

Cases for Economic Equity

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These views are the views of the author and do not reflect the views of the Federal Reserve System

Overview

- **Cases for Economic Equity**
 - Historical: Dr. King's Equality Message is Still Relevant Today
 - Fram Oil Filter: "Deferred" maintenance in human priority investments
 - Resource-Based: ALICE Framework
 - Business: Business Benefits
- **Common Ingredient – Financial Inclusion**

Dr. King's Economic Equality Messages

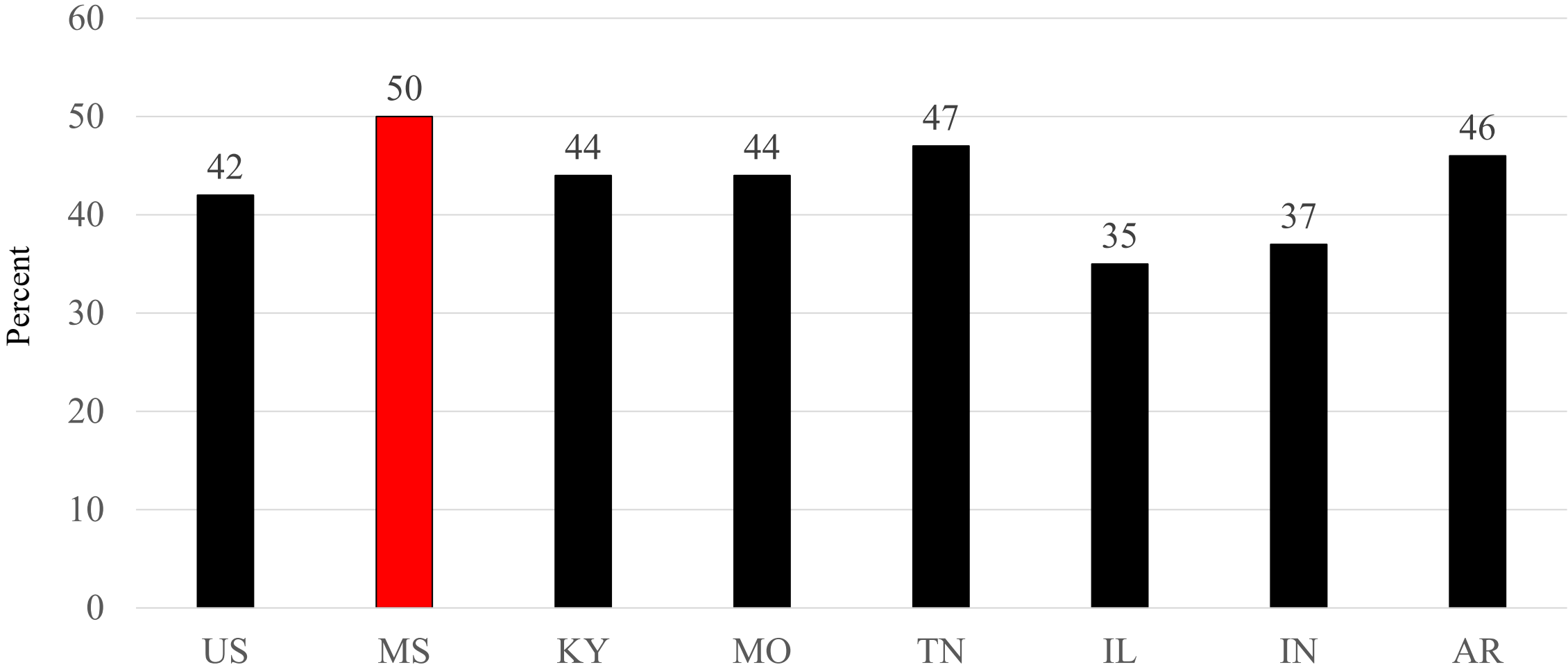
- “Negroes have benefited from a limited change that was emotionally satisfying but materially deficient... Jobs are harder to create than voting rolls.”
- A job is not necessarily equivalent to security.
 - Often undercut by layoffs, blacks are hit hardest.
 - First fired and the last hired.
 - Discrimination thwarts long-term employment, which negates building seniority.
 - Blacks need full-time and full-year employment
 - Need promotion and development opportunities
 - Need employment that feeds, clothes, educates and stabilizes a family
 - Declining unemployment rates veil the lack of black's job quality
 - Employment instability reflects the fragility of Black ambitions and economic foundations.

Dr. Martin Luther King, The Nation, March 4, 1966.

