

The Racial Fractures in American Economic Policy

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HOW CAN WE MAKE GROWTH MORE EQUITABLE?

- The answer to this question lies in looking at how we have deliberately made growth unequal up to this point. I focus on race as most salient.
- These are not accidental nor unintended policies, and looking at the past to understand how policy shaped and continues to shape disparities is key.
- The real question is now “how” but “do we want to”



PRESENT-- COVID-19 AND MORTALITY

- Today, 1 in 645 Black Americans has died of the coronavirus, up from 1 in 1,000 in August of 2020.
- COVID-19 was the third leading cause of death for Black Americans (~60,000) in 2020. Only heart disease (~78,000) and cancer (~70,000) kill more Black Americans in a given year.
- COVID-19 will reduce Black life expectancy at birth by more than 2 years.
- This widening of the life expectancy gap erases more than a decade of gains in relative life expectancy for Black Americans.



Source: Andrasfay and Goldman, PNAS, 2021

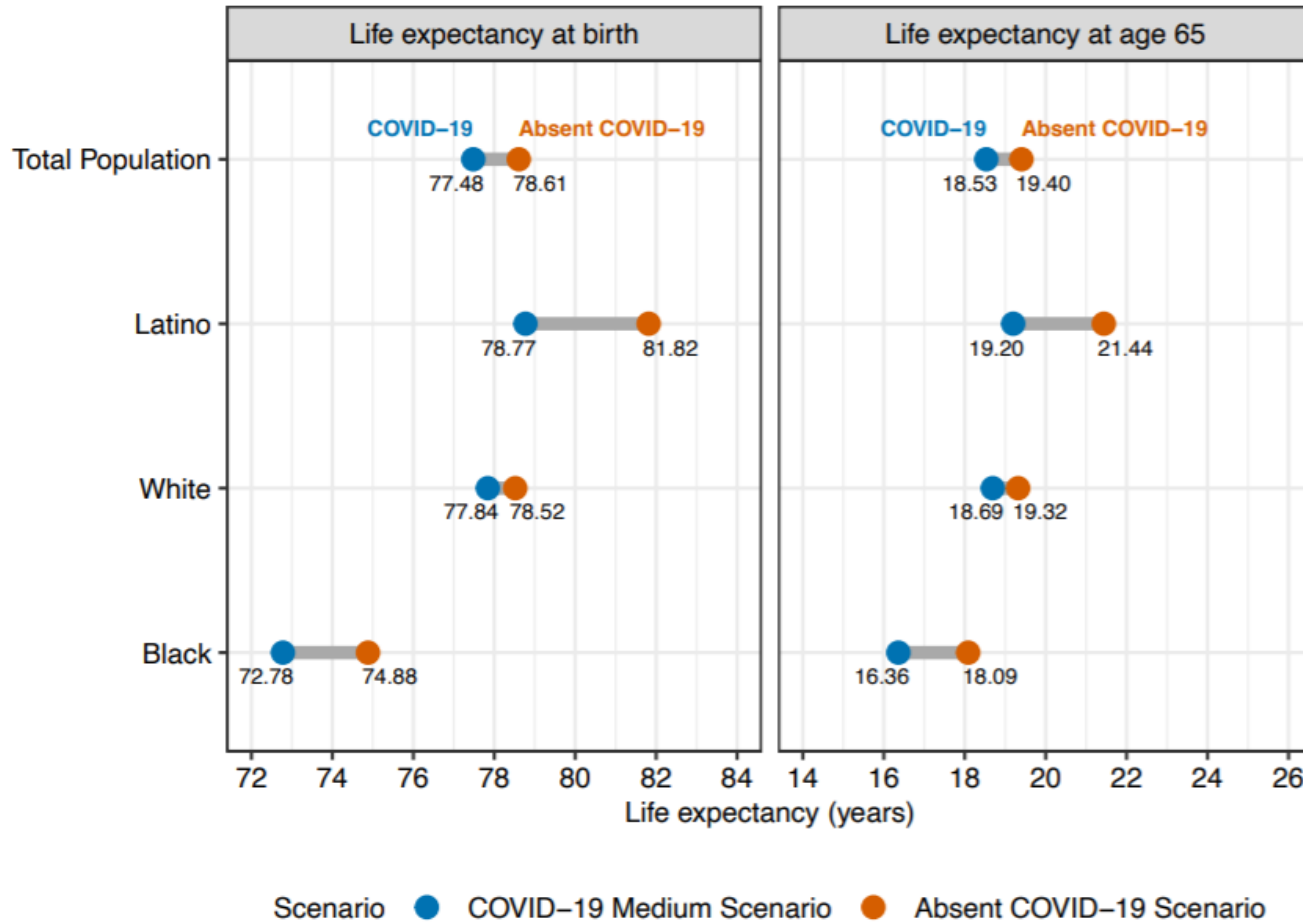


Figure 1. Life expectancy projections for 2020 by race and ethnicity in the absence of COVID-19 and under the medium scenario. The COVID-19 medium scenario is based on the IHME current projection scenario (October 9, 2020 update).



COVID-19 AND BLACK WELL-BEING

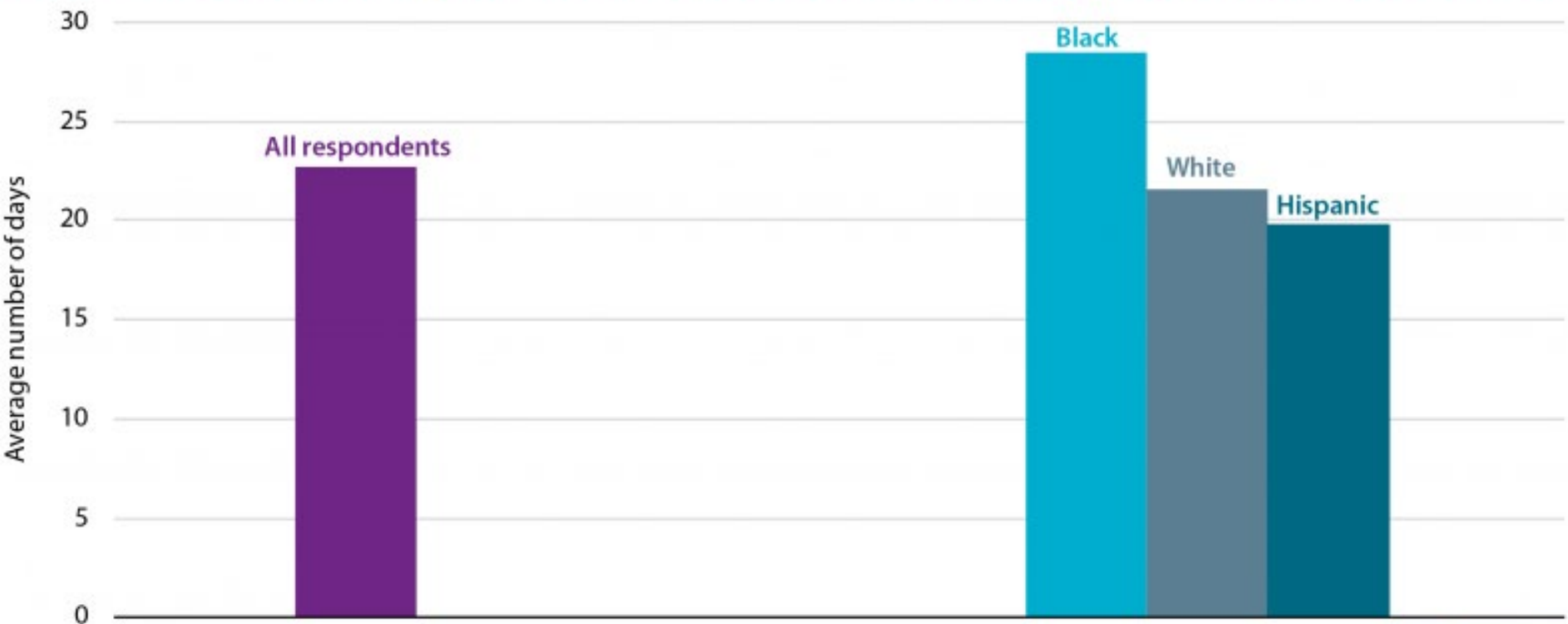
- Persistently high unemployment for Black Americans, slow recovery
- Significantly higher levels of food insecurity in Black households
- Higher levels of stress due to economic anxiety and inability to meet basic expenses



