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Bold Policies for Economic Justice

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Abstract The U.S. is characterized by a longstanding pattern of large structural racial inequality that deepens further as a result of economic downturn. Although there have been some improvements in the income gap up until around the mid 1970s, the employment gap, and the racial wealth gap - two dramatic indicators of economic security - remains exorbitant and stubbornly persistent. We offer two race-neutral programs that could go a long way towards eliminating racial inequality, while at the same time providing economic security, mobility and sustainability for all Americans. The first program, a federal job guarantee, would provide the economic security of a job and the removal of the threat of unemployment for all Americans. The second program, a substantial child development account that rises progressively based on the familial asset positioning of the child's parents, would provide a pathways towards asset security for all Americans regardless of their economic position at birth.

Keywords Recession · Post-racial · Child development accounts · Full-employment · Federal job guarantee · Racial wealth gap · Racial unemployment disparities

The U.S. is characterized by a longstanding pattern of large structural racial inequality that deepens further as a result of economic downturn.

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For example, in 2008, the median hourly wage for black male full-time workers was $14.90, while the median for white male counterparts was nearly $6 higher at $20.84. This wage disparity is not primarily due to differences in educational attainment. Even when one looks at workers within the same educational categories, disparities persist. Among workers with a high school degree or a bachelor's degree, black males earned only 74% of what white males earned, and, among high school dropouts, black males earned only 61% of their white male counterparts. Also, nearly 90% of U.S. occupations can be classified as racially segregated even after accounting for educational differences. Occupations are distributed such that black males are more likely to be crowded into occupations with wages 74% lower than the higher earning occupations from which they are largely excluded (Hamilton et al. 2011).

Although there had been some improvements in the income gap up until around the mid 1970s, the employment gap and the racial wealth gap—two dramatic indicators of economic security—have remained exorbitant and stubbornly persistent.

The September 2011 white unemployment rate was 8%, while the black rate was twice as high at 16%. The 8% unemployment rate for whites is indicative of a crisis in employment at the national level. Yet, over the past 40 years; there has been only 1 year in which the black rate has been below 8%, in contrast, there has been fewer than 5 years in which the white rate has been at or superseded 8%. Thus, if we view black unemployment with the same lens as the rest of the population, blacks are in a perpetual state of employment crisis that deepens astronomically during national economic downturns.

Another indicator of economic security is wealth, and, like the unemployment rate, it is an indicator of stark racial disparity. Before the Great Recession, the typical black family had a little less than $0.10 for every dollar in wealth of the typical white family. After the recession, that gap nearly doubled with the typical black family now having about a nickel for every dollar in wealth held by the typical white family (Taylor et al. 2011).

The absolute racial wealth gap exceeds $100,000. Regardless of age, household structure, education, occupation or income, black households typically have less than a quarter of the wealth of otherwise comparable white households. Perhaps even more disturbing, the median wealth of black families whose head graduated from college is less than the median wealth of white families whose head dropped out of high school (Gittleman and Wolff 2004). The disparity is so pronounced that the median Latino and black household would have to save 100% of their income for close to three consecutive years to close the gap. Furthermore, 85% of black and Latino households have a net worth below the median white household (Kocchar 2004).

Despite these glaring and persistent racial disparities, the growing "post racial" rhetoric has led to a political environment that makes it increasingly difficult to use race-specific polices to address these inequities. The post-racial rhetoric is a narrative that our society has transcended the racial divide and that the remaining racial disparities are due primarily to self-sabotaging attitudes and behaviors on the part of blacks themselves. In sum, the post-racial ideology represents a shift from a public acknowledgement of a social responsibility for the condition of black America to a position where individual blacks need to "get over it" and "take personal responsibility"—and discrimination and other social barriers are deemed largely things of the past. Moreover, blacks are enjoined to stop making particularistic claims of injustice (Hamilton and Darity 2009).

We offer two race-neutral programs that could go a long way towards eliminating racial inequality while at the same time providing economic security, mobility and sustainability for all Americans. The first program, a federal job guarantee, would provide the economic security of a job and the removal of the threat of unemployment for all Americans (Darity 2010).[1] The second program, a substantial child development account that rises progressively based on the familial asset positioning of the child's parents, would provide a pathways towards asset security for all Americans regardless of their economic position at birth (Hamilton and Darity 2010; Darity and Hamilton 2009).

The Bureau of Labor Statistics reports that about 14 million Americans remained in the ranks of the unemployed in September 2011. January 2011 represented 21 consecutive months in which the unemployment rate was at least 9%. February and March offered very mild and temporary rays of hope when the unemployment rate dipped slightly to 8.9 and 8.8%, respectively. After that time, the rate has crept back up to at least 9%, and in September 2011 stood at 9.1%. The United States has not seen a span of unemployment this high since the Great Depression. Furthermore, these numbers do not fully capture the relationship between joblessness and "discouraged workers," who drop out of the labor force altogether. The employment-population ratio in September 2011 was only at 58.3%.