Deferred Maintenance and Resource-Based Cases

- Fram Oil Filter
 - End “deferred” maintenance in human priorities investment (human and social capital)
 - Pandemic increased awareness that we need to expand infrastructure investments beyond bridges, roads, and broadband to [social capital](#), [mental health](#) and access to [quality child care](#).
 - These have costs, but they have benefits
 - These human priorities investments raise worker productivity
- ALICE (Asset Limited, Income Constrained, Employed)
 - Earn above the Federal Poverty Level but have difficulty achieving basic expenses
 - All races, ages, ethnicities, and abilities
 - Disproportionately households of color
 - Wages don’t keep pace with inflation
 - Multiple job holders, yet can’t pay bills
 - Caregivers struggle to find work
 - Tough choices
 - Pay the rent or buy food
 - Receive medical care or pay for child care

Percent of Households Below the ALICE Threshold



Source: Estimates are for 2018. [2020AliceReport_National_Final\(1\).pdf](#).

Consequences of Households Living Below the ALICE Threshold

	Impact on ALICE	Impact on Everyone
HOUSING		
Substandard	Inconvenience and safety risks	Reduce local property values
Far from job	Longer commute, higher costs, less time	More traffic on road, workers late to jobs
Homeless	Disruption to job, family, education, etc.	Cost for shelter, foster care, health care
CHILD CARE		
Substandard	Safety and learning risks; health risks	Future burden on education system
None	One parent cannot work-foregoing immediate income and future promotions	Future burden on education system and other social services
FOOD		
Less healthy	Poor health, obesity	Less productive worker, future burden on health care system
Not enough	Poor daily functioning	Even less productive worker, future burden on social services
TRANSPORTATION		
Older car	Unreliable transportation and risk accidents	Worker late/absent from job
No insurance	Risk of fine, accident liability, license revoked	Higher insurance premiums, unsafe vehicles on the road
No care	Limit job opportunities/access to health care	Cost for special transportation

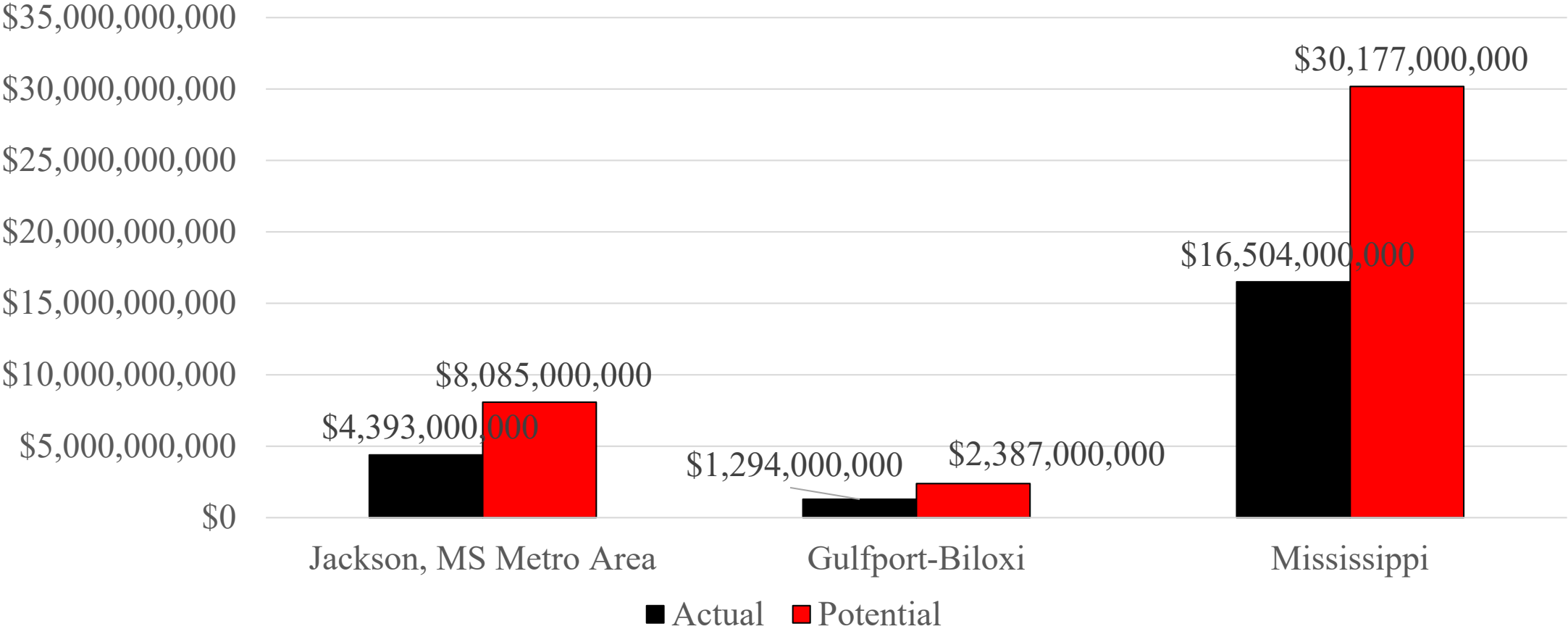
Source: Figure 22 file:///C:/Users/H1WMR01/Downloads/2012 UWNNJ ALICE%20Report FINAL2.pdf

