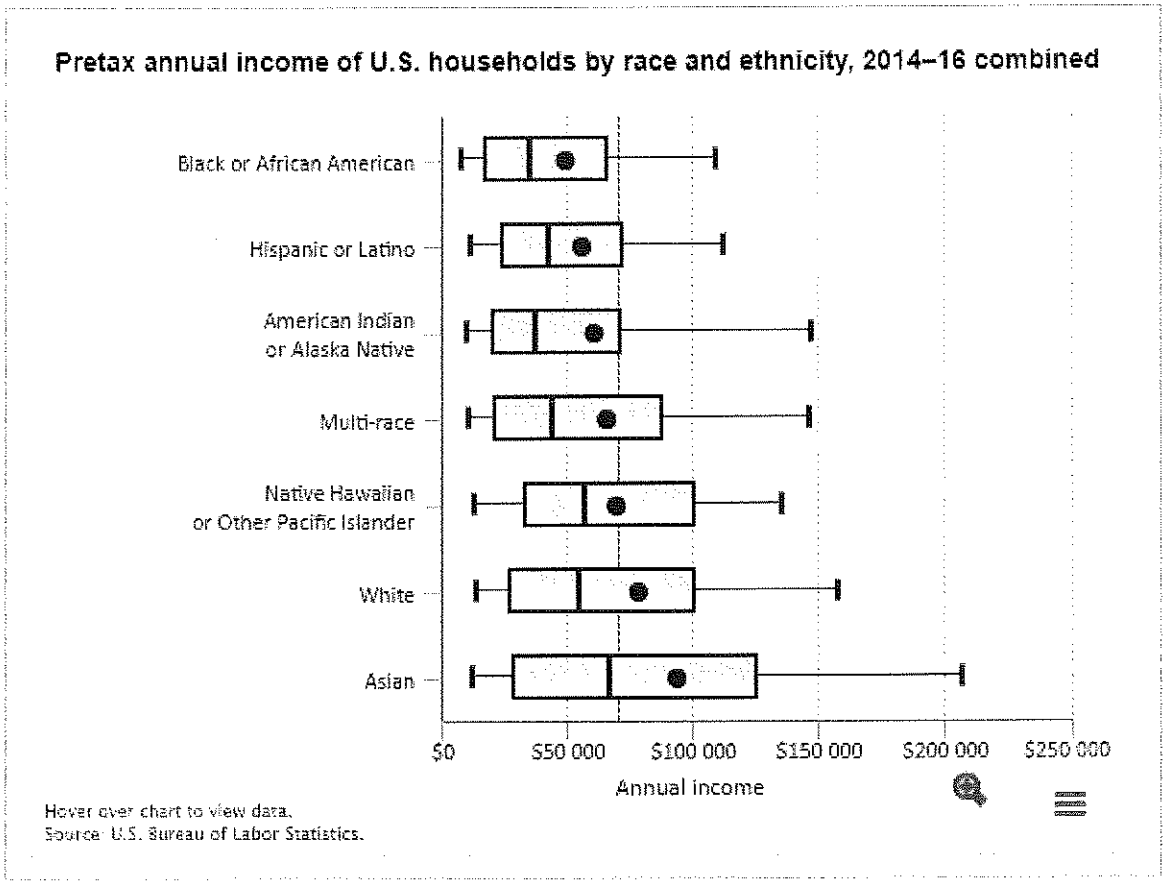
Household income varies widely by race and ethnicity

Researchers and the public have given a lot of attention to social and economic inequality over the past several years. Many factors have widened the gap between those with high and low income in the United States. Such increases in income inequality raise social, political, and economic concerns.

Over the 2014–16 period, the average household pretax income was $70,448. Pretax income varied by race and ethnicity, as the average was highest for Asians with $93,390 and lowest for Blacks or African Americans with $48,871. The gap between those in the lowest 10 percent of income and those in the highest 10 percent of income was the widest for Asians and smallest for Hispanics and Blacks or African Americans.



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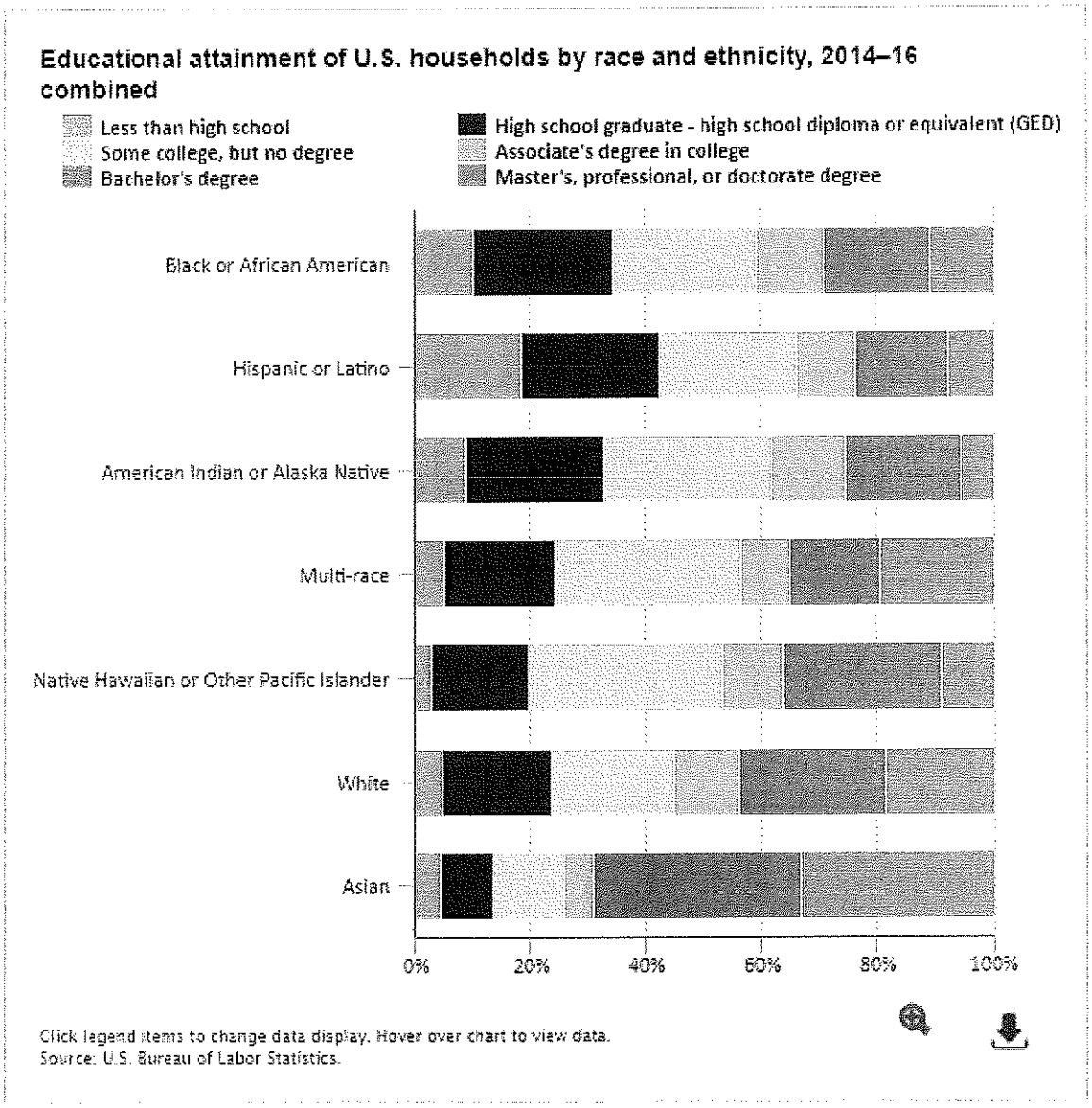
Educational attainment and social outcomes

Educational attainment can have a strong impact on social outcomes, including child mortality, fertility, and income distribution. In addition, studies show that college educated people were more likely to stay married compared to those with less education, thus providing the opportunity for two people to pool their incomes, resources, and social capital. Over the 2014–16 period, approximately 70 percent of Asian households had a member with a Bachelor's degree or higher, compared with 23 percent of Hispanic households.



