ECONOMY

By Amaad Rivera

THINGS FALL APART; THE CENTER CANNOT HOLD

In the Preamble of our Constitution it reads that, "We the people …[seek to] establish justice, insure domestic tranquility…promote the general welfare, and secure the blessings of liberty to ourselves and our posterity." Sadly, in an economic sense, our dream continues to be deferred.

This country was founded on the principles of justice, fairness and equity. In this country's long history of attempting to fulfill these promises, the quest for economic self-determination of workers, poor people and the racially oppressed has been lacking in our mainstream historical and contemporary discourse. But there has been no shortage of arguments for self-determination for large corporations and the wealthy, as embodied in the "greed is good" philosophy of the privatizers, deregulators and free traders.

Our current economic crisis—forewarned by advocates, policy makers and economists—sheds a light on this shaky, unjust foundation upon which we continue to build our economic future. The financial meltdown profoundly calls into question both the "free market" and the "post-racial" ideologies that helped justify decades of unprecedented transfer of wealth from the bottom to the top and a deepening of racial disparities.

More so than in recent memory, the financial meltdown shows that rampant injustice and inequity builds instability into the economic system. We not only have a crisis of knowledge about this instability, but even more problematic is our crisis of acceptance. This country continues to tolerate the vast chasm of economic inequality at all levels, and it systematically turns a blind eye to the disastrous racial/ethnic disparities that continue to deflate any dreams of a burgeoning democracy.

While disparities between people of color and their white counterparts exist in all domains of our society, arguably the most important is the economy. In developing a comprehensive, holistic public policy prescription to address these issues of systemic racism, the economy must be brought to the forefront.

Currently, our country is facing the largest disparities on every economic level between the wealthy and their counterparts since the Great Depression. The United States continues to rank in the worst for economic inequality compared to other major industrialized countries. Interestingly enough, in studies asking if the income inequality is "too high," responses from this country overwhelming say it is not.[1] In other words, our country has one of the highest levels of income inequality, with the lowest number of the population believing that is the case, or that it is a problem.

In 2005, the top 1% collected 21.8% of all income in the country.[2]This is exacerbated by race, with people of color having 57 cents for every dollar of white income. With unemployment rising, particularly in communities of color, places such as East St. Louis, Illinois, which has an unemployment rate of 17% and El Centro, Arizona, which has an unemployment rate of 24.7% compared to their white counterparts nationally of 6% continue to demonstrate the significance of race in our economy.[3]

[1]http://www.oecd.org/dataoecd/48/9/34483698.pdf
[2]Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998," Quarterly Journal of Economics, 118(1), 2003. Updated to 2005 at http://emlab.berkeley.edu/users/saez.
[3]http://www.bls.gov/web/laummtrk.htm

Incomes for most people in this country continue to stagnate while simultaneously the prices of goods are increasing. People of color are disproportionally affected in a multitude of ways. Aside from job discrimination, job access and job stability, all of which disproportionally affect people of color, income mobility continues to decline.

One recent study found that sons of low-income fathers only have a 22.5% chance of reaching the median income level.[4] In addition, another showed that 43% of those born to the bottom fifth will remain there as adults, while 39% born to the top fifth will remain there.[5] These numbers are illustrations of a meritocracy that has failed or that never existed, further demonstrating what academics have called "stickiness," which is also known as structural oppression. For people of color, this systemic inequality, namely structural racism, is more disastrous. The same study found that at every income level Blacks experience more downward mobility and less upward mobility than their white counterparts.[6] Sadly, this carries over into future generations, with children of color expecting, for one of the first times in history, to make less than their parents.

If the economy had two parents, one would be income, and the other would be wealth (assets that you own minus what you owe). Income without wealth leaves individuals and the overall economy less stable. Even more so than income, wealth is concentrated in the hands of a few. The top 10% of income earners hold nearly 73% of all wealth.[7] Specifically, the top 10% holds 79% of all stocks and bonds.[8]

As we are learning in this economic crisis, the additional component of losing vast amounts of wealth further deepens financial insecurities. In other words, the great loss of wealth and assets due to foreclosures has created a vacuum that is sucking in the rest of the economy. This is centrally due to the role assets or wealth plays in protecting families in economic downturns. People typically use their assets, such as home equity, to cover extreme healthcare costs, college tuition and rising food and fuel prices.

Sadly, both in the accumulation and maintenance of assets, people of color fare much worse than their white counterparts. People of color on the median have about 15 cents for every dollar of white wealth, and to make matters worse, this gap continues to widen.[9]

Due to historic discrimination such as redlining and contemporary forms of it such as predatory sub-prime lending (often called "reverse redlining"), we are seeing the greatest loss of wealth in modern history for people of color.[10] With the combination of stagnant wages, high unemployment rates, rising cost of food—particularly in communities of color (urban centers pay more for goods than their suburban counterparts)—high transportation cost and lack of federal protections, we are seeing the perfect storm to create a white recession and a people of color depression.