Consequences of Households Living Below the ALICE Threshold, cont.

	Impact on ALICE	Impact on Everyone
HEALTH CARE		
Underinsured	Forego preventive health, more out of pocket expense; less healthy	Workers sick in the workplace, spread illness, less productive
No insurance	Forego preventive health care; use emergency room; less healthy	Higher insurance premiums; burden on health care system
INCOME		
Low wages	Longer work hours; pressure on other family members to work (drop out of school)	Tired and stressed worker; higher taxes to fill the gap
No wages	Frustration of looking for work and social services	Less productive society; higher taxes to fill the gap
No savings	Low credit score, bank fees, higher interest rates	Less stable financial system; more public resources need to address ALICE crises

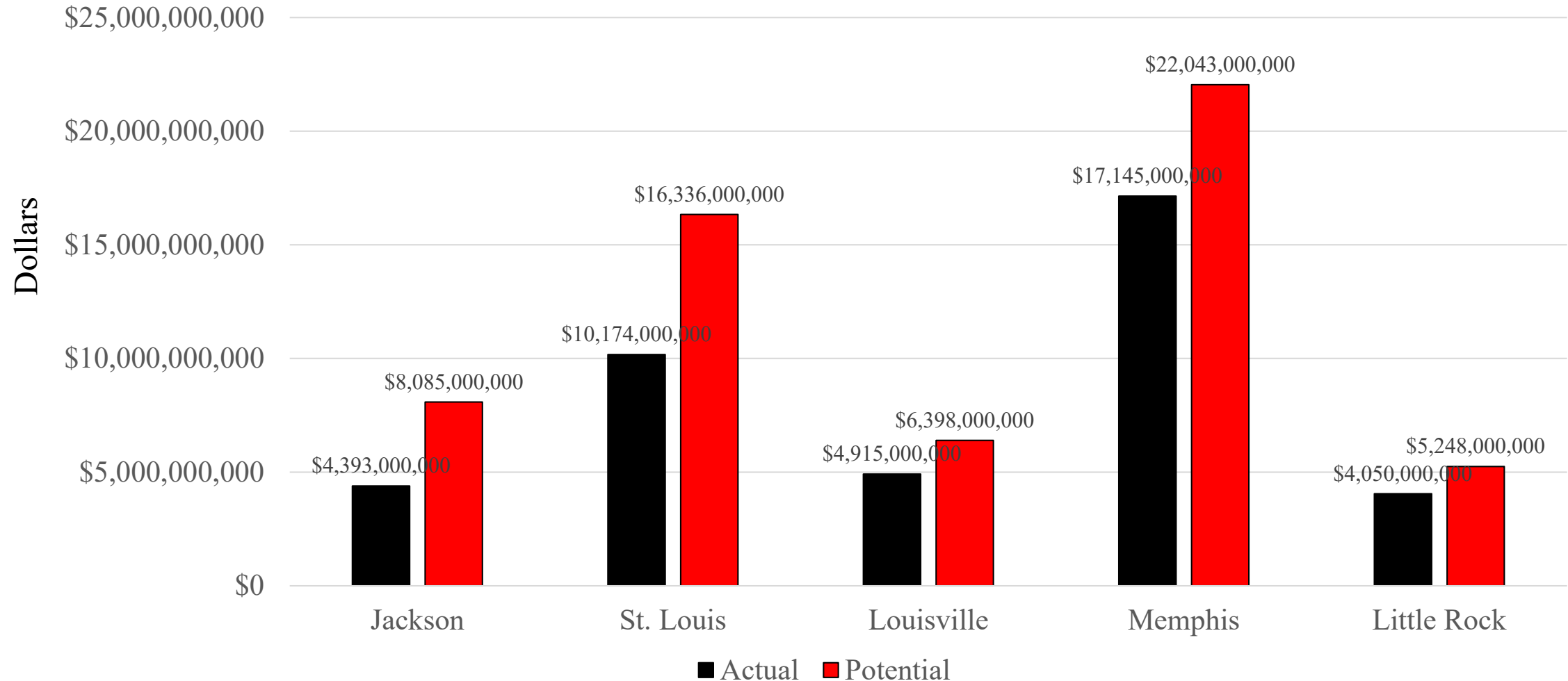
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Actual and Potential Black Buying Power (Economic Benefits of Racial Equity)