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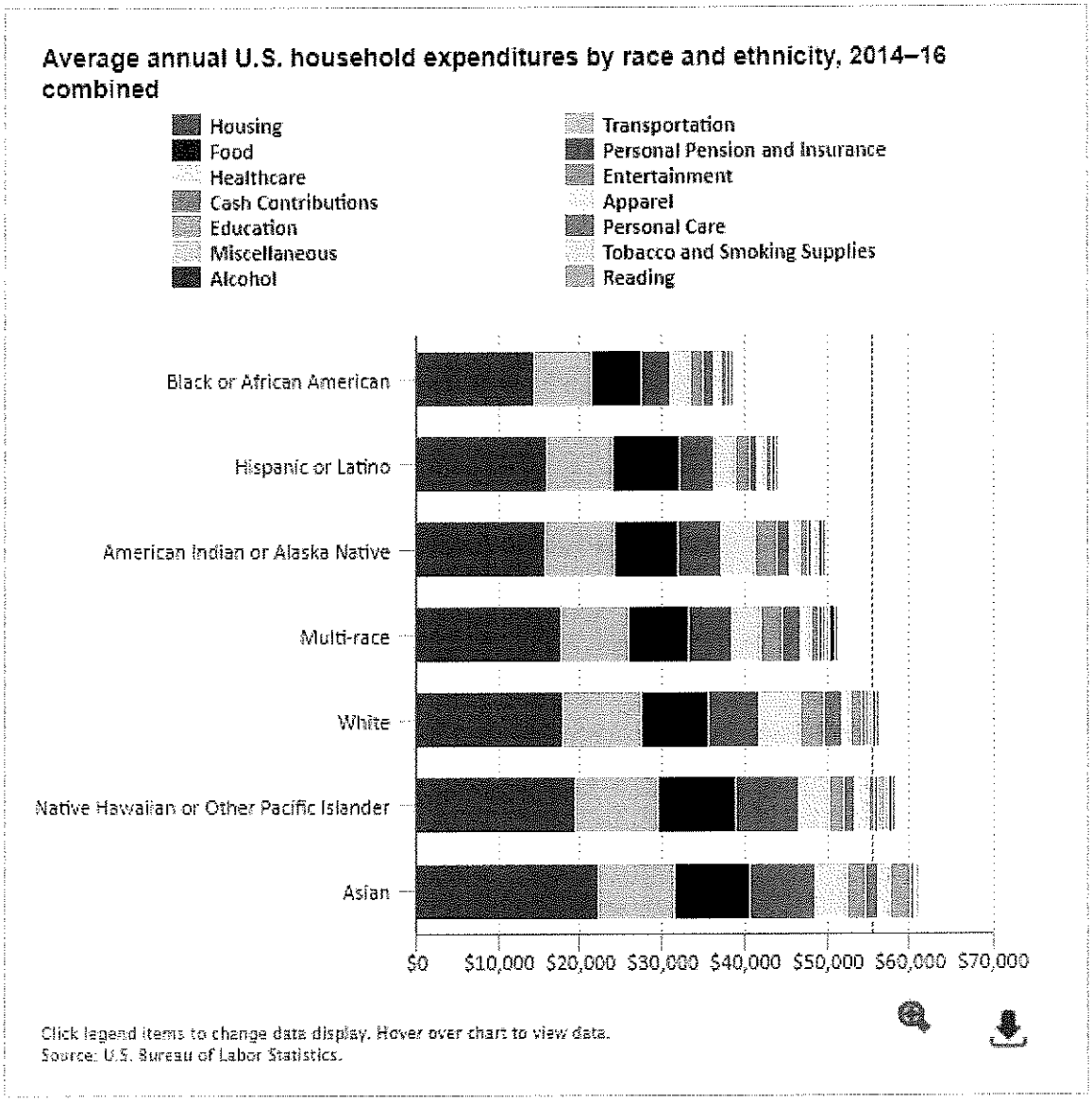
Household spending varies widely by race and ethnicity

Consumer expenditures can serve as a measure of social and economic status. Average annual household expenditures were $55,607 over the 2014–16 period. Analyzing data of demographic subgroups can give us a deeper understanding of consumption preferences and spending behavior for a particular group. Over the 2014–16 period, Native Hawaiian or Other Pacific Islander households had the second highest total household expenditures, with $58,000 per year.



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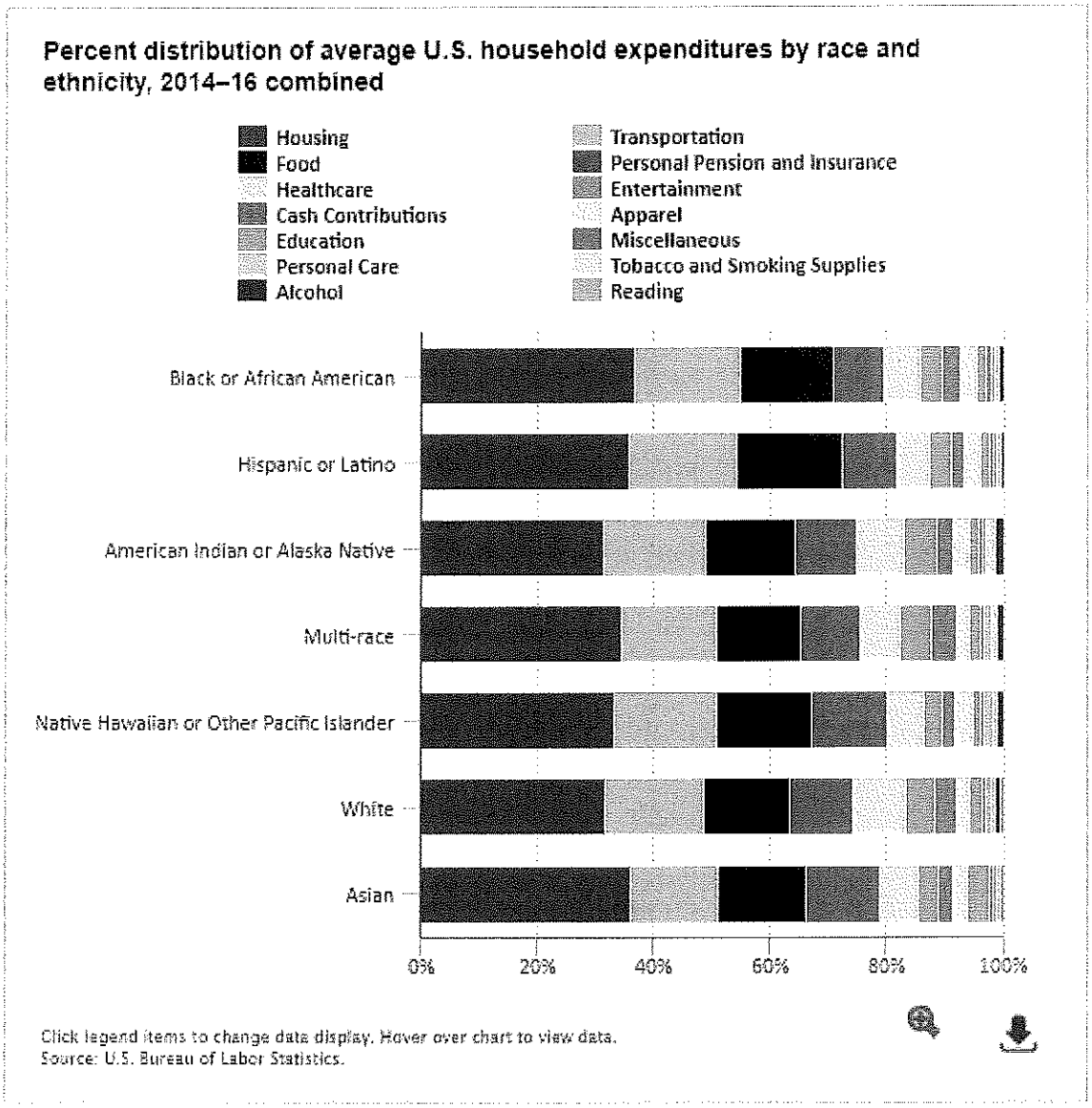
Household expenditure percentages as an indicator

Expenditure percentages can be used to indicate financial health or determine credit worthiness. For instance, housing expenditure percentages are used in the underwriting process for a mortgage. Over the 2014–16 period, housing expenditures made up 36.8 percent of total household expenditures for Blacks or African Americans, followed by Asians with 36.2 percent, and Hispanics with 35.9 percent.



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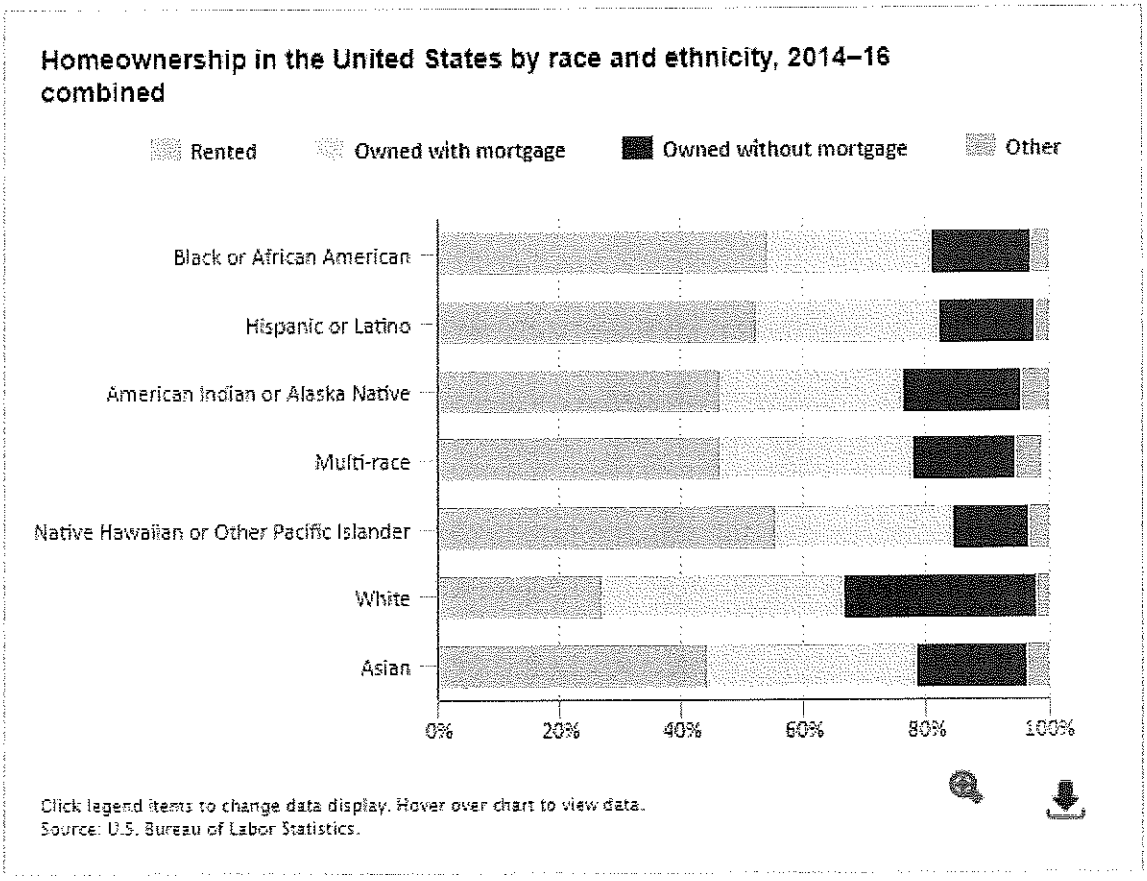
Home ownership and residential stability

Home ownership can indicate a household's level of income, wealth, and residential stability. "Owner" includes families living in their own homes, cooperatives or condominium apartments, or townhouses. "Renter" includes families paying rent, and families living rent-free in place of wages. The category labeled "Other" includes living arrangements that the consumer unit occupies without paying cash rent, or the consumer unit may be in student housing.