Source: Grooms, Ortega, Rubalcaba 2020

FIGURE 2.

Average Days Until Receipt of Unemployment Benefits Among Recipients, by Race/Ethnicity



Source: National Panel Study of COVID-19 (NPSC-19) 2020; authors' calculations.

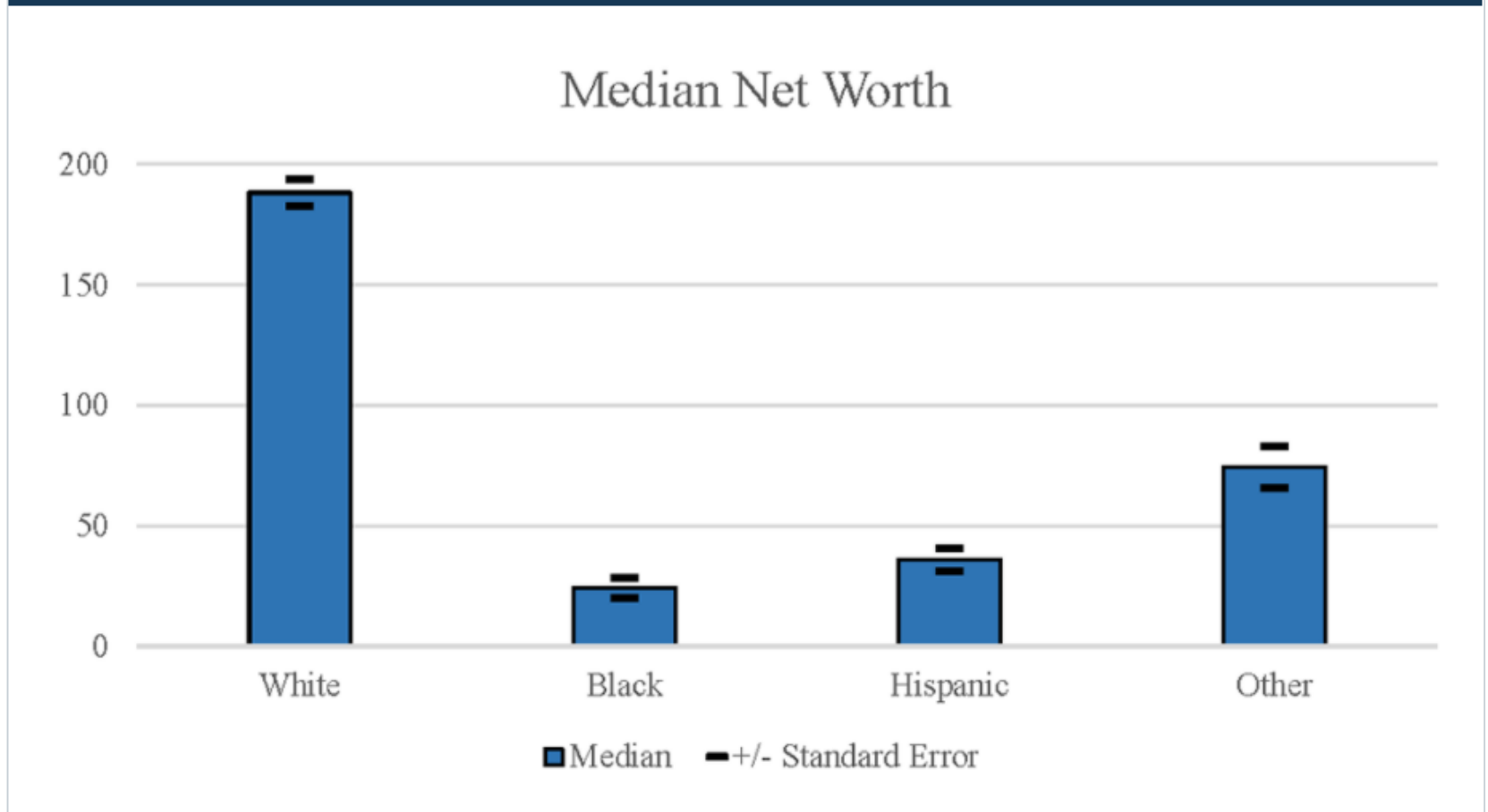


PANDEMICS AND HISTORY

- The pandemic has seeped into the racial inequality which is deeply rooted in the American economy and American policy
