

Inequality and mobility

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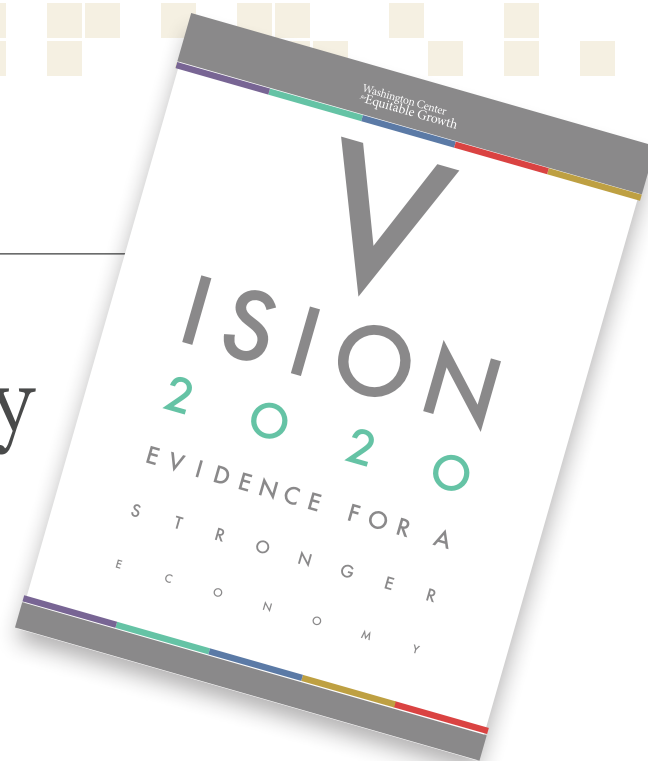
Austin Clemens and Liz Hipple, Washington Center for Equitable Growth

Growing U.S. income inequality is leaving many workers and their families behind and undermining overall economic growth. Moreover, as the rungs of the economic ladder grow further apart, the ability of individuals to climb that ladder also suffer. In short, the mythology of the United States as a country where a rising tide lifts all boats and where getting by does not depend on the financial resources of one's parents is crumbling rapidly in the face of current economic realities.

Of course, this myth-busting comes as no surprise to women and people of color, so many of whom have experienced these tough economic realities for some time. Across the U.S. economy, disenfranchised groups fare significantly worse on key economic indicators than reported averages. Because researchers sometimes have limited data on these subgroups and because policymakers' perceptions of solutions continue to be shaped by the notion that upward intergenerational mobility is a matter of personal effort rather than the result of a constellation of factors outside their control, policy has not been adequately responsive.

To develop effective policy, we should rely on research that disaggregates data and takes a systemic, rather than individualistic, approach to understanding how the economy is performing for all U.S. workers and their families, especially those from marginalized communities.

The essays in this section of the Washington Center for Equitable Growth's latest book *Vision 2020: Evidence for a*



stronger economy demonstrate that too often, economic and noneconomic outcomes are still dictated by parental resources, race, and privilege. The essayists argue that more needs to be done to bring all groups into the economy on equal footing. They are bold proposals that move the policy conversation beyond an emphasis on individual characteristics, such as skills and training, to policies that acknowledge the many structural barriers in the U.S. economy to meaningful equitable growth.

Race and the lack of intergenerational economic mobility in the United States

Bradley Hardy, American University and Trevon Logan, The Ohio State University

U.S. intergenerational economic mobility—the likelihood of children achieving a higher standard of living than the household in which they were reared—varies considerably by race and ethnicity. Moreover, there are significant racial differences in mobility that exacerbate racial differences in other areas such as housing, education, and health.

Solutions

Policy remedies for persistently low intergenerational economic mobility include more equitable housing and educational opportunities, better income security and wealth accumulation, and investments to improve school quality, lower crime, and encourage private-sector amenities to improve infrastructure in the poorest neighborhoods.

- To improve access to affordable, safe, quality housing, enforce anti-discrimination lending policies, and implement aggressive affordable housing policies and more equitable education finance policies.
- At the state and local level, support land trusts, which preserve affordable housing for low- and moderate-income residents via purchases and land donations from philanthropic and nonprofit organizations, and implement longer-term agreements between local governments and housing developers to maintain home affordability.
- Consider whether and how public housing can be improved and maintained and whether mixed-income arrangements resulting in a net loss of low-income housing should provide cautionary lessons moving forward. Efforts to address affordable housing via neighborhood improvements could have spillover benefits for many middle-class families, irrespective of race.
- Increase educational expenditures to improve student outcomes, including expansion of social and employment services in primary and secondary educational settings to target families.
- Promote wealth accumulation and greater access to credit by issuing Baby Bonds. These proposed new bonds would give children an asset account on a means-tested basis. In adulthood, the child would have access to those resources to engage in wealth-enhancing activities such as postsecondary schooling, purchasing a home, or financing entrepreneurial activity.
- Reform the Temporary Assistance for Needy Families program to increase expenditures on cash benefits to

give low-income families of any race greater access to needed liquidity, and target such reforms toward economically disadvantaged and racially segregated neighborhoods, including rural areas.