Over the 2014–16 period, 71 percent of White households owned a home with or without a mortgage, while 27 percent rented. Over that same period, 56 percent of Native Hawaiian or Pacific Islander households rented, while 41 percent owned a home.



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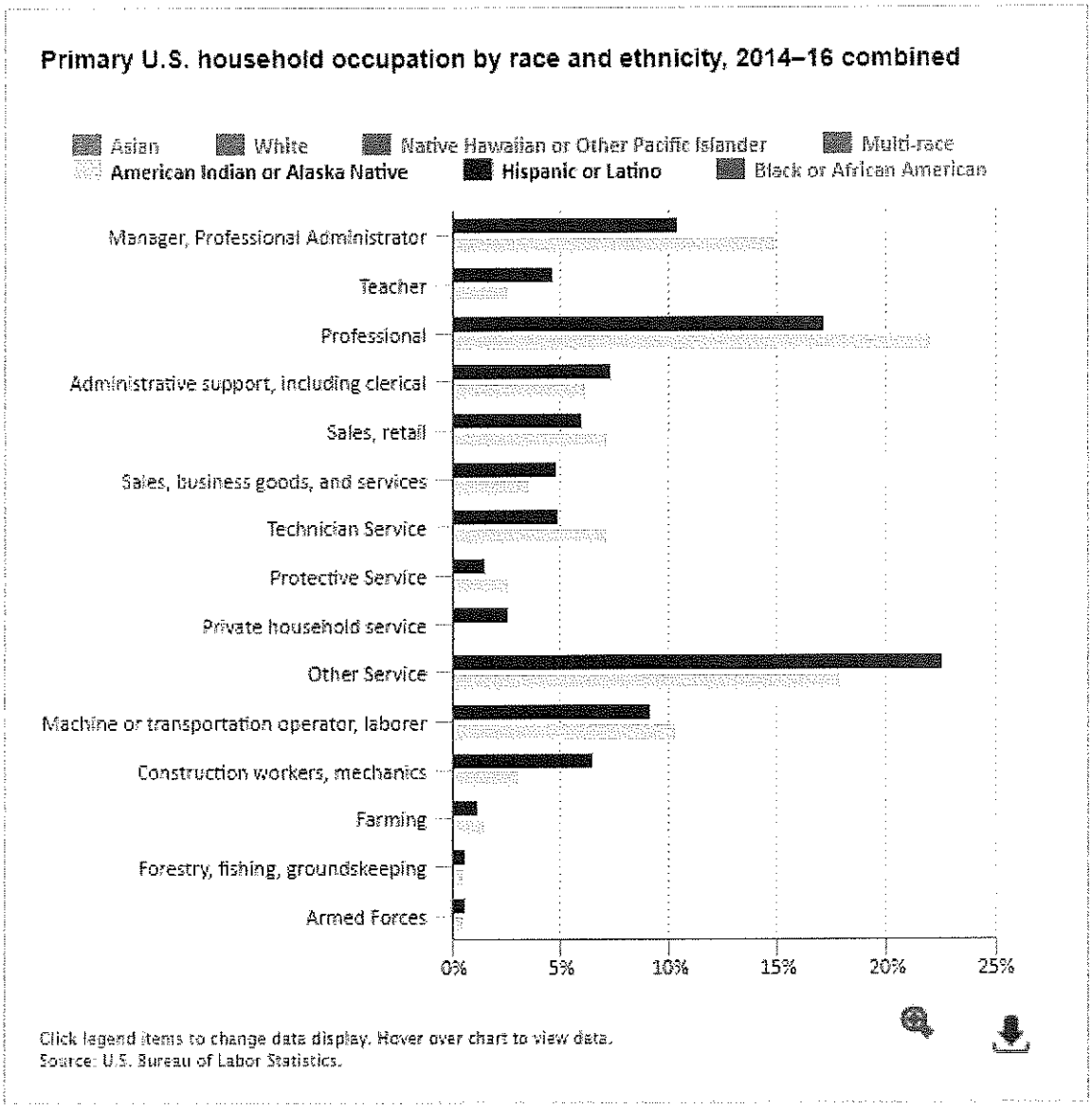
Occupations can influence social networks

An occupation can influence one's physical and mental health, as well as social networks. Over the 2014–16 period, 15 percent of American Indian or Alaska Native households were mainly supported by a member who was a manager or professional administrator. Administrator occupations include funeral directors and nonprofit executives. About 23 percent of Hispanic or Latino households were supported by a member who worked in other services, including childcare worker, food preparer, janitor, maid, or waiter.



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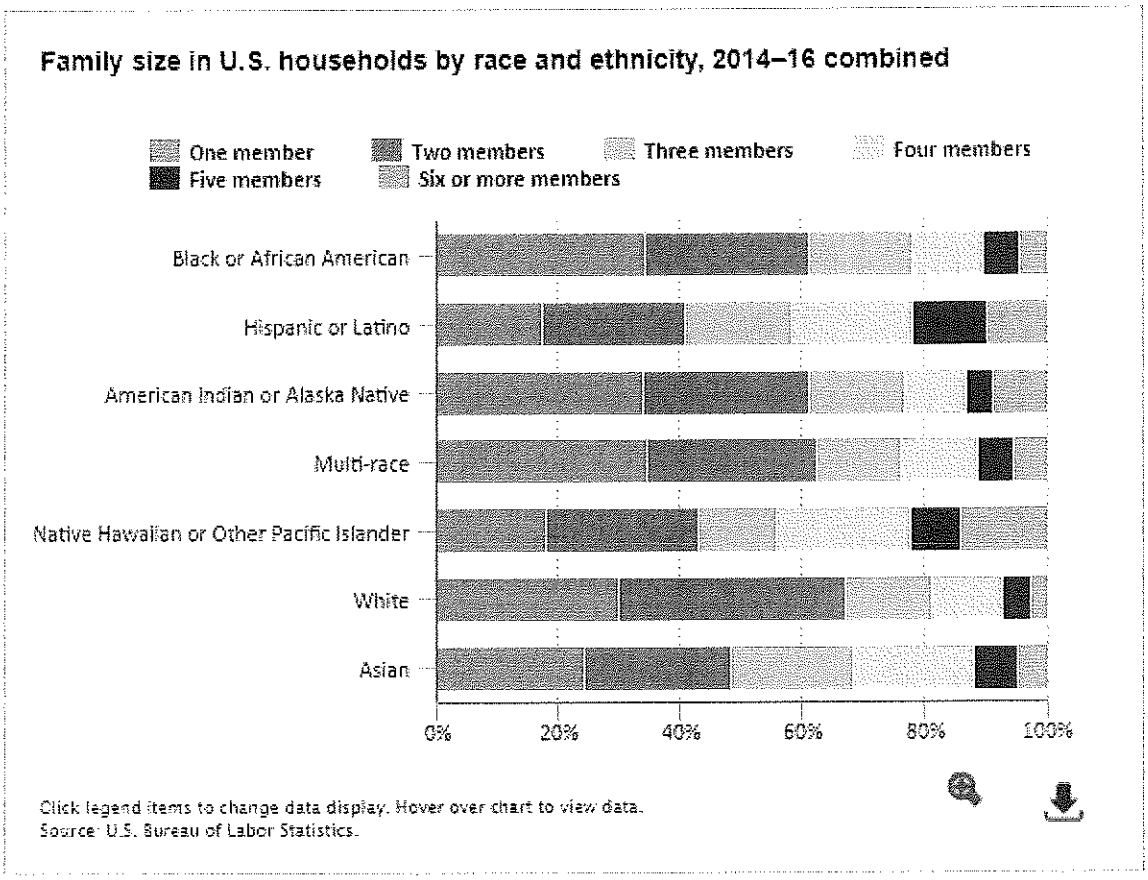
Family size and standard of living

Family size is used to assess the minimum level of income needed to calculate the standard of living. Over the 2014–2016 period, about 35 percent of multi-race and Black or African-American households consisted of one member. Over the same period, about 82 percent of Hispanic and Native Hawaiian or Other Pacific Islander households had two or more members.