A federal government job guarantee program for all adult citizens would address this crisis. The government should insure that the opportunity to work for decent pay is a citizenship right for all Americans. Having Americans out of work does immense damage to the human spirit while imposing extensive costs to individuals and society as a whole.

The federal government should establish a National Investment Employment Corps offering all citizens 18 years of age and above an employment guarantee at a minimum salary of $20,000 with $10,000 in benefits, including medical coverage and retirement support. An upper bound estimate of the expense of the program can be established by putting all 15 million persons unemployed at the peak of this crisis at a mean salary of $40,000, inclusive of materials and equipment per worker, with $10,000 in benefits. The total compensation package would amount to $750 billion, which is less than the first $787 billion stimulus package and considerably less than the bailout of the investment banks estimated at $7.7 trillion.[2] This initiative would be far superior to the indirect incentive effects of stimulus measures because it would constitute a direct mechanism for job creation and it would trigger a multiplier stimulus effect across wide panoply of activities that take place in the economy.

Correspondingly, the net expenses of the job guarantee program would be reduced because of wide array of cost savings from other social programs that either could be reduced or eliminated. With the federal government acting as employer of last resort, unemployment compensation funding could be slashed and antipoverty program funding—including free and reduced lunch subsidies and food stamps—could be reduced greatly (indeed, a job guarantee could eliminate both working and jobless

[1] Please see Harvey (1989, 2000), Wray and Forstater (2004), and Wray (2008) for examples of previous discussions of federal job guarantee programs.

[2] Please see the following link for reference: http://bottomline.msnbc.msn.com/_news/2011/11/28/9067808-fed-lent-banks-nearly-8-trillion-during-crisis-report-shows

poverty simultaneously). Furthermore, the income paid to the employees of the National Investment Employment Corps would restore tax bases at the state and municipal levels, alleviating their current budget crises. The federal job guarantee also would moderate significantly the home foreclosure crisis and the medical coverage provided as a job benefit of the federal job guarantee would provide an implicit "public option" leading to the coverage of millions of uninsured Americans.

Market interventions like minimum wage laws, financial regulation, and associated enforcement expenses could be eliminated. Minimum wage laws no longer would be needed since the floor on the wage standard would be set by the minimum salary offered by the National Investment Employment Corps. Financial regulation no longer will be needed because the presence of the job guarantee would mitigate the adverse effects of fluctuations in speculative investment markets on personal employment and income.

States and municipalities can conduct an inventory of their needs and develop a job bank of tasks. The program could give priority to the most urgent projects to aid the most distressed communities. The work to be done by employees of the National Investment Employment Corps would address the nation's human and physical infrastructure requirements. This could include the construction, staffing and provision of high quality preschools, computer repair, upgrade and maintenance, sanitation workers, flood and other disaster service workers in hospitals and schools, and the extension, repair and maintenance of the public transportation infrastructure, e.g. roads, bridges, and dams. In 2009 the American Society of Civil Engineers (ASCE) gave the country a grade of D on its physical infrastructure; one in four rural bridges were characterized as structurally deficient. ASCE reported that in Texas alone there were only seven engineers and a budget of $435,000 to oversee more than 7,400 dams.[3]

The proposal advanced here is not meant to act as a temporary program contingent upon emergency conditions; rather, it is to function as an automatic stabilizer in good and bad times insofar as the numbers of persons put to work in the National Investment Employment Corps will rise during downturns and fall during upswings. Thus, the program will expand and contract counter cyclically. Moreover, the program would structurally change the U.S. economy away from low wage jobs—a sector in which an increasing global economy is making the U.S. increasingly less competitive—towards more moderate and high wage jobs.

The program also would provide assurance of employment for members of stigmatized populations who are subjected to discriminatory exclusion. Princeton sociologist Devah Pager's audit study in Milwaukee, Wisconsin demonstrates that among males of comparable ages and education, whites with criminal records were more likely to get callbacks for jobs than black males with no criminal record (Pager 2003). Indeed, even among white males only, having a criminal record reduced the odds of receiving an employment callback by half. This is particularly alarming since the analysis took place in Wisconsin, a state that outlaws employer use of a criminal record as a criterion of employment for most jobs. Furthermore, Bureau of Labor Statistics data indicates that among 18–25 year olds, white high school dropouts have

[3] The 2009 ASCE report card on the nation's infrastructure can be found at http://www.infrastructurereportcard.org/fact-sheet/aviation

an unemployment rate 10 to 12 points lower than blacks who have completed some college. The program envisioned here would provide employment for all—black or white, male or female, with or without a criminal record.

