

THE BROOKINGS INSTITUTION
BROOKINGS CAFETERIA PODCAST
A PUBLIC RECKONING ON RACIAL INJUSTICE AND INEQUALITY

Washington, D.C.
Friday, June 18, 2021

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P R O C E D I N G S

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

As the nation observes Juneteenth, commemorating the day in 1865 when enslaved people in Texas received the good news of freedom more than two months after the end of the Civil War, we are still grappling with serious issues around civil rights, economic and political inequality, and unfairness in the criminal justice system.

Now, a year after widespread protests in the wake of the murder of George Floyd by a police officer once again brought these issues to the top of the national conversation, I'm joined by Makada Henry-Nickie, a fellow in Governance Studies at Brookings and an expert on policies that advance inclusive economic opportunities for disadvantaged families and low-income communities. In our discussion, she talks about where we've made progress on these issues, but also how much remains to be done.

Also on this episode, in a new Sustainable Development Spotlight, two scholars from Global Economy and Development at Brookings share their thoughts on the needed reawakening of international cooperation to tackle development and sustainability challenges around the world, especially in emerging markets so badly hurt by the coronavirus pandemic.

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First up, here's my interview with Makada Henry-Nickie.

Makada, welcome to the Brookings Cafeteria.

HENRY-NICKIE: Oh, wow, thanks, Fred. It's been a while since I've been here.

Happy to join again.

DEWS: Yeah, I think it was about four years ago when you came on when you were relatively new to Brookings to record what we called a Coffee Break. And actually, I want to quote from that here in a few minutes. But first, can you just reintroduce yourself to listeners?

HENRY-NICKIE: Sure. I am Makada Henry-Nickie, a fellow in Governance Studies, and I'm sitting in the Race, Prosperity, and Inclusion Initiative, where we focus on issues of racial equality, income inequality and just generally how to advance policies that close economic opportunity gaps for communities of color.

DEWS: So, definitely congruent with that work that you're doing, we're just over a year after protests for racial justice erupted in the wake of the murder of George Floyd in Minneapolis, and others. And now also the country is starting to recover somewhat from the COVID-19 pandemic, states and businesses are reopening. So, against that backdrop, when you look at America today—and focused on issues of racial inequity, injustice, and income inequality, especially—what do you see that deserves critical attention?

HENRY-NICKIE: Yeah. The last year and a half was raw. I mean, there's no other way to sort of put it. Right? 2020, I think, for me was a year of disruption and a lot of ways it was a year of wokeness. And then we saw these transformative movements. You know, you've got these violent policing acts from Breonna Taylor's execution to George Floyd's murder, as you mentioned, colliding in a very public way with the pandemic that has been especially brutal to communities of color.

And I think that's finally forcing this public reckoning on issues of racial injustice, inequality, and income inequality. But it feels like, Fred, that with each news cycle, you know, it's like we're adding new, more urgent items to the policy agenda. So there's a lot to focus on.

But I think there are a few that really deserve our undivided attention here. I'll go ahead and sort of say, foremost, I think, is the current assault on voting rights that's

unfortunately spreading like wildfire through these mostly southern states. Between New Year's Day this year and Memorial Day alone, 14 states have enacted 22 new laws restricting voting rights. And President Biden said it aptly, right, this war, GOP-led war, against voting rights is playing out across the states like a boldfaced return to Jim Crow. So, we really need to, I think, prioritize thinking about how to protect voting rights for communities of color as we move further into the legislative agenda where we're getting nervous about who's going to control the balance of power come with the midterm elections.

And so, relatedly, I think, you know, I can't stress enough, I need the Democrat controlled Congress to figure out how to pass President Biden's ambitious six trillion dollar budget, which I think has key programmatic investments that are critical to addressing the racial wealth gap and reinvesting in minority and indigenous communities. So, we have really important investments like 3 billion dollars to reduce and end race-based disparities in maternal mortality, 15 billion dollars in this new highways-to-neighborhoods program. Neighborhoods like my own would benefit tremendously from those kinds of investments where we've been since the highway construction, our neighborhoods are cleaved in half. You know, on the one side, there's opportunity that's been booming for decades and on the other, just disinvestment and decay. And even seeing 900 hundred million dollars flowing to tribes to expand their efforts to boost affordable housing. All of those initiatives are going to be sort of really critical to really making this an inclusive economy, recovery, excuse me, and expanding racial equity.

And again, I just want to just say, I'm not suggesting that these are the only issues we should focus on. Right. You've got the Justice in Policing Act. That's certainly important to addressing decades of mass incarceration for Black men. But without protecting the rights of people of color in this country to elect their leaders, to represent their interests, and also to allocate substantial federal investments to fund racial and income inequality mandates, I think

we're not going to get too far beyond just bare conversations. So it's important for me to sort of focus on those two buckets.