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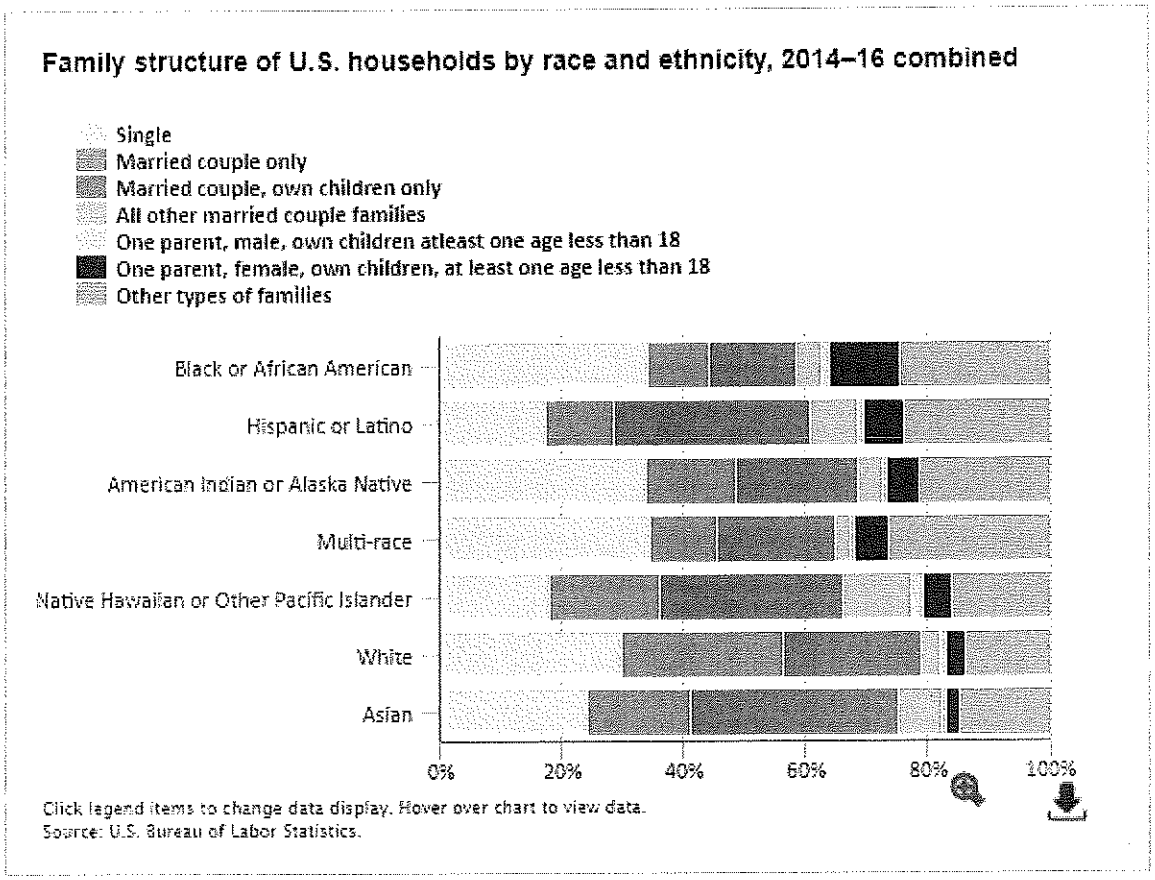
Family structure and emotional well-being

Recent studies suggest that family structure correlates with access to healthcare, emotional well-being, and behavioral issues of its members. Family structure is based on the relationship of the members to the reference person.

Over the 2014–16 period, one-third of Asian, Hispanic, and Native Hawaiian or Other Pacific Islander households consisted of a married couple and their own children only. More than a quarter of multi-race households include members other than spouses, heads of household, or own children. Over the same period, 11.6 percent of Black households consisted of a female parent and at least one child.



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Foods can link to social and economic status

Health studies show that consumption of whole grains, lean meats, fish, fresh vegetables, and fruits was regularly linked to higher social and economic groups, whereas consumption of fatty meats, refined grains, and added fats was linked with lower social and economic groups. These links may result from structural factors including access to grocery stores, transportation, and higher costs of healthy foods.

Over the 2014–16 period, Asian households spent more than any other household group on fresh fruits and Hispanic or Latino households spent more on fresh chicken. Native Hawaiian or Other Pacific Islander households spent more on fresh vegetables and pet food. On average, White and multi-race households spent more than $300 per year on alcohol over that period.

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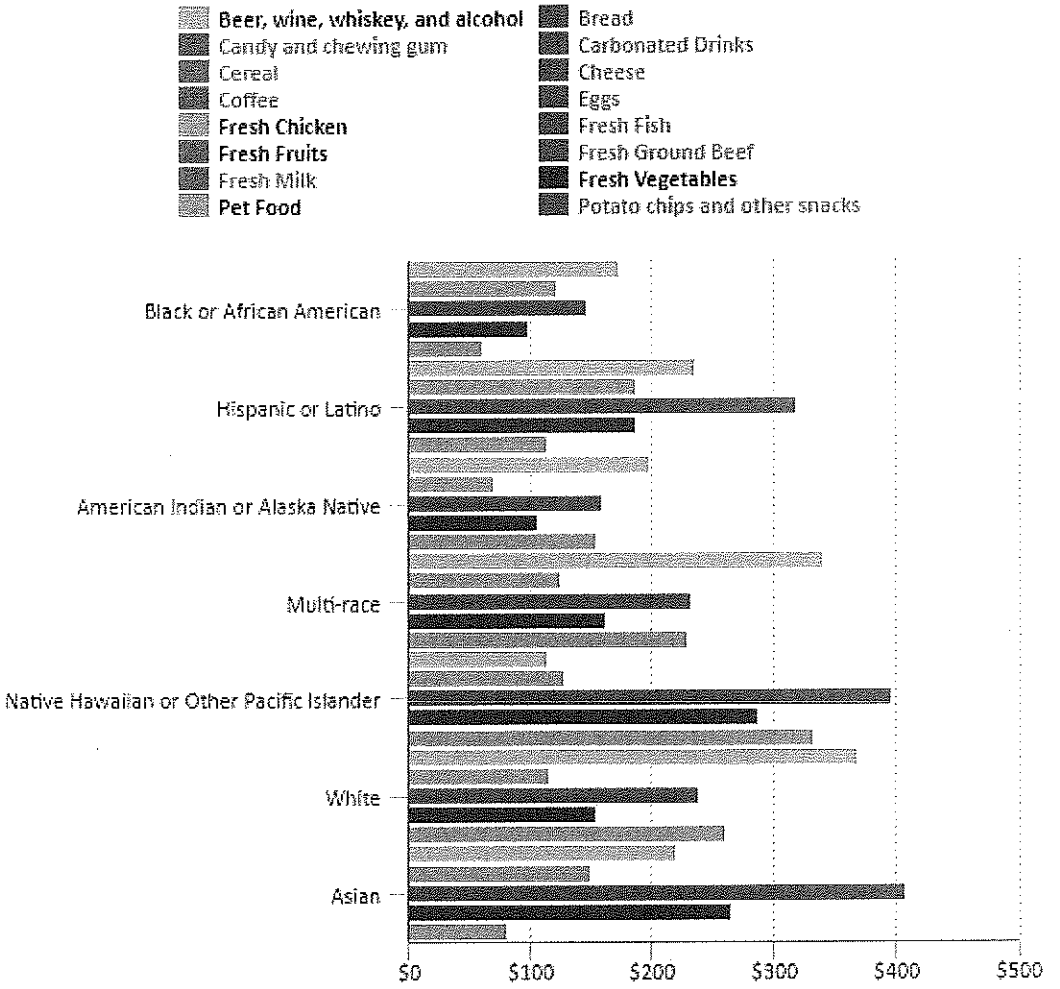
Annual U.S. household expenditures for selected food items by race and ethnicity, 2014–16 combined



Click legend items to change data display. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

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More information

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The Consumer Expenditure Surveys program consists of two surveys, the Quarterly Interview Survey and the Diary Survey. The Consumer Expenditure Surveys program is important because it is the only federal survey to provide information on the complete range of consumers' expenditures and incomes, as well as the characteristics of households all across America.

Ethnicity referred to Hispanics or Latinos, who could be of any race. The U.S. Office of Management and Budget defined Hispanic or Latino as a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race. In this Spotlight on Statistics, this population group was mutually exclusive. Thus, Asians were technically non-Hispanic Asians, Blacks or African Americans were non-Hispanic Blacks or African Americans, and so on for the remaining race categories.

Social and economic status, as defined by the American Psychological Association, is the social standing of a household. More information from the American Psychological Association about social and economic status can be found under its section on social and economic status. Many different fields of research have examined and emphasized the importance between social and economic status and things like income inequality and educational attainment.

The National Center for Education Statistics also offers great insight about social and economic status with their paper, "Improving the Measurement of Social and economic Status for the National Assessment of Educational Progress: A Theoretical Foundation." Moreover, the Centers for Disease Control and Prevention and the American Journal for Nutrition research suggest interesting links regarding family types and nutrition when determining social and economic status. Exploring these factors of social and economic status provide a reflective lens and an awareness of the populations within American society.