- Blacks lack the wealth to weather the storm of a mild recession, let alone a pandemic economic free fall.

Source: Survey of Consumer Finances, 2019

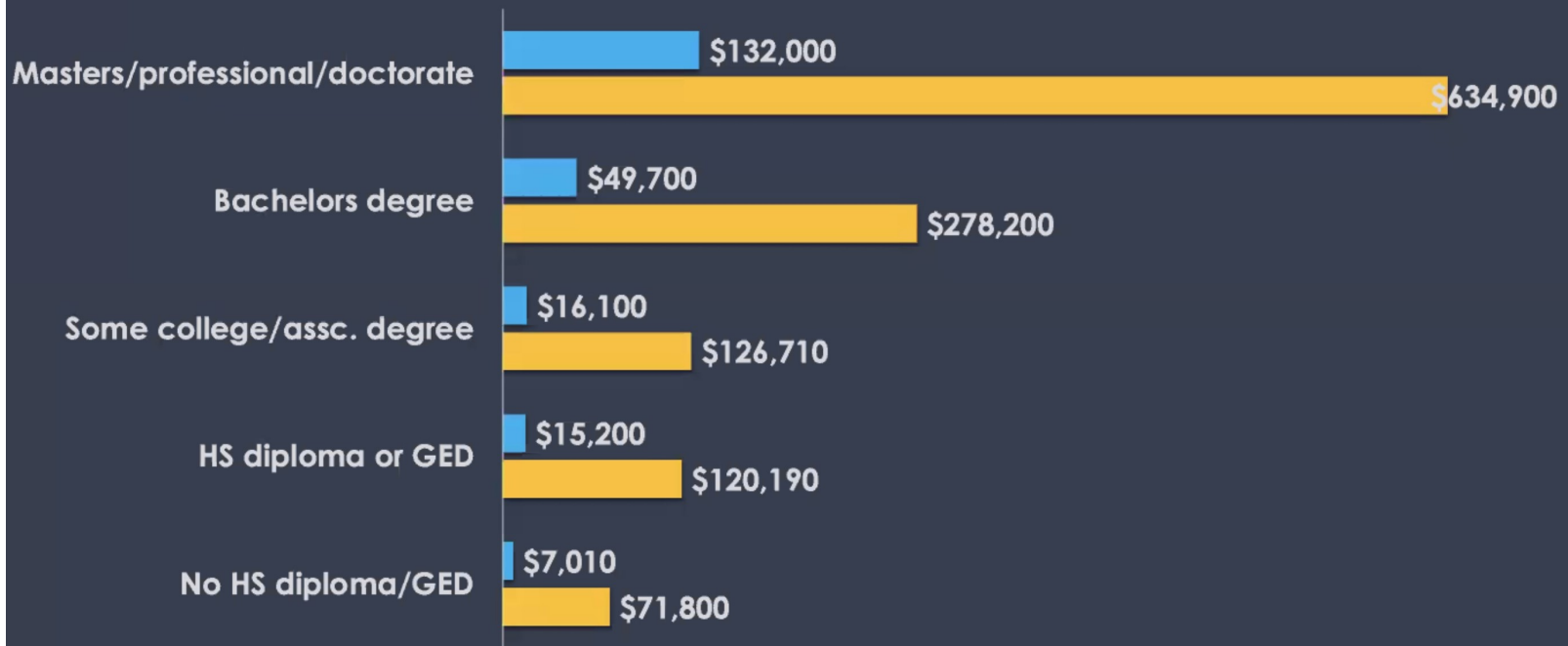
Figure 1. White families have more wealth than Black, Hispanic, and other or multiple race families in the 2019 SCF.