DEWS: Well that leads to my follow up question, and I think you may have just answered it. You've mentioned the voting rights legislation in Congress. You mentioned in the George Floyd Justice in Policing legislation that's in Congress. You mentioned President Biden's budget and the programs that it proposes. Those are all things that would have to be enacted into law. But short of that, are there policy areas, again, given the context that we've talked about over the last year, are there policy areas, and given the context in which we're talking about over the past year, in which you think we are making progress? For whatever definition of progress you might have.

HENRY-NICKIE: Yes, so whatever definition of progress. And I'm not a glass half empty kind of person, so I'll say, yeah, we've made progress. I'd like to call out the Biden administration's muscular investments in America's working-class families. So some pundits are already drawing comparisons between Biden and his policy priorities and President Roosevelt and his efforts to create what we have come to own and know as the social safety net. In a few weeks, for example, 36 million struggling families will receive, start receiving these monthly child tax credit payments. And that's \$250 for kids between the age of 6 and 17 and \$300 for kids under 6, for single parents who earn less than seventy-five thousand dollars, and then married couples making just under one hundred and fifty-thousand a year. For right now, this credit is refundable, but it represents, I think, an important investment in low- and middle-income families. And it will provide enormous relief to families who are teetering on the edge of a financial cliff.

Many of these families, too many of them, experienced a sharp rise in their food insecurity issues. And in less than two weeks, and we're not talking about this enough, June 30th, the federal eviction moratorium's going to come to an end. That's going to throw a lot of

these families into homelessness. So, again, love that that's happening. That's the half glass full.

Now, here's the half glass empty perspective. The child tax credit, it's a start, but it can't be the end. Right? So, to cement the boost to these families, we need to expand the credit and make it permanent. According to the Center on Budget and Policy Priorities, if we make this permanent, we could lift 4.1 million children out of poverty. That's a 40 percent reduction in child poverty. Amazing! And of course, Black and Hispanic children disproportionately benefit. But this will also sort of change and affect about 8.8 million white kids who have been previously underserved by sort of this pre-pandemic formulation of the credit. So, I think it's important to, again, figure out how to commend the legislators for the progress that we've made, but we really need to make these kinds of policies permanent.

DEWS: I'd like to move on to some of the research that you've done recently. And in a recent paper, and I'll link to this in the show notes on our website, you wrote about economic dynamism in America's minority communities. Can you tell listeners a little bit about that research?

HENRY-NICKIE: So, I wanted to make a contribution here, Fred, on the discussion of how do we rebuild or actually build an inclusive economy. This year, we commemorated last month, 100 years of the Tulsa massacre. And for us in the Black community, that was not our only our Wall Street, it could have been a catalyst to billions of dollars of inheritance and wealth building. And in a few days, we'll here again be commemorating Juneteenth and the celebration of our freedom from slavery. At the core of this journey, whether it's freedom and to perseverance, has been our ability to create wealth through our entrepreneurial spirit. And I think we needed a reminder about the power of entrepreneurship to create wealth and employment for communities of color. So, I wanted to sort of add this to the discussion and create an empirical case that communities of color like mine are capable of creating viable,

high-quality business ventures that can add to the employment base in communities that really have fallen behind in this pandemic. But to do so, we need to see substantial targeted investments to bolster minority entrepreneurs and just their capacity to create jobs in their local communities. I just don't think we have focused enough on this aspect of wealth creation and job creation and wanted to just add a data point to the discussion.

DEWS: Is it the case, and maybe my reading of this is off, but is it the case perhaps that there is untapped potential in communities of color in terms of wealth and entrepreneurship, but for various reasons, you know, systemic racism, for example, that wealth isn't being nurtured, isn't being tapped, isn't being encouraged?

HENRY-NICKIE: Well, plainly said, I just think it is not being invested in. When we talk about entrepreneurship, especially in the academic literature, there's always this distinction made between quality and color almost. And we invariably are associated with low-quality entrepreneurship and not producing enough jobs. And it's high time that we change that perspective and think about ways that employment creation is possible through entrepreneurship. But to get that done, we need to invest.

DEWS: You've also done a lot of research and you have a lot of expertise in issues around financial inclusion, financial services, and banking. Can you talk about how policy approaches in those areas can address racial inequities?

HENRY-NICKIE: Sure. I think I'd love to sort of start off with this premise that we're in the midst of this digital transformation, and that's really rapidly reshaping the way we access financial services, of course, and products, but also general consumer markets. And that has, I think, enormous implications for the economic mobility of people of color, particularly as it relates to accessing opportunities.