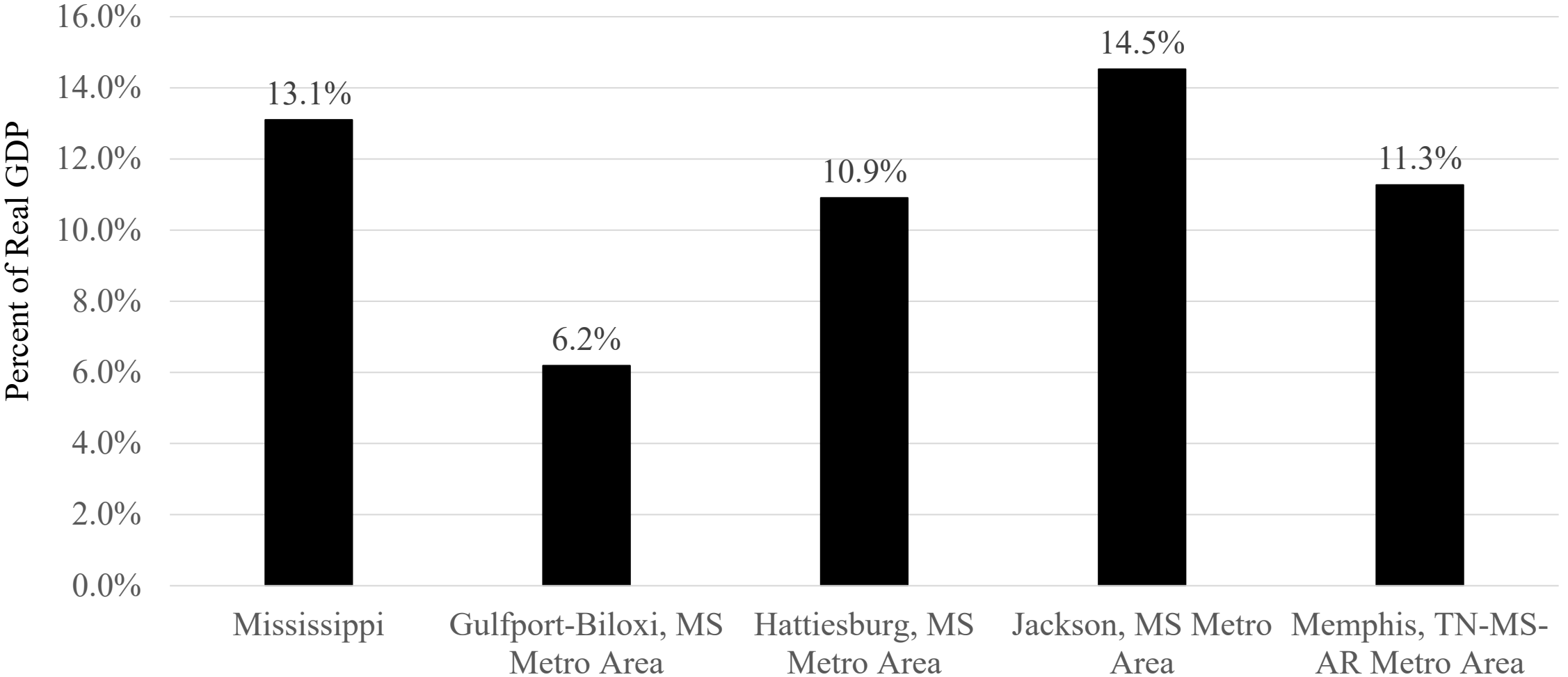
Notes: Author’s calculations from U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.