- Increase tax revenues to pay for reforms and promote income and wealth redistribution.

Overcoming social exclusion: Addressing race and criminal justice policy in the United States

Robynn Cox, University of Southern California

The United States incarcerates more people than any other country in the world, with the majority of the growth in the prison population attributable to more punitive criminal justice policies enacted in the 1970s. The exponential growth in incarceration during this era was the result of policies that ultimately focused on fighting racial and economic inequality through the criminal justice system instead of social programming.

Solutions

U.S. policymaking must shift away from dealing with economic inequality through the lens of the criminal justice system and move toward addressing the root causes of racial inequality and poverty. Specific policies should include:

- Conduct an audit of current federal crime-control policies and funding to determine what needs to be done to end mass incarceration and repair the criminal justice system.
- State and local governments need to collect unbiased data to understand the reasons for persistent racial disparities in criminal justice.

- Provide federal incentives to states to decrease the correctional population, both juvenile and adult, by, for example, placing a moratorium on incarceration for non-violent offenses and redirecting the cost savings to social programs not administered by law enforcement agencies.
- Tie federal funding for criminal justice programs to states' repeal of felon disenfranchisement laws.
- Establish a process of re-educating the American public about the history of race in the United States to break flawed perceptions in the association between race and crime. The first step would be reconciliation and atonement, which may include reparations for past and current oppressive policies enacted against historically marginalized groups, African Americans in particular.
- As part of this strategy, the government should allocate funding to state and local governments for K-12 initiatives that will educate the public on the history of race in the United States and how this history affects social outcomes and our beliefs about others.
- To help address racial biases in the criminal justice system and their root causes, address racial biases in the media.

Prisoner re-entry in Native American communities offers lessons of resilience and nationwide policy solutions

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Significant economic and social inequalities faced by generations of Native Americans are examples of living resilience among communities affected by mass incarceration, substance abuse, and poverty. These traditions of resilience are manifest in Native American families and communities, and understanding this process

of resilience could unlock similar strategies for use by other populations in other parts of the country.

Solutions

Native American communities need enhanced infrastructure and increased investment to expand efforts to heal the wounds left by generations of trauma and oppression, including resources for rural data collection, dual diagnosis mental health facilities, and expanded jurisdictions of tribal courts. Specific needs include:

- Policymakers and the criminal justice system need to honor the sovereignty of tribal nations as partners in seeking justice in Indian Country through full and transparent cooperation, from reporting of a crime through prosecution.
- Resources and funding must be allocated to tribes and their neighboring county jurisdictions to design, implement, and expand their data-collection infrastructure.
- To help Native American offenders get “clean and sober,” provide funding and support courts that employ holistic case management that frames those under supervision as assets rather than liabilities. This includes expansion of tribal court jurisdiction.
- Strengthen the mental healthcare system, especially in rural areas. Provide additional spending to expand integrated mental and substance abuse care facilities that have the capacity to treat co-occurring mental health conditions and addiction.
- Invest in the strategies of resilience by which tribal communities have survived the many problems they face so they can be emulated for successful intervention in similarly disadvantaged communities.

The logistics of a reparations program in the United States

Dania V. Francis, University of Massachusetts Boston

The legacy of slavery, post-Civil War state-sanctioned discrimination, and ongoing institutional discrimination prevented the enslaved and their descendants from benefiting from the growth of the U.S. economy. A program of reparations is needed to make amends and address some of the costs imposed on many generations.

Solutions

A commission needs to determine the scope of, and eligibility for, a reparations program and the financial vehicles for disbursement in order to make whole those who were wronged, to close racial wealth gaps, and to address ongoing discrimination. This commission also needs to examine current structural discrimination and propose institutional reforms to guard against the need for future redress. Following are guidelines and steps needed to develop and implement a reparations program:

- Who should be eligible? Reparations should accrue to the descendants of those who were formerly enslaved in the United States only. U.S. policymakers must decide whether current U.S. citizenship is a requirement. Reparations for state-sanctioned discrimination during the Jim Crow, New Deal, and post-WWII eras should accrue to any African Americans who were living in the United States during those time periods or their descendants, regardless of whether their ancestors were enslaved in the United States.
- How much? Given the very wide variation in estimates of the amount owed in reparations, including the timeline of issues that need to be redressed, Congress should impanel a commission to evaluate all available estimates and calculation methods to arrive at separate values for reparations for slavery, reparations for the era of state

sanctioned discrimination, and reparations for ongoing institutional discrimination.

- What form? Policymakers should decide the form of reparations based on the goal of the program. If the goal is to address the wealth gap created by discriminatory government actions such as redlining and Jim Crow discriminatory laws and regulations, then cash payments or trust funds for investments in housing, education, or businesses may be appropriate. If the goal is to repair or make whole those disadvantaged by the legacy of slavery and discrimination, then an official apology, a program of public education about slavery and discrimination, and investment in social programs aimed at reducing racial disparities may be most effective. If the goal is to address ongoing discrimination against African Americans, institutional reform may be in order.
- A reparations program must address the existence of ongoing discrimination in the U.S. economy and by government agencies.