Source: Survey of Consumer Finances, 2019

Median Net Worth of Black and White Households, by Educational Attainment





FEATURES OF AMERICAN RACIAL ECONOMIC INEQUALITY

- On average, a Black American with a college degree has less wealth than a White American who has not completed high school, and that gap is more than \$20,000.
- At every level of family income, the racial wealth gap is acute.
- Black Americans are the only racial or ethnic group in the United States where less than 50% (40.9%) of the household could get \$3000 from family and friends. (All others are above 55%.)



UNEQUAL AMERICAN INCOME GROWTH

- Real median household income in the United States increased 2.3% between 2005-2009 and 2015-2019 to \$62,843.
- **Non-Hispanic White** median household income **grew 3%** between 2005-2009 and 2015-2019, from \$66,767 to \$68,785.
- **Black** median household income **grew 1.9%** between 2005-2009 and 2015-2019, from \$41,144 to \$41,935.
- **Hispanic** median household income **grew 5.9%** between 2005-2009 and 2015-2019, from \$48,909 to \$51,811.
- **Asian** median household income **grew 7.9%** between 2005-2009 and 2015-2019, from \$81,772 to \$88,204.



HISTORICAL FRACTURES

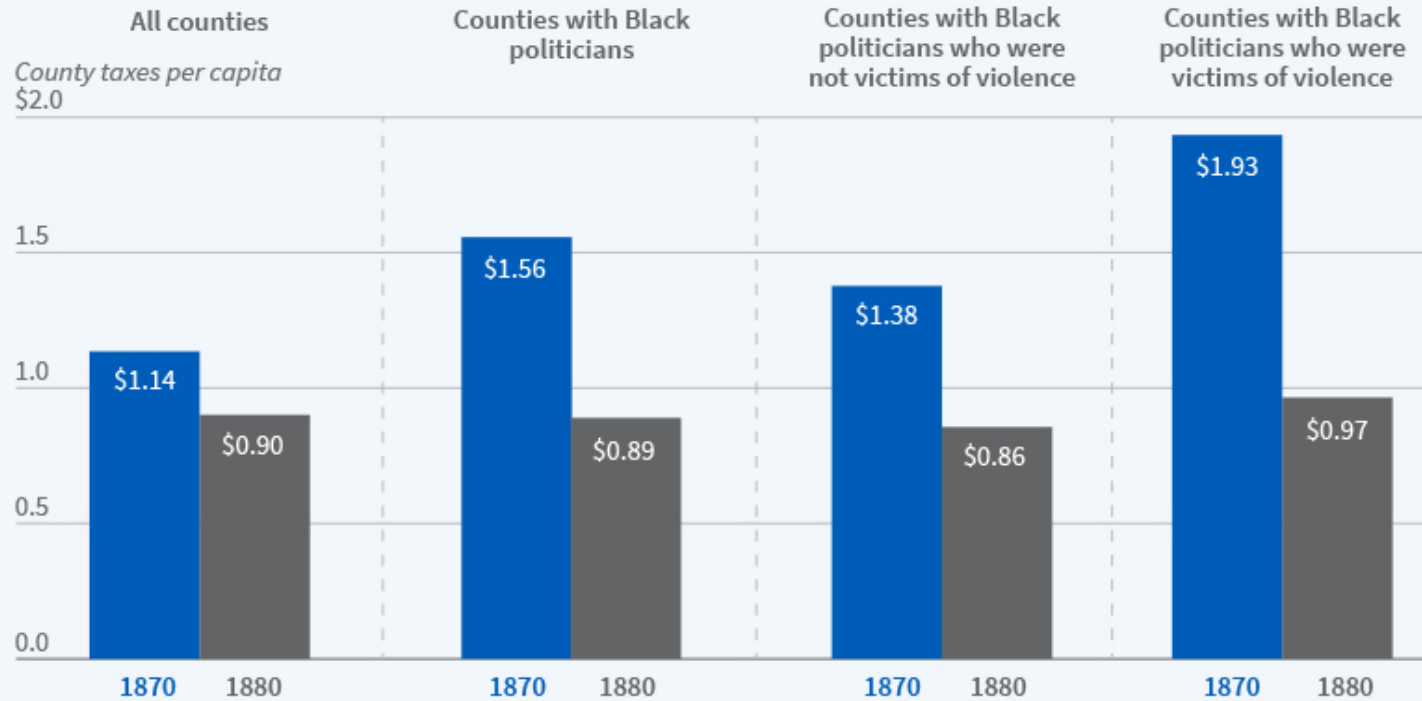
- Reconstruction
- Legalized Segregation and Discrimination
- Civil Rights and Post-Civil Rights Eras