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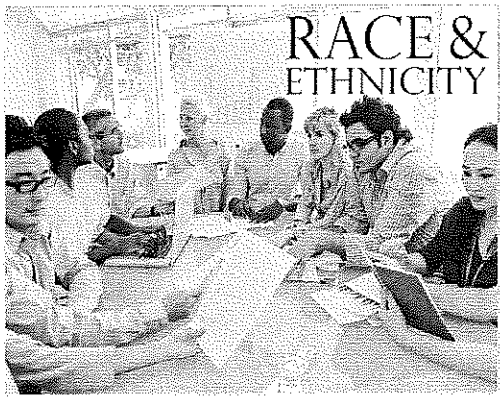
Labor force characteristics by race and ethnicity, 2018

October 2019 | Report 1082



In 2018, the overall unemployment rate (jobless rate) for the United States was 3.9 percent; however, the rate varied across race and ethnicity groups. Among the race groups, jobless rates were higher than the national rate for American Indians and Alaska Natives (6.6 percent), Blacks or African Americans (6.5 percent), people categorized as being of Two or More Races (5.5 percent), and Native Hawaiians and Other Pacific Islanders (5.3 percent). Jobless rates were lower than the national rate for Asians (3.0 percent) and Whites (3.5 percent). The rate for people of Hispanic or Latino ethnicity, at 4.7 percent, was higher than the rate of 3.7 percent for non-Hispanics.

Labor market differences among the race and ethnicity groups are associated with many factors, not all of which are measurable. These factors include variations in educational attainment across the groups; the occupations and industries in which the groups work; the geographic areas of the country in which the groups are concentrated, including whether they tend to reside in urban or rural settings; and the degree of discrimination encountered in the workplace.

This report describes the labor force characteristics and earnings patterns among the largest race and ethnicity groups living in the United States—Whites, Blacks, Asians, and Hispanics—and provides detailed data through a set of supporting tables. The report also contains a limited amount of data on American Indians and Alaska Natives, Native Hawaiians and Other Pacific Islanders, people who are of Two or More Races, detailed Asian groups, and detailed Hispanic groups. Estimates of these additional groups are not included in all tables because of their relatively small sample sizes.

The data were obtained from the Current Population Survey (CPS), a monthly survey of about 60,000 households that is a rich source of information on the labor force. For definitions of terms and concepts used in this report, see the technical notes. Additional information about the CPS can be found at www.bls.gov/cps/documentation.htm.

The sections that follow highlight some of the major findings on the labor force characteristics of race and ethnicity groups in 2018.

Composition of the labor force

By race, Whites made up the majority of the labor force (78 percent). Blacks and Asians constituted an additional 13 percent and 6 percent, respectively. American Indians and Alaska Natives made up 1 percent of the labor force, while Native Hawaiians and Other Pacific Islanders accounted for less than 1 percent. People of Two or More Races made up 2 percent of the labor force (as computed from table 1).

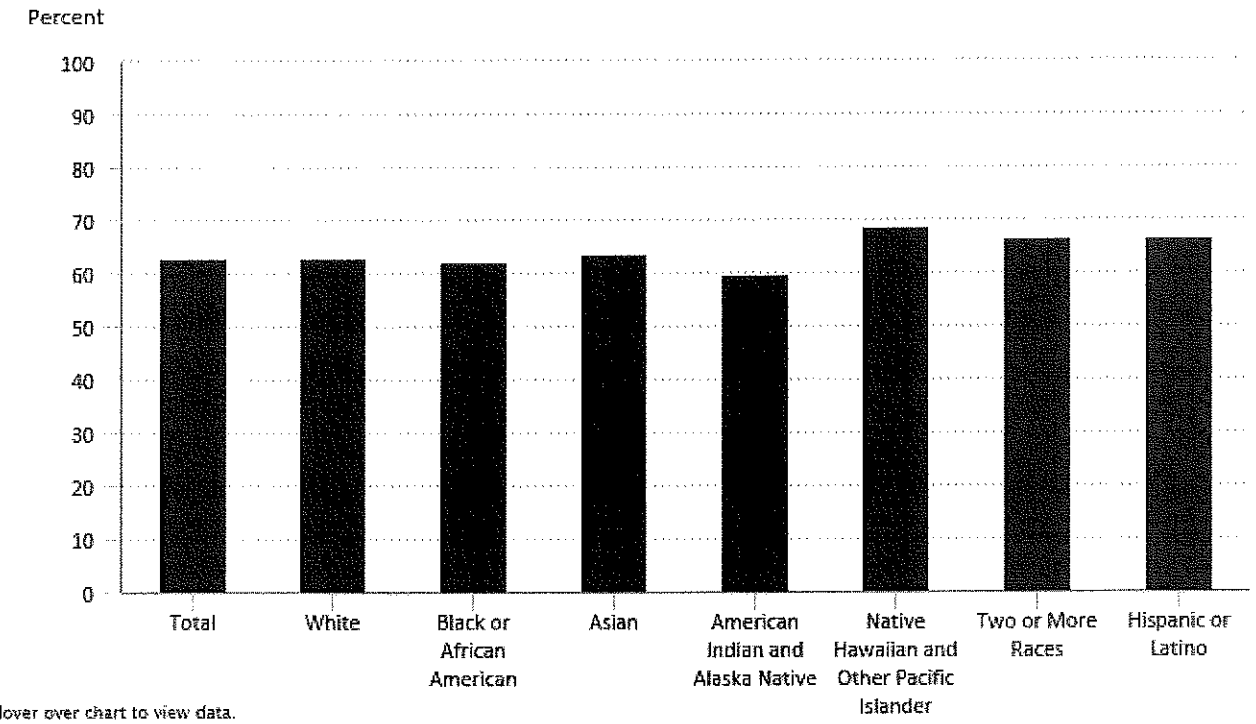
Among Asians participating in the labor force, the largest group was Asian Indian, making up 24 percent of all Asians. Chinese made up 22 percent, followed by Filipinos (15 percent), Vietnamese (11 percent), Koreans (7 percent), and Japanese (5 percent). The remainder (16 percent) were classified as Other Asians, a category that includes individuals in an Asian group not listed above—such as Hmong, Laotian, Thai, Pakistani, and Cambodian—and those who reported

two or more Asian groups (as computed from table 2). Seventeen percent of the labor force were people of Hispanic or Latino ethnicity, who may be of any race. The majority of Hispanics in the labor force were White (89 percent), 4 percent were Black, and 1 percent were Asian. (See table 2.) By detailed ethnicity, the majority of Hispanics in the labor force were Mexican (61 percent). Central Americans made up another 10 percent. Eight percent of Hispanics were Puerto Rican, 7 percent were South American, and 4 percent were Cuban. An additional 9 percent were classified as Dominican and Other Hispanic or Latino.

Labor force participation

Among the race and ethnicity groups, Native Hawaiians and Other Pacific Islanders (68.5 percent), people of Two or More Races (66.6 percent), and Hispanics (66.3 percent) had the highest labor force participation rates. American Indians and Alaska Natives (59.6 percent) had the lowest rate. The participation rate for Asians was 63.5 percent; Whites, 62.8 percent; and Blacks, 62.3 percent. (See tables 1, 2, 3, 4, and 4A, and chart 1.)

Chart 1. Labor force participation rates by race and Hispanic or Latino ethnicity, 2018 annual averages



Hover over chart to view data.
Note: People whose ethnicity is identified as Hispanic or Latino may be of any race.
Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS).

Among adult men (20 years and older) in the largest race and ethnicity groups, Hispanics (80.2 percent) were more likely to participate in the labor force than were the other groups, while Blacks (68.0 percent) were the least likely. The labor force participation rate for Asian men (74.9 percent) was higher than the rate for White men (71.8 percent). Among adult women (20 years and older), Blacks (62.4 percent) were more likely to participate in the labor force than were Hispanics (59.4 percent), Asians (58.6 percent), and Whites (57.6 percent). Among teenagers (16 to 19 years), Asians

(19.6 percent) were less likely to participate in the labor force than were Whites (37.2 percent), Hispanics (32.5 percent), and Blacks (30.5 percent). (See table 3.)

Employment

The employment–population ratio (the proportion of the population that is employed) ranged from 55.6 percent for American Indians and Alaska Natives to 64.9 percent for Native Hawaiians and Other Pacific Islanders. The employment–population ratio was 58.3 percent for Blacks, 60.7 percent for Whites, 61.6 percent for Asians, 62.9 percent for individuals of Two or More Races, and 63.2 percent for Hispanics. (See tables 1, 2, 3, 5, and 5A.)