So, in my view, I think the case for expanding financial inclusion for minority groups is really more urgent now than it has been even a decade ago. We are seeing, I observe in my

own work, an accelerated proliferation of machine learning and AI models through every domain of the financial services marketplace. And I think it's important for the audience to understand what do we do with these models. Regardless of how they're applied, we use them to price risk. And we're accustomed to hearing about them in the context of credit. People in the research community, myself included, we've long been discussing and adding a ton of evidence to the disparities in how people and institutions approve and price credit.

But I don't think we're paying enough attention to the blurred lines in the other parts of the financial lives that will ultimately have knock on effects to what we know is this entrenched financial disparities and Black and white disparities in wealth and income. One example of this sort of lines being blurred is 2015, let's go back a few years, when ProPublica brought out a report that the Princeton Review testing company was using dynamic pricing models to individualize computer pricing. And that's fair. That's fine. There's nothing unethical about that. But what it turned out is that the company was charging consumers in certain zip codes much higher prices, I mean, into the tune of hundreds of dollars than others. Ultimately, this ended up in Asians being systematically charged higher rates than any other group.

So last year, researchers in the George Washington University, they doubled down. They looked at 100 million ride hails in Chicago and found that consumers in minority, high-poverty neighborhoods and those of younger residents were charged higher prices.

So, if you sort of-put these discriminatory patterns together, for me, those are examples of how financial resources leak out of minority households and out of minority consumers' pockets. And then combined with the legacy disparities already embedded in our system, ultimately will continue to perpetuate and double down on the wealth divide.

So, what we should be asking is how we combat this. And I think it's important for us to have a robust, I can't stress enough, a robust regulatory framework to protect consumers.

But part of this conversation, Fred, has to start pivoting to what's, how do we enhance these regulations for new institutional players that challenge these existing rules but behave in ways that perpetuate systemic discrimination. And, I hate to beat up on Facebook, but unfortunately, they do come to mind. And so, again, I think a lot of this goes back to combating racial inequalities, really centers on not just financial inclusion, but the rules and regulations to protect consumers because the playing field is increasingly complex and becoming more unfair.

DEWS: I'll just say again for listeners that they can find your research on financial inclusion and a lot of other issues on our website, brookings.edu. I want to go back to something I mentioned a few minutes ago when we started this conversation. And that's when you introduced yourself the first time on the Brookings Cafeteria in our Coffee Break, you said, and I'll quote, "I think very few people will argue with me when I say in this country, when we talk about poverty, certain images and words predominate. That discussion, lazy, unambitious, unwilling to work and Black." Can you revisit that quote, can you kind of unpack that a little bit?

HENRY-NICKIE: Yeah, sure. I think in the last 18 months, so many conservatives have put down payment on that quote, and unfortunately made that statement true. We're looking at all of the discussion surrounding how do we bolster this economy, how do we make an inclusive economic recovery, and all of this centers on getting workers back to work.

Unfortunately, what you're seeing is these kinds of tropes and ideas as to who's receiving unemployment compensation, perhaps it's keeping them on the couch, perhaps it's that they're just too lazy to go out and work. And so now you're seeing state-by-state walk back these critical supports in the midst of the when the pandemic hasn't even really left us yet. And I think a lot of this is really sort of anchored around who we tend to see the images

that are conjured up when we talk about these sort of social net programs and who we're giving assistance to through the federal safety net as opposed to who's working. And again, the disparities on unemployment, who's returning to work, because of all of these other barriers, those barriers are being ignored. And you're just looking at the outcomes. And I think that lends further credence to these under-informed and misinformed and actually racist arguments about who should benefit, who should go back to work.

DEWS: I want to ask another question that's kind of a higher-level view, it kind of gets out of the specific policy areas. And it's in the conversation right now in this country in a really, really, really big way. And we hear especially from people on the right that policy should be, quote, race blind, unquote. People say that we should not be looking at people and seeing color, and they often quote Dr. Martin Luther King Jr.'s exhortation to judge by the content of our character and not the color of our skin. We're hearing this a lot in the context of this discussion, if you will, about critical race theory. How do you respond to that perspective?

HENRY-NICKIE: Well, whenever I hear the argument, that makes me chuckle a little bit. Listen, nothing in America has ever been race blind. From slavery to Reconstruction to Jim Crow and throughout the civil rights era, we've spent centuries, Fred, investing in our public dollars and building the institutions of white wealth. So, even as we make comparisons, like I mentioned earlier, between Biden and FDR and draw those parallels, let's not forget that he championed these white-conscious policies that secured the wealth and privilege that many misguided conservatives believe is their birthright.