In this economy, people of color benefit the least compared to their white counterparts during economic booms and suffer disproportionally more during economic downturns. As W.E.B. DuBois once said, "To be a poor man is hard, but to be a poor race in a land of dollars is the very bottom of hardships."

As this current financial crisis brings to the forefront the economic realities of misplaced, absent and unenforced public policy, we are also seeing a new understanding of the impacts of inequality on the economy. As many scholars, practitioners and everyday people have understood, growing and vast inequality is a predictor of economic downtowns, recessions and, most problematically, depressions.[11] We are learning that economic benefits do not trickle down and economic inequality trickles up.

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[4]http://www.stateofworkingamerica.org/news/SWA06Facts-Income_Mobility-final.pdf
[5]http://www.economicmobility.org/assets/pdfs/EMP_FamiliesAcrossGenerations_ChapterI.pdf
[6]http://www.economicmobility.org/assets/pdfs/EMP_BlackandWhite_ChapterVI.pd
[7]Economic Policy Institute, State of Working America 2006-07, Table 5.1, citing Wolff (2006)
[8]Economic Policy Institute, State of Working America 2006-07, Table 5.F, citing Wolff (2006)
[9]http://www.levy.org/pubs/wp_502.pdf
[10]Amaad Rivera. United For a Fair Economy. State of the Dream 2008:Forclosed
[11]http://www.worldbank.org/fandd/english/0397/articles/0140397.htm

Furthermore, understanding the basic components of our economy and the nature of structural racism allows for us to create comprehensive, holistic solutions that will benefit everyone in this country. The movement away from our core values of equity, justice and fairness for all continues to cause detrimental economic effects. In the words of Chinua Achebe and his world-famous book, "things fall apart; the center cannot hold."

RECOMMENDATIONS

The three central components of the economy—incomes, expenses and assets—must be addressed to curtail the growing disparities. Yet, the most important tool we have in combating racism is acknowledging its existence. Racial equity must be the central component cornerstone in the foundation to the development of a comprehensive public policy agenda. This refutes the "colorblind" notions of mainstream politicians, academics and practitioners who find it inconvenient to address racial inequality. The following policy recommendations reflect a holistic, community-centered approach to the ending of structural racism in the economy.

A Presidential Forum and Commission on Structural Racism

During the second term of President Clinton, a commission on race relations was created. It held town meetings throughout the country and created a report with its findings. This was not the original precedent, for in 1968 a group commissioned by President Lyndon Johnson published the Kerner Report documenting the role of structural racism as the cause of massive rioting that had been occurring in many cities. While in both cases implementation was lackluster at best, it provided a community-centered approach to engage the people in this country with the reality of the economic challenges facing people of color. It is important, as a first step in addressing structural racism, to acknowledge the growing economic disparities and seek solutions from the full spectrum of people, ideas and political backgrounds. In addition, this permanent body will effectively deal with barriers dealing with race and economy.

Demand-Side Economic Policy

As evidenced by our recent financial crisis, a shift in economic policy over the last 20 years has resulted from the emphasis on supply-side economics, which has encouraged our government to focus on easing regulations, supporting privatization, increasinge tax cuts for the wealthy and support maintaining the often elusive hope of balancing the economy by the "invisible hand" of a free market. Furthermore, these policies favor industry over individuals, corporations over communities and moderation over practicality . The following policies support demand-side economic policies that will increase stability for all people in this country while dealing with issues of income. As expenses rise, income stability and expansion are of critical importance for dealing with fundamental economic issues.

- Living Wage and/or Minimum Wage indexed to inflation
- Enforcement of gender and race pay equity
- Employer-Sponsored Benefit Plans versus Solely Employee-paid Benefit Plans (e.g., health insurance and 401k's)
- Expand access and decrease debt associated with college degree attainment
- Decrease bank fees for accounts in poor communities and communities of color
- Enforcement of civil rights regulations around faulty financial products
- Expansion of Unemployment Insurance during economic downturns
- Create affordable disaster-based insurance
- Pass the Employee Free Choice Act, which supports unionization

Develop Assets Agenda
The following are key policy recommendations that are demand-side economic policies that address the growing racial wealth divide.

Community-Based Assets Reinvestment
• Schools investment equity across state and region

• Localized small business development

• Infrastructure investment (roads, bridges and buildings)

• Local, regional and national public transportation investment

• Expansion of local banks and credit unions

• Expansion of Housing Trusts and Limited Equity housing units

• Limit on the Mortgage Interest Housing Deduction

• Maintain the Estate Tax.

• Secure employment among people who have been incarcerated.

• Housing trust funds for reestablishing homeownership among foreclosed community members

Individual-Based Asset Investment
• Increase and further develop rent-to-own housing programs.

• Create and incentivize creative financial products that are culturally appropriate (e.g., no fee checking accounts, shared homeownership loans, fixed credit rates).

• Children's savings accounts

• Elimination of assets limits in federal benefits programs

• Federal and state matching of savings accounts

The understanding of the importance of demand-side economic policy and assets development and stability is central to unlocking the prison of structural racism. It is vital to develop an assets agenda that is not only viable but also builds on community rather than eliminates it.