Promote economic and racial justice: Eliminate student loan debt and establish a right to higher education across the United States

Darrick Hamilton, The Ohio State University and Naomi Zewde, City University of New York

The amount of U.S. student loan debt ballooned over the past decade, and the repayment burden is substantial. As a result of our long history of racial economic disparity, black students face particularly difficult challenges financing their degrees and carry a disproportionately high student debt burden. Upon graduation, young black adults face a harder time paying off their student loans. They have an urgent need to secure paid employment to pay off their debt, regardless of whether these jobs align with their

career aspirations, and they must do so in labor markets characterized by racial discrimination.

Solutions

- The full cancellation of all undergraduate and graduate, federal and private, student loan balances would fully protect black students and their families from the burden of student loans while establishing higher education as a universal right.
- Accordingly, we should henceforth provide tuition-free education at public colleges and universities to all Americans.

A plan for equitable climate policy in the United States

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Climate change is claiming American lives due to wildfires, flooding, heat waves, and storm surges across the country, with many more in danger should the crisis continue to escalate. This crisis will dramatically exacerbate economic inequality because low- and middle-income Americans have minimal safety net protections from the impact of climate change, are more vulnerable to health-related risks, don't have the financial resources to recover from climate disasters, are more vulnerable to climate-related hazards in the first place, and will struggle the most to navigate the costs associated with climate change policies.

Solutions

To avert a climate and economic disaster, the United States must completely decarbonize by 2050. Doing so

will require a number of economic and social policies that ensure communities and firms share the profits from the production of clean energy, provide equitable access to clean transportation, and enable retraining for fossil-fuel industry workers into good-paying clean energy jobs.

Policymakers should take the following actions:

- Enact a federal clean electricity standard that ensures that contributions to climate solutions are equitable overall and offer equitable protection from the local air pollution and other harms that accompany carbon-intensive power plants.
- Increase and sustain federal investment in research and development on clean energy.
- Policymakers could provide extra incentives for projects that receive government subsidies or tax benefits to negotiate Community Benefits Agreements. These are contracts between large energy developers and communities hosting an energy project that require that the community receive a share of the project's benefits. These agreements also could require minimum wage standards, unionization, or other equitable labor market arrangements.
- Provide subsidies for electric vehicles at the point of sale. Rebates could be based on means testing or be restricted to cars whose base price falls below a preset cap. Targeted investments also are necessary to build electric vehicle charging infrastructure across the country, especially in low-income and rural communities.
- Build electrified public transportation systems in urban areas, and build affordable housing nearby. The federal government should directly build and renovate affordable housing to ensure low-income Americans and renters are not left behind by the energy transition.
- Ensure that substantial clean energy investments are made in underserved communities. When funding for low-carbon technology projects is limited, for example, policy should prioritize projects in disadvantaged communities. Renewable energy tax credits should include an additional credit for projects that benefit poor and low-income communities and should be used

to leverage private-sector investment within low-income communities. Further, this policy could be designed to ensure benefits reach both homeowners and renters.

- Shut down all remaining coal plants as fast as possible. To speed up the retirement of rural electrical cooperative assets, debt relief may be necessary. Another approach to retire coal plants more quickly is through the securitization of the debt held by coal-fired plants.
- There needs to be compensation for workers in fossil fuel-intensive industries so they can retire with dignity or receive training for new, good-paying jobs in their communities. Coal miners and other fossil fuel workers must be offered real alternative economic opportunities with a living wage, and there needs to be robust retraining for good-paying clean energy sector jobs. Government funding for clean energy projects should prioritize unionized workers.
- Reform the tax code to eliminate fossil fuel subsidies, including the Intangible Drilling Costs Deduction and the Percentage Depletion Deduction.
- To the degree that a carbon price is included in a package, revenues need to be used to manage the inequities associated with decarbonization. Examples include investments in clean energy innovation and deployment, highly visible rebates to Americans, providing a portion of carbon-price revenues to local governments to spend on projects to reduce greenhouse gas emissions, deploying clean-energy and energy-efficiency technologies in low- and middle-income Americans' communities, and directly offsetting energy bills for low- and middle-income households.

New measurement for a new economy

Heather Boushey, Washington Center for Equitable Growth

The headline Gross Domestic Product growth metric fails to account for the disruptive influence of economic inequality and is misleading about how the economy works. Federal statistics need to reflect the experience of people across the United States and particularly up and down the income ladder in order to set new economic goals and guideposts to realize the promise of the American Dream.

Solutions

- GDP 2.0 measures growth in different income brackets so that policymakers can evaluate how the economy is performing for everyone—the working class, the middle class, and the affluent—and work to ensure strong, stable, and broad-based economic growth.
- Policymakers should create at the U.S. Department of Commerce's Bureau of Economic Analysis a permanent distributional component in the National Accounts to accompany each GDP report.
 - This permanent distributional component should provide measures of growth for income earners up and down the income ladder, including measures of income growth at the very top of the income distribution—the top 1 percent.

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