Source: Trevon Logan 2020

Black Politicians, County Taxes, and Violence During Reconstruction

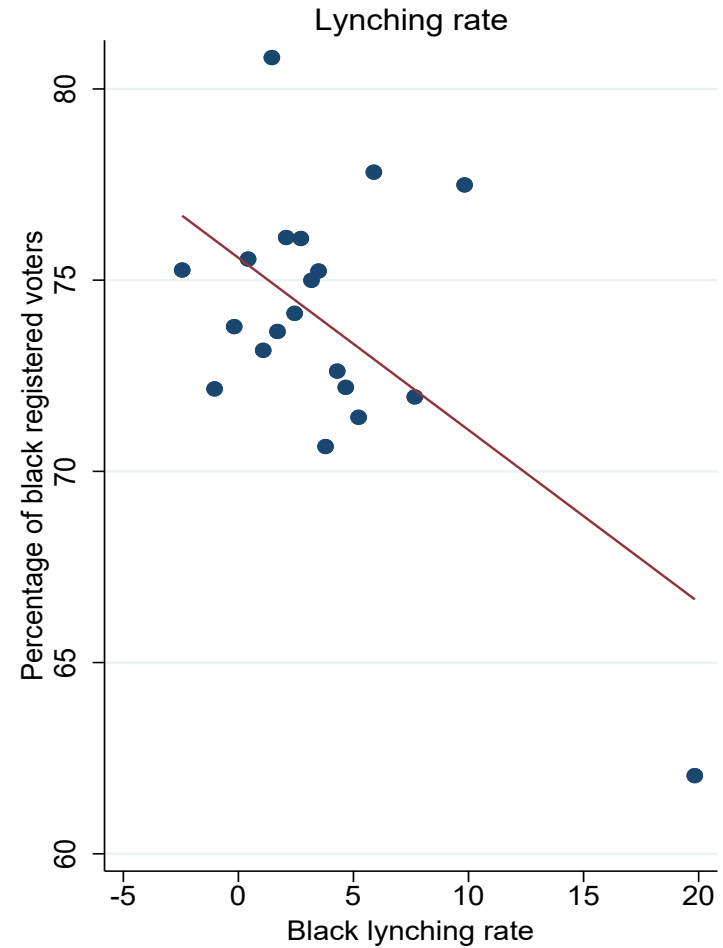
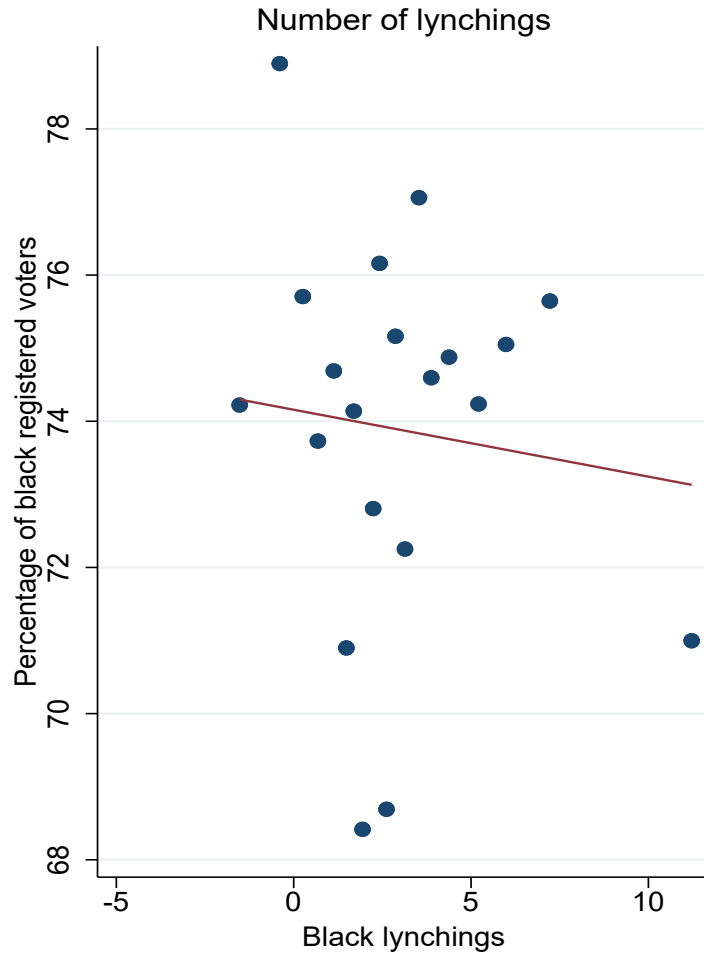
Beginning in the early 1870s, Southern Whites began a violent and wide-spread campaign to undo the Reconstruction process



Source: T. D. Logan, NBER Working Paper 26014



Source: Jhacova Williams, 2020



Historical lynchings and contemporary voter registration among blacks



Source: Hardy, Logan, and Williams, 2020

RACIAL VIOLENCE AND POLICY

- States with greater numbers of historical lynchings:
 - Have lower minimum wages
 - Have lower state EITC stake up rates
 - Have higher poverty rates



DELIBERATE EXCLUSION

- Blacks excluded from economic growth via:
 - Homestead/Southern Homestead Act
 - Morrill Act
 - GI Bill and veterans assistance
 - Federal home loan guarantees
 - Infrastructure creation
 - War on Poverty
 - Minimum wage policy
 - Education financing policy
 - Mass incarceration



RACIAL POLITICAL ECONOMY

- Current policy towards taxation and public goods investment is a hallmark of racial politics:
 - Our political discourse is quite similar to antebellum arguments in the American South
 - High levels of income/wealth inequality and deliberate attempts to exclude the poor from the political process
 - Low levels of investment in public goods and low rates of social mobility— the African American South has the lowest rate of intergenerational mobility in the United States



MOVING FORWARD

- Creating equitable growth in the future requires acknowledging the ways that growth was stunted for certain groups in the past:
 - It is more than individualized discrimination, it the product of government sponsored policy
 - Others have benefitted from wealth transfers— why not Black Americans?
- What are the true roots of our resistance to acknowledging the ways that race informs our politics and economic policy?



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