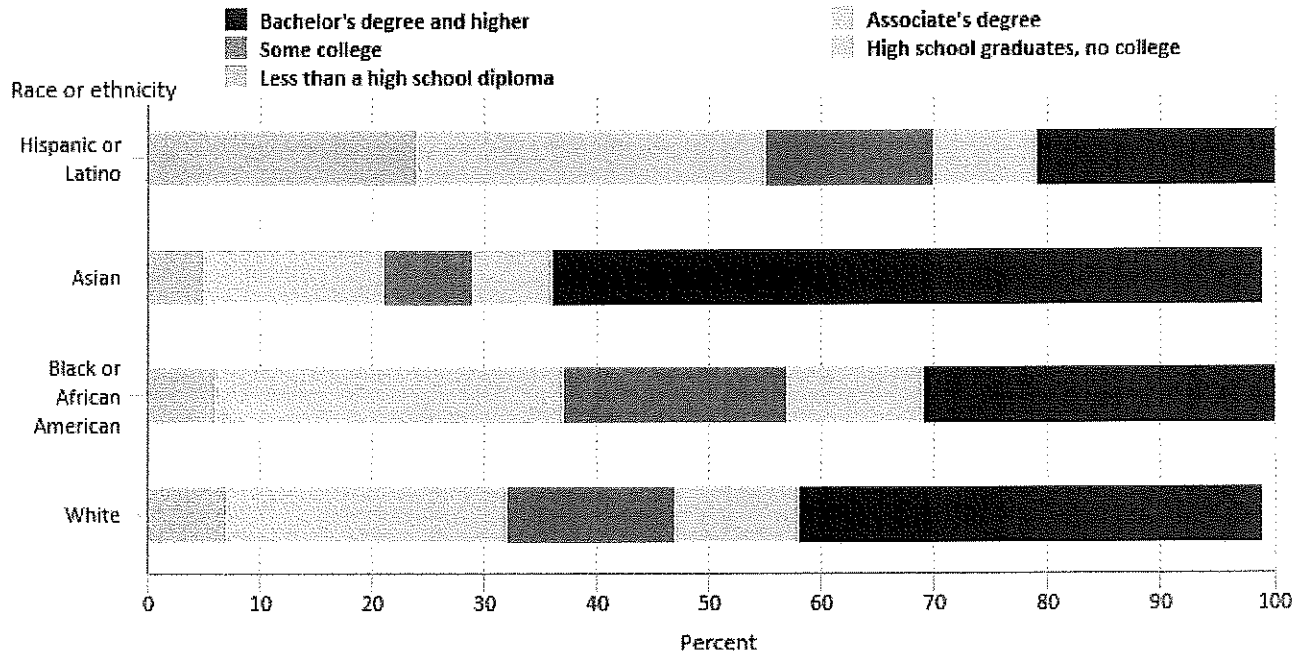
Among adult men (20 years and older) in the largest race and ethnicity groups, Hispanics (77.1 percent) continued to have the highest employment–population ratio. Black men (63.7 percent) had the lowest, also continuing a longstanding pattern. The employment–population ratios for Asian men and White men were 72.8 percent and 69.5 percent, respectively. Among adult women, the ratios showed less variation across the major race and ethnicity groups: 59.0 percent for Blacks, 56.9 percent for Asians, 56.6 percent for Hispanics, and 55.8 percent for Whites. (See table 3.)

The employment–population ratio among teenagers (16 to 19 years) continued to be higher for Whites than for Hispanics, Asians, or Blacks. The ratio for White teens (33.0 percent) was about 15 percentage points higher than the ratio for Asian teens (17.9 percent), about 9 percentage points higher than for Black teens (23.8 percent), and about 5 percentage points higher than for Hispanic teens (27.8 percent).

Educational attainment

Among people 25 years and older, the share of the labor force with at least a high school diploma was more than 90 percent each for Whites, Blacks, and Asians. Seventy-six percent of Hispanics in the labor force had attained at least a high school diploma. Asians were the most likely of the groups to have graduated from college: 63 percent of Asians in the labor force had a bachelor's degree and higher, compared with 41 percent of Whites, 31 percent of Blacks, and 21 percent of Hispanics (computed from table 6 and chart 2).

Chart 2. Educational attainment of the labor force age 25 and older by race and Hispanic or Latino ethnicity, 2018 annual averages



Click legend items to change data display. Hover over chart to view data.
Note: People whose ethnicity is identified as Hispanic or Latino may be of any race.
Data may not sum to 100 percent because of rounding.
Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS).

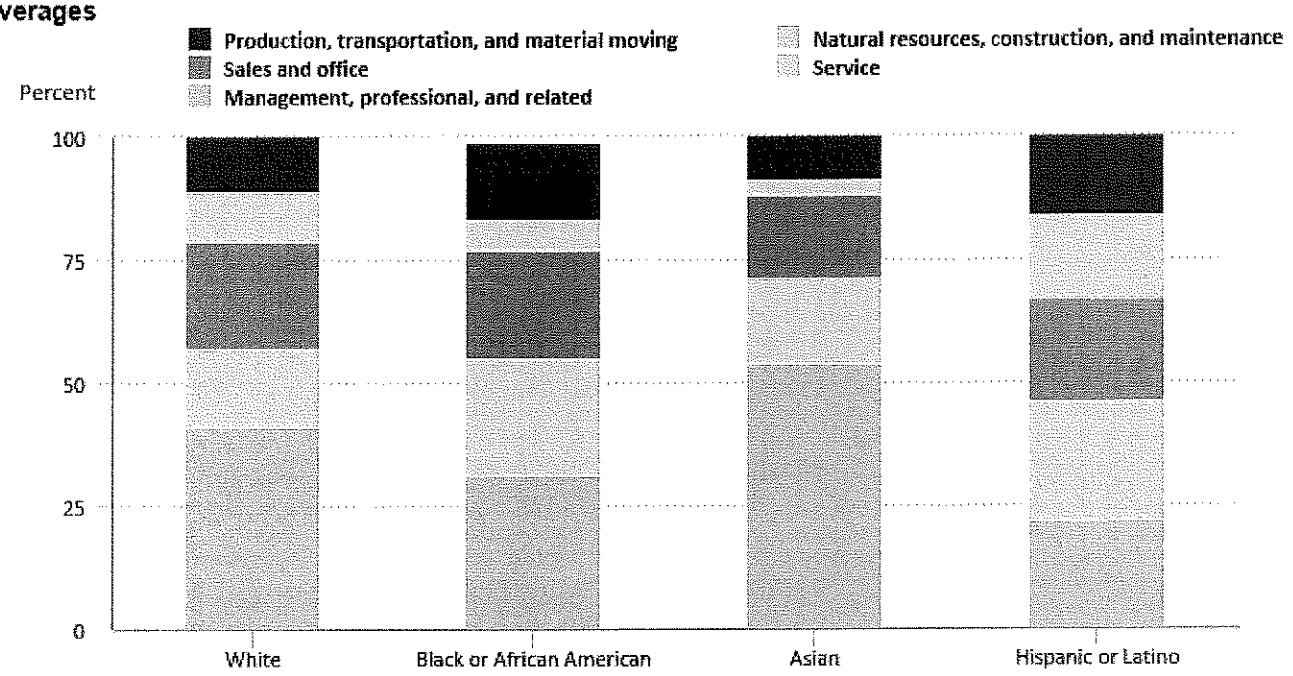
Higher levels of education are generally associated with a greater likelihood of employment, and a lower likelihood of unemployment. For almost all major race and ethnicity groups, jobless rates for people with a bachelor's degree and higher were generally lower than for other levels of educational attainment. (See table 6.)

Individuals with higher levels of education are more likely to be employed in higher paying jobs—such as those in management, professional, and related occupations—than are individuals with less education. Median earnings of people 25 years and older increased with educational attainment across all major race and ethnicity groups. Among full-time wage and salary workers, median usual weekly earnings for Blacks ($1,065) and Hispanics ($1,101) with a bachelor's degree and higher were lower than Asians ($1,465) and Whites ($1,342). (See table 17.)

Occupation

Fifty-four percent of employed Asians worked in management, professional, and related occupations—the highest paying major occupational category—compared with 41 percent of employed Whites, 31 percent of employed Blacks, and 22 percent of employed Hispanics. (See table 7 and chart 3.)

Chart 3. Employed people by occupation, race, and Hispanic or Latino ethnicity, 2018 annual averages



Click legend items to change data display. Hover over chart to view data.
Note: People whose ethnicity is identified as Hispanic or Latino may be of any race.
Data may not sum to 100 percent because of rounding.
Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS).

Among employed men, 55 percent of Asians worked in management, professional, and related occupations, compared with 37 percent of Whites, 26 percent of Blacks, and 19 percent of Hispanics. About 20 percent of employed Black and Hispanic men were employed in service occupations, whereas 13 percent of both employed Asian and White men worked in these occupations. Employed Black and Hispanic men also were more likely than White and Asian men to work in production, transportation, and material moving occupations. Twenty-eight percent of employed Hispanic men worked in natural resources, construction, and maintenance occupations, compared with 18 percent of White men, 12 percent of Black men, and 6 percent of Asian men. (See table 7.)

Employed Asian women were more likely than other employed women to work in management, professional, and related occupations: 53 percent of Asian women, compared with 45 percent of White women, 36 percent of Black women, and 27 percent of Hispanic women. Among employed women, 61 percent of Hispanics worked in two occupational groups—service occupations and sales and office occupations—compared with 55 percent of Blacks, 48 percent of Whites, and 41 percent of Asians.

Hispanics accounted for 17 percent of total employment but were substantially overrepresented in several detailed occupational categories, including painters, construction and maintenance (55 percent); miscellaneous agricultural workers (53 percent); and maids and housekeeping cleaners (49 percent). Blacks made up 12 percent of all employed workers, but accounted for more than one-quarter of those in several specific occupations, including nursing, psychiatric, and home health aides (36 percent); security guards and gaming surveillance officers (31 percent); and licensed practical and licensed vocational nurses (30 percent). Asians accounted for 6 percent of all employed workers, but made up a much larger share of workers in several occupation categories, including miscellaneous personal appearance

workers (57 percent); software developers, applications and system software (35 percent); and physicians and surgeons (20 percent). Whites made up 78 percent of all employed people, but accounted for 96 percent of farmers, ranchers, and other agricultural managers; 92 percent of construction managers; and 90 percent of chief executives. (See table 8.)

Industry

Among employed men, Hispanics were more likely to work in the construction industry (21 percent) than were Whites (14 percent), Blacks (7 percent), or Asians (4 percent). Employed Black men were more likely than employed men of other race and ethnicity groups to work in transportation and utilities (13 percent). Twenty-one percent of employed Asian men worked in professional and business services, higher than the shares of White men (13 percent), Hispanic men (11 percent), and Black men (11 percent). A large share of employed women across all race and ethnicity groups worked in education and health services: Blacks (40 percent), Whites (36 percent), Asians (32 percent), and Hispanics (30 percent). (See table 9.)

Families and parents

Eighty-eight percent of both Asian families and Hispanic families had an employed family member. By contrast, White and Black families were less likely to have an employed family member: 80 percent and 79 percent, respectively.