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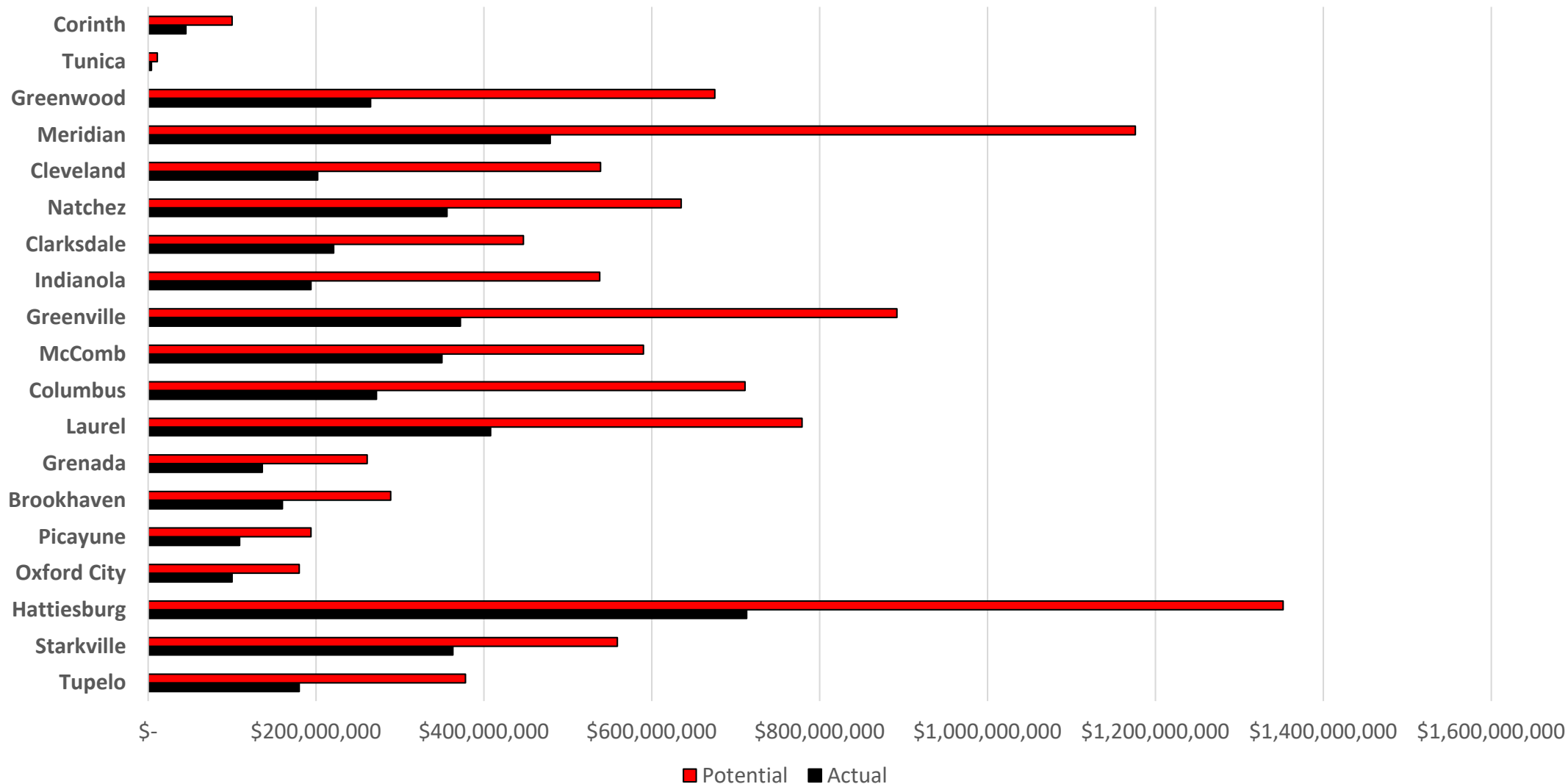
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Increase in Buying Power as a Share of Area GDP



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Black Buying Power for Selected Mississippi Areas



Notes: Author's calculations from U.S. Census, Bureau of Labor Statistics and "The Multi-Cultural Economy" published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.

Where do we go from here?

- **Estimate gains in disposable income for other groups**
 - Low-income white residents
 - Women
 - Latinos
 - Native American
- **IEE's 2023 State of Economic Equity (In Production)**
 - Rationales for pursuing equity
 - Improve short-term financial stability
 - Increase the long-term upward mobility of vulnerable individuals and their communities
 - Historical, deferred maintenance, resource-based, and business cases
 - Community-based organizations help LMI communities participate more equitably
 - Businesses and government receive additional revenues
 - Common ingredient or requirement – Financial Inclusion
 - Access
 - Diversity in products