In addition, a guaranteed federal jobs program would mitigate the personal and familial costs of damaged mental health and other stressors faced by the unemployed. The unemployed themselves often say that they would rather be paid to work than receive unemployment compensation. Glenn Blackburn, a 45 year old unemployed casino worker, sums up these sentiments, "Put me to work digging ditches or helping build roads. Anything is preferable to sitting on my butt. This would give those of us on unemployment back our pride and actually accomplish something with the money being spent. There is a work force of a million people just sitting idle waiting for something to do. That is a massive amount of lost labor that could be fixing America's infrastructure. Instead of unemployment hire me to do that (Delaney and Nasiripour. February 24, 2010. *Huffington Post*)."

The second program that we propose is a substantial child development account (or "baby bond" program, a phrase coined by the recently deceased, Manning Marable) is designed to provide an opportunity for asset development for all newborns regardless of the financial position in which they are born. The advantages of wealth in our society are clear. Wealthier families are far better positioned to finance elite independent school and college education, access capital to start a business, finance expensive medical procedures, reside in higher amenity neighborhoods, exert political influence through campaign financing, purchase better counsel if confronted with the legal system, leave a bequest, and/or withstand financial hardship resulting from any number of emergencies. Yet, even among only white families, less than 10% of families hold more than 50% of total white wealth. Since about 85% of black families have a net worth below the median household, it is clear that the vast majority of the nation's wealth, along with the associated opportunities stemming from this wealth are skewed heavily towards a relative few, who are predominantly white.

Given this strikingly uneven distribution of wealth and the importance of wealth in providing economic security and enhanced life-chances, a baby bonds program would represent a needed shift in public policy that could provide asset-building opportunities for all Americans. Indeed, with wealth so unevenly distributed along racial lines, the baby bonds proposal could go a long way towards eliminating the racial wealth gap.

The baby bonds would set up trusts for 50–75% of all newborns with an average account of $20,000 that progressively rise to $60,000 for babies born into the most wealth poor families. The accounts would grow at a federally guaranteed annual interest rate of 1.5–2%. The accounts could be accessed when the child becomes an adult and used for some asset-enhancing endeavor such as purchasing a home, or starting a new business.

Program concerns around measuring financial assets can be alleviated by modern electronic recording of financial data, which facilitates our ability to identify financial assets. Financial monitoring advances made by IRS and law enforcement agencies serve as examples of the public sector's ability to measure financial assets, and, many localities are already engaged in home value assessments. To avoid crowding out savings the transfer program could be structured in a manner similar to the Earned

Income Tax Credit (EITC) program, which uses a phase out schedule to avoid work disincentives. Finally, there may be concerns that the program may influence the timing in which parents, grandparents or other relatives (or friends) might make transfers to their off-spring, so that the children of these off-spring can increase the federal bond support in which they qualify. To address this moral hazard concern, the federal government could reserve the right to tax future transfers to baby bond recipients.

If three-quarters of the roughly 4 million babies born per year were eligible for the program, a crude estimate of the cost of the program would amount to about $60 billion a year. This cost could be fully funded based on a fraction of what the federal government already spends on asset enhancing activities. A 2004 report by the Corporation for Enterprise Development (CFED 2004) estimates that the federal government allocated $335 billion of its 2003 budget in the form of tax subsidies and savings to promote asset development policies. The bulk of this allocation comes from items like mortgage interest deductions, exclusion of investment income on life insurance and annuity contracts, reduced rates of tax on dividends and long-term capital gains, and exclusion of capital gains at death. The total allocation, which is about 15 times higher than what is spent by department of education, does not include subsidies or tax breaks given to corporations nor funds from state and local level policies. An updated version of this report estimates the asset-building allocation at close to $400 billion with more than half of the benefits going to the top 5% of earners (Woo et al. 2010).

At issue is not the amount that was allocated, but to whom the allocation is distributed. The top 1% of earners, those typically earning over $1 million dollars a year, received about one-third of the entire allocation, while the bottom 60% of earners received only 5%. If the federal asset promotion budget where allocated in a more progressive manner, federal policies could be transformative for low income Americans (see Sherraden, 1991). The baby bonds proposal provides a far more progressive, opportunity-enhancing that is a lot less expensive program than many of the asset tax policies already in existence.

Ultimately, public provision of a substantial trust fund for newborns from families that are wealth-poor and the passage of a federal job guarantee would go a long way toward achieving what the American ideal should be—a race-fair America that provides economic security and asset building opportunities for all of its citizens.

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