here
Som
the World

ANALYSIS

A U.S. economy without racial inequality?

By Emily Badger

WASHINGTON POST

The moral case against racial inequality in the U.S. is pretty simple. When we don't give equal opportunity to minority kids, we deny them a full future. When better jobs are kept out of reach of qualified minority workers, we deny their families security, too. When society offers minorities lesser versions of opportunity — in the labor market, in education, in housing — it fails in some fundamental ways.

Now, the economic case against racial inequality is much more complicated. Politically, however, it may also be more powerful. It goes like this: Racial inequality costs the U.S. billions of dollars each year, through the wasted productivity of black men barred from work by their criminal records, through the misallocation of immigrant workers who could be doing more than low-wage jobs, through the untapped consumption of families who would spend more if only they brought more money home.

Quantifying all of this — the full economic implications of a country without racial inequality — is difficult. But the thought experiment is worthwhile. What would the U.S. economy look like if all racial groups earned about what whites do?

Put another way: What does racial inequality cost us?

Inequality has become a politically pressing topic, as good blue-collar jobs have dwindled from the economy, as the recovery has left many families behind. But more often we're talking about inequality of a different kind: between the 1 percent and the 99 percent, or between the bottom and top fifths of the income distribution.

"So much of the conversation about inequality thinks if you deal with inequality generally, then you would somehow shrink the level of racial inequality, too," says Manuel Pastor, the director of the Program for Environmental and Regional Equity at the University of Southern California. "But that's not necessarily true."

Addressing broad inequality would no doubt help. But we can't eliminate racial inequality without addressing the factors that explicitly drive it, like the over-incarceration of black men, or the legal status of immigrant workers, or the re-segregation of public schools.

If we were to do all of these things — and we'll get to the costs in a minute — if we were to bring the average income of black workers up to the average income of white workers, they'd make about 61 percent more.

Last week, PERE and PolicyLink released a chart as part of an analysis looking at the theoretical impact on the economy if blacks, Hispanics and other minority groups had the same income distribution as whites (accounting for some differences in their age demographics). By their rough national calculation, the U.S. economy would have been $2.1 trillion bigger in 2012 under such a scenario, or 14 percent higher.

This number is simplistic for a lot of reasons. It doesn't take into account the cost of investments in education, job-training, health or infrastructure that would be needed to create a world where the average worker — of any race — had a job earning about $38,000 a year. It doesn't take into account the time we'd need to get there.

It also doesn't address the fact that our labor market would look very different if the average worker nationwide earned more than he or she does today. In that theoretical world, we'd have a lot fewer low-wage, low-skill jobs if we were to raise the income distribution of minorities without lowering the income distribution of whites to create a level playing field somewhere between the two. But this is where the thought experiment gets really interesting.

What would that labor market look like? If we were to eliminate systemic disadvantages in our economy that hold back minorities, we'd have to acknowledge that whites sometimes benefit from them — and would lose those benefits, too. In a more equally distributed labor market, whites would also theoretically do a larger share of the lower-income jobs.

Pastor counters that we shouldn't think of the economy as zero-sum. Past chapters in history have shown that black economic gains have been good for the economy as a whole (whites included).

The economist's argument for why this is true is severalfold. Without discrimination and inequality, we can better match workers to the best jobs for their abilities. When low-wage workers get more education and skills, they become more productive. And when families earn more, they spend more money in the economy, further driving demand.

The challenge of achieving this is not simply a matter of eradicating outright discrimination. A large share of racial inequality is not driven by prejudice in the labor market, but by "pre-market" factors like access to education that are still tinged by inequality.

If a black worker is turned down for a job in favor of a white worker, for instance, this doesn't necessarily mean that an employer discriminated against him at the point of hiring. But it may mean that he was less qualified for the job because he had less access to high-quality education earlier in life — or because he lived in a community where the police where much more likely to arrest boys for behavior that went unpunished in white neighborhoods.

Just as it's difficult to untangle these drivers of racial inequality, it's difficult to fully calculate what eliminating it would cost — let alone what an economy without it might look like. But it's also clear that some of the drivers of inequality are costly, too (like our prison system). And the U.S. would save money — another factor not included in the PolicyLink analysis — if more families had stable incomes and required fewer public benefits, like welfare or food stamps.

There's one more complicating factor in this question Demographics themselves are rapidly changing. As the country inches closer to becoming majority-minority, the potential economic benefits of racial equality will grow. Or, rather the cost of inequality will grow too.