Families maintained by women (no opposite-sex spouse present) accounted for 42 percent of Black families, 25 percent of Hispanic families, 15 percent of White families, and 12 percent of Asian families. Among families maintained by women without a spouse present, Asian families were the most likely to have an employed family member (85 percent). In comparison, 76 percent of Black families, 78 percent of White families, and 80 percent of Hispanic families that were maintained by women had at least one employed family member. In general, families maintained by women were less likely than married-couple families or families maintained by men to have an employed family member. (See table 10.)

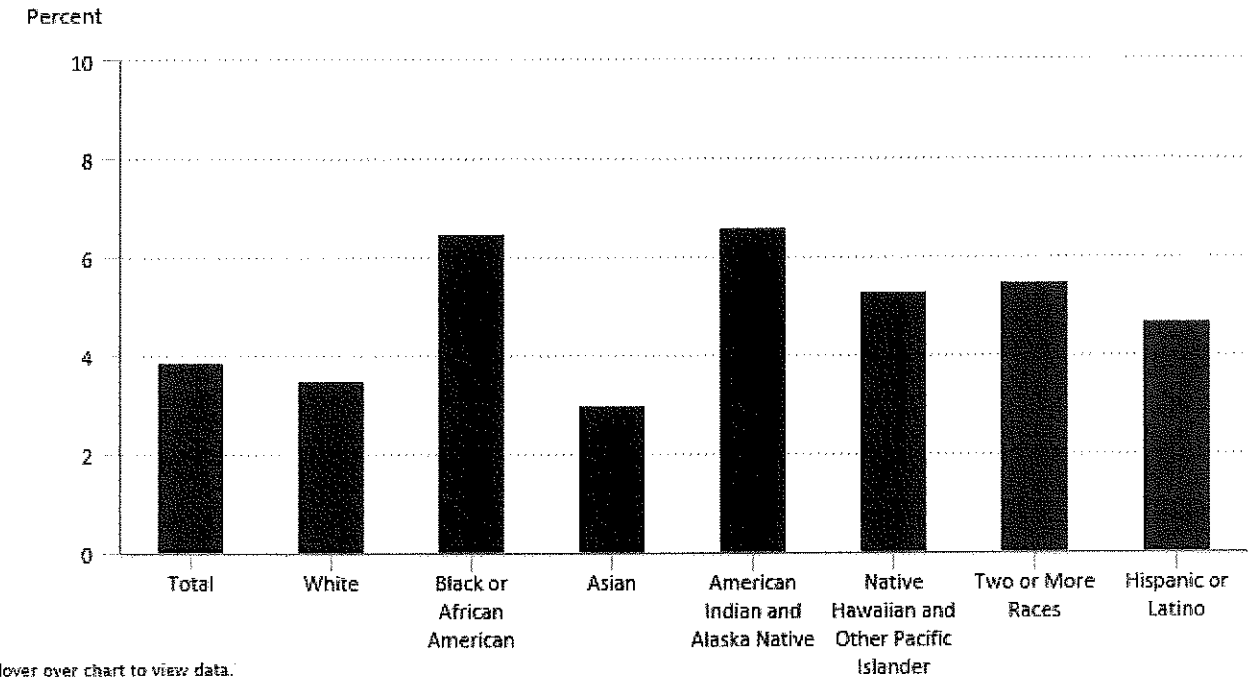
Among mothers with children under 18 years old, Black mothers (77.2 percent) were more likely to be in the labor force than White mothers (71.2 percent), Asian mothers (65.0 percent), or Hispanic mothers (63.9 percent). (See table 11.)

Across all race and ethnicity groups, fathers with children under 18 years were much more likely to be in the labor force than were mothers with children under 18 years. Labor force participation rates for these fathers were 93.9 percent for White men, 93.8 percent for Hispanic men, 93.4 percent for Asian men, and 89.0 percent for Black men.

Unemployment

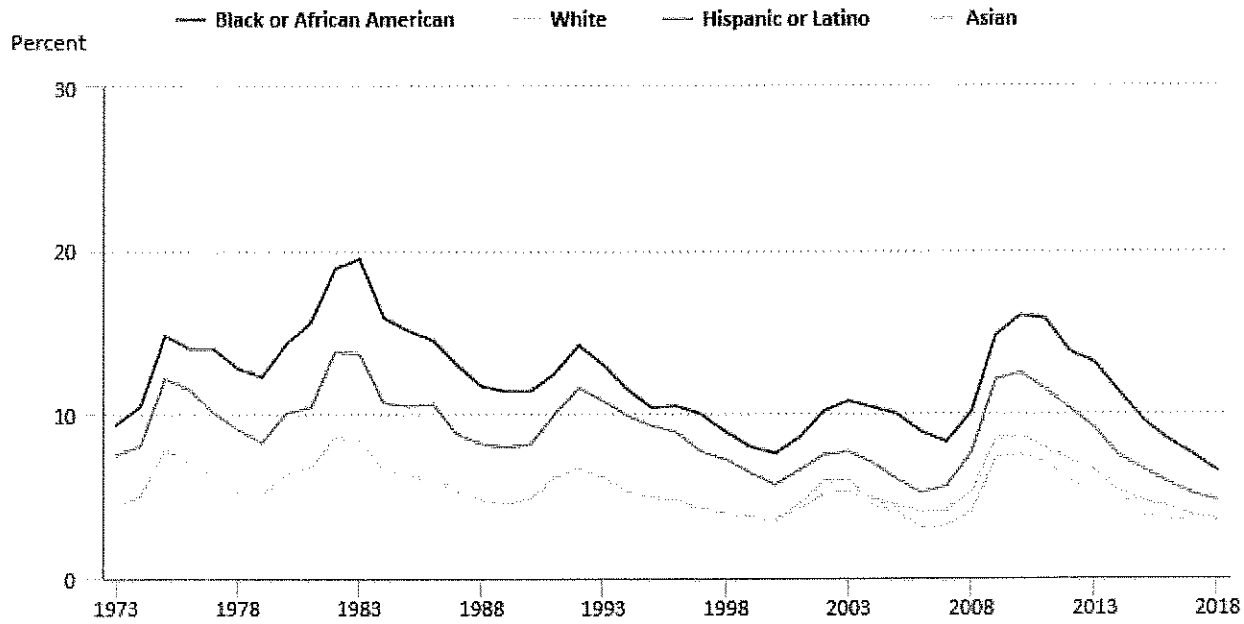
Jobless rates varied considerably by race and ethnicity. American Indians and Alaska Natives (6.6 percent) and Blacks (6.5 percent) had the highest unemployment rates, and the rate was lowest for Asians (3.0 percent). The jobless rates were 3.5 percent for Whites, 4.7 percent for Hispanics, 5.3 percent for Native Hawaiians and Other Pacific Islanders, and 5.5 percent for individuals of Two or More Races. (See tables 1, 2, 3, 12, and 12A, and charts 4 and 5.)

Chart 4. Unemployment rates by race and Hispanic or Latino ethnicity, 2018 annual averages



Hover over chart to view data.
Note: People whose ethnicity is identified as Hispanic or Latino may be of any race.
Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS).

Chart 5. Unemployment rates by race and Hispanic or Latino ethnicity, 1973–2018 annual averages



Click legend items to change data display. Hover over chart to view data.
Note: People whose ethnicity is identified as Hispanic and Latino may be of any race.
Data for Asians are available only since 2000.
Source: U.S. Bureau of Labor Statistics.

Among adults (20 years and older), the jobless rate for Black men (6.2 percent) was higher than that for Black women (5.6 percent). By contrast, adult Hispanic men (3.8 percent) had a lower rate than adult Hispanic women (4.7 percent). For Asians and Whites, the rates for adult men and women showed little or no difference. Among teenagers (16 to 19 years), Blacks had the highest unemployment rate, at 21.9 percent, compared with 14.5 percent for Hispanics, 11.3 percent for Whites, and 8.9 percent for Asians. (See table 3.)

Unemployed Asians and Blacks experienced longer periods of unemployment than did Whites and Hispanics. The median duration of unemployment for Asians and Blacks was 10.9 weeks and 10.8 weeks, respectively, whereas the figure for Whites was 8.8 weeks and Hispanics, 8.2 weeks. (See table 13.)

Of the 6.3 million unemployed, 47 percent were job losers (workers who lost their jobs or who completed temporary jobs). Reentrants to the labor force (31 percent), job leavers (13 percent), and new entrants (10 percent) accounted for the rest of the unemployed people. Of the total unemployed for each major race and ethnicity group, 49 percent of Whites and 49 percent of Hispanics were job losers, compared with 46 percent of Blacks and 38 percent of Asians. Sixteen percent of unemployed Asians, 12 percent of unemployed Hispanics, 11 percent of unemployed Blacks, and 8 percent of unemployed Whites were new entrants to the labor force. (See table 14.)

Not in the labor force

As computed from table 15, Blacks made up 13 percent of the civilian labor force, and 23 percent of people marginally attached to the labor force. Those marginally attached to the labor force are individuals who

- were not in the labor force
- wanted to work and were available to work
- had looked for a job sometime in the previous 12 months, but not in the 4 weeks preceding the survey.

Hispanics and Asians were represented among the marginally attached nearly proportionately to their share of the labor force. Whites were underrepresented among the marginally attached relative to their share of the labor force: 78 percent of the labor force versus 67 percent of the marginally attached. Blacks also made up a high proportion of discouraged workers (27 percent) relative to their share of the labor force. Discouraged workers, who represent a subset of the marginally attached, are people not currently looking for work because they believe that no jobs are available for them. (See table 15.)

Earnings

Among the major race and ethnicity groups, Hispanics and Blacks continued to have considerably lower earnings than Whites and Asians. The median usual weekly earnings of full-time wage and salary workers in 2018 were $680 for Hispanics, $694 for Blacks, $916 for Whites, and $1,095 for Asians. The earnings for White men ($1,002), Black men ($735), and Hispanic men ($720) were 81 percent, 59 percent, and 58 percent, respectively, of the earnings of Asian men ($1,241). The median earnings of White women ($817), Black women ($654), and Hispanic women ($617) were 87 percent, 70 percent, and 66 percent, respectively, of the earnings of Asian women ($937). (These earnings comparisons are on a broad level and do not control for many factors that can be significant in explaining earnings differences, such as job skills and responsibilities, work experience, and specialization.) (See table 16.)

The earnings disparity across the major race and ethnicity groups for men holds for nearly all major occupational groups. For example, median usual weekly earnings of Asian men and White men working full time in management, professional, and related occupations (the highest paying major occupational group), at $1,732 and $1,488, respectively, were considerably higher than the earnings of Hispanic men ($1,174) and Black men ($1,164) in the same occupational group. (See table 18.)

Median weekly earnings for women by race and ethnicity groups were relatively close across a number of occupations. For example, among women in service occupations, the earnings were $528 for Asians, $517 for Whites, $490 for Blacks, and $489 for Hispanics. By contrast, in management, professional, and related occupations, the earnings of Asian women were higher than those for women in other race and ethnicity groups.

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

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[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

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[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.

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[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.

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[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,

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[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]

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[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]

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[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 gMarkets 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:

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[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 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:

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[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.

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> 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

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[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

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[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 gposition 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 Times[42] 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

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[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 Zwillinger, *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.

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[44] *Id.*
[45] *Id.*
[46] *Id.*
[47] *Id.*

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HARVARD PROGRAM ON CORPORATE GOVERNANCE

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Toward Racial Equality: The Most Important Things The Business Community Can Do

Conference Kickoff: Remarks by
Leo E. Strine, Jr.*

October 29, 2020

Conference on Racial Equity in Corporate Governance

Co-Sponsored by:

Ira M. Millstein Center for Global Markets and Corporate Governance
Columbia Law School

The Institute for Law & Economics
University of Pennsylvania

Arthur and Toni Rembe Rock Center for Corporate Governance
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Stanford Center for Racial Justice
Stanford Law School

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I am honored to kick off this important series of discussions about what corporate governance and corporate America can do to reduce racial inequality and, more specifically, to help black people finally achieve equality after 400 years of systemic racism.

My only regret about this series is that it did not happen long ago. For most of the period since 1980, there has been a steady erosion of our willingness to admit what a grievous injury we as a nation did to black people and the inadequacy, in both magnitude and durational commitment, of our nation's efforts to remedy that harm.

To be candid, all elements of the political spectrum and corporate America are to blame for that. Focusing on race was uncomfortable for white people of all political persuasions, and corporate leaders in particular. For certain people — like the members of the U.S. Supreme Court who struck down the Voting Rights Act and the ability of school districts to promote integration — two decades of remediation were more than enough, and it was time for black people to get over racial oppression themselves. For others, particularly on the left and in corporate America, there was a tendency to obscure discrimination against black people, and our failure to address racial inequality, by using the term diversity in a manner that was not wholly constructive but often more than a tad deceptive.

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Instead of promoting diversity and equal opportunity in general, but recognizing the compelling reasons why the United States had to make equality and opportunity for black people the most urgent priority, corporations and universities celebrated themselves for including elites who were not white and who did not suffer from the legacy of racial discrimination in the U.S. But, being blunt, hiring Ivy League law, business, and STEM graduates who had not suffered from the African-American experience and putting them – along with a bunch of white women and one black person – on the cover of glossy brochures did not help redress America's history of racism against black people. In many ways, branding of this kind was a way to put off dealing with it. For darn sure, it's great that the children of, for example, Asian and even black immigrants could take advantage of the equal opportunity provided by the Civil Rights Act of 1964, as could many within the African-American community's "talented tenth" who were fortunate enough to have college educations and more wealth, albeit while never being close to a tenth of African Americans. Ditto for the amazing progress of women and the LGBTQ community; it's tremendous and long overdue. But this progress did not heal the deeper wounds of our history of racism against black people. Rather, it just reflected the reality that our post-civil rights world did provide much greater opportunities for diverse people who had access to the right ladders of progress.

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For the bulk of black Americans, however, these ladders were beyond their grasp and thus a reminder of how unfair our society continued to be. And rather than continuing to shrink, as it had done when the New Deal/Great Society consensus was in place, racial inequality has grown sharply since the U.S. and our corporate governance system moved to embrace the belief systems of people who viewed racism and its effects as over and who put pleasing the stock market above all else.

Nothing in 2020 about these realities is new:

- Black people have incomes far lower than those of white and Asian Americans and depend almost wholly on their wages to survive and build wealth;
- Black people's wealth is even lower than that of white and Asian Americans, and black people have little stock ownership;
- Black children are more likely to rely on public schools;
- Black children are less likely to have experienced teachers and go to schools with adequate funding; and
- Black students are less likely to go to and complete college.

And this is to say nothing of how racism, sprawling and excessively punitive criminal codes, and the cruelty of poverty itself leads to a disproportionate number of black Americans being subject to the criminal justice system.

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2020 did not reveal anything new but did make it impossible for us to avoid a momentary mirror test:

- That people like George Floyd and Ahmaud Arbery were murdered;
- That essential workers necessary for our economy to function were paid far less than those of us who are not essential;
- That black workers were more likely to be essential and have to endanger themselves to keep a roof over their heads;
- That black workers suffered more unemployment; and
- That COVID-19 hit black people even harder than the rest of us.

Any moral person can't deny the persistent inequality of our society now, and to be even more direct, all who did not understand that before should reflect on why it took this level of new suffering for black Americans to make them do so now.

Corporations and institutional investors are waking up, too. Finally, they embrace the need to include black people in the benefits of capitalism as a priority. Finally, they admit that economic inequality and its effect on black people matters.

So in the spirit of doing something positive about persistent racial inequality, three great centers of corporate governance at Columbia, Penn, and Stanford got out of their comfort zone and came together with the Stanford Racial Justice Institute to shed a little light. These influential institutions have brought policy

experts, business leaders, and institutional investors together to help our corporate governance system in general, and corporations and institutional investors in particular, do their part to reduce racial inequality. I was proud to play a role in inspiring this collaboration, and applaud the leaders of the Millstein, Rock, ILE, and Racial Justice centers for putting together such an amazing array of talent to address this urgent issue.

Let me now underscore why the topic of this conference is so fundamentally important to the cause of racial justice.

Realizing how much more likely black people are to be among the working and lower-middle classes and how less likely they are to have investments in stock, imagine what progress might have been achieved had institutional investors and corporations made sure that workers continued to get their fair share of the gains from their hard work during the last 40 years? If the same share as workers had gotten in the era from 1945 to 1980 had been maintained, imagine how much that would have helped black people climb the economic ladder?

Imagine how better wages of that kind would have improved their chances to put their kids through college and build wealth to be passed on to the next generation? If corporations had given all workers, after paying a fair wage, $1,000 toward their 401(k) and a match for the next $2,500? Imagine just how much that could have closed the wealth gap?

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Realizing how much more likely black children are to depend on the public schools, imagine what progress might have been achieved if corporations had been willing to pay their school taxes as they did in the era before 1980? How much better could we have done by black students had corporations continued to pay their fair share instead of systematically seeking to exempt themselves from funding the public schools?

Realizing how much more likely black people and their children are to be segregated into urban and rural communities with high concentrations of poverty, imagine the progress that would have been made if businesses had made it a priority to put operations there, to fund their schools and give back to these communities?

Realizing how much economic insecurity contributes to the success of racially and ethnically divisive appeals, imagine if corporate America had supported a living wage, cooperated with instead of crushed unions, and given all workers their fair share of productivity gains in the former of higher pay, thus helping black people disproportionately while helping *all* struggling American workers? Imagine how that would have helped knit together the diverse fabric of our nation instead of tearing it apart?

Realizing how much more likely black Americans and white Americans without wealth are to be students at public universities, community colleges, and

historically black colleges, imagine if corporate America had made real diversity a priority and sought to include American college graduates who were most economically disadvantaged?

Finally, realizing that the experience of being black in America is meaningfully different from that of being a recent immigrant since the Civil Rights Era, imagine if corporate America had kept a focus on achieving equality for black people first and foremost and not concealed their lack of progress toward that goal?

The sad truth is that, simply because institutional investors and corporations supported policies that shorted workers and the funding of public schools, racial inequality has grown.

So, as this constructive and novel series goes forward, let's not lose sight of the most important and fundamental things our business sector can do to help black people and our society become more equal. Include black people fairly in your recruiting, hiring, and promotional decisions. Recruit at the higher education institutions where black and less affluent Americans go. Pay fair wages, provide safe working conditions and family-friendly schedules, and help workers build wealth. Fund the public schools that black families depend on for their children to climb the economic ladder. Locate your operations in the communities where black people live and give back to them. And if you are an institutional investor,

realize your duty to support these policies and fairness for all American workers, without whose sweat and productivity our capitalist system cannot work.

Sometimes it is that simple. What's hard is not determining the what, it's whether we all have the moral fiber to work together to make it happen.

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