So, it's impossible, in my view, to make the case for racial equity or inclusion without lifting up race-conscious policies and targeting the structural racist system we built meticulously and signed and sealed and delivered it with racist laws. So, there's no conversation about equity and inclusion that can avoid race. We need to close these wealth

gaps, these racialized wealth gaps. We need to talk about reparations. I put the question back to them, like, how do you create an equitable and inclusive economy without talking about race? You tell me.

DEWS: Right. And I've done many interviews on this show that focus on a lot of these topics. I'm thinking with Rashawn Ray and Andre Perry on their reparations paper, Andre Perry on his book about Black wealth in neighborhoods, and so on. As we wrap up, I do want to call out the Race, Prosperity, and Inclusion Initiative here at Brookings, which you helped establish, and also the Brookings Institution's priority research area on race, justice, and equity. Where do you see this area of research going and where do you think it needs to go?

HENRY-NICKIE: So, I'm excited for the upcoming year. We have some fantastic scholars that are joining the RPI team, and with their help, we're going to expand the conversation to places of public health. Definitely double down and triple down on the criminal justice conversation; how do we advance policies that address the effects of the mass incarceration of Black men? How do we revise and update and change the public psyche about who our Black young men are and how they are contributors, not detractors, of public safety, and the strength of communities? And also just really digging down into a lot of these identities around our changing political landscape. A lot of this conversation has been centered on Black and white. Some groups, unfortunately, have been continued to be treated as monoliths. And we've got some new scholars who are going to really unpack those new and emerging attitudes and help us to figure out what does this mean for our ability to govern on race issues as continue on with this administration and hopefully into the next decade or two.

DEWS: Well, new scholars and new research sounds like more opportunities for me on the Brookings Cafeteria podcast, so I'll definitely be in touch with you and them on that. Makada, I want to thank you for sharing your time and your expertise with us today.

HENRY-NICKIE: Wonderful. Thanks. It's been a pleasure, Fred.

DEWS: You can find more research from Makada Henry-Nickie and also the Race, Prosperity, and Inclusion Initiative at Brookings on our website, brookings.edu.

And now, here's Homi Kharas and Amar Bhattacharya, senior fellows in Global Economy and Development, on global post-COVID-19 challenges.

KHARAS: Hello, I'm Homi Kharas here with Amar Bhattacharya. We're senior fellows in the Center for Sustainable Development in the global economy and Development research program at Brookings, bringing you a sustainable development spotlight.

It wasn't very long ago when both of us were writing a lot about how there was almost nothing going on in the world of international cooperation for developing countries. We had seen the U.S. essentially withdrawing from the WTO, from the Paris climate agreement. The international tax agreement had broken down. There were arrears to international financial institutions. And in just a few months, it seems as if many of the things that we've been talking and writing about have reversed, and there's been a huge spate of activity.

And now both of us have also had the first meeting of a World Bank, IMF High level advisory group on sustainable development and what the international financial institutions can do to move forward. So it seems that a lot is happening. You share that? Are you optimistic now about how things are going?

BHATTACHARYA: Well, this reawakening of multilateralism and international cooperation is timely. Indeed it is actually urgent. As you know, the pandemic has had severe impact, especially on emerging markets and developing countries. But you know, to be

candid, you know the glass is still, you know half full or half empty. There is a lot still to be done.

KHARAS: I certainly share that view and my own work on a debt and the ability of developing countries to actually attract the kind of financing that we're talking about to be able to invest in both the health issues, education, and sustainable infrastructure is really a tall order. And ultimately in all of these things the devil is in the details and all we're seeing as the headline numbers. And when you get into the details, I think our research suggests that it's going to be a long and rather difficult road. But you've been doing a lot of work and thinking about the size of the investments that are required.

BHATTACHARYA: Yes, indeed. In the report, the Stern Report that we prepared for G7 leaders at the request of Prime Minister Johnson, we make the point that the G7 and the world at large need a significant boost in investment. And we argue that the G7 alone need to increase their investment by about a trillion dollars a year, but the challenge is that whereas the G7 has put already \$12 trillion on the table, emerging markets and developing countries, as you have pointed out, are much more constrained.

KHARAS: Yes, and I think that it's really important to understand that when we—we sometimes talk about emerging markets and developing economies as if they were a single homogeneous block. But actually their characteristics are now very, very different, both in terms of what they need and in terms of their financing capabilities. And it literally ranges from places like China on the one hand, which is obviously *sui generis*, to small island economies, some of which have seen a fall of 20, even 25% of their GDP as a result of the fallen tourism revenues during the pandemic. So, absolutely massive external shocks.

So, when we look at Latin America, Africa, the Middle East, investment rates are really extremely low and they really do need to be boosted. But it's only governments that can really give that impetus to new investments. And many of these governments are, have not

been particularly inclined to invest, or to demonstrate that they're capable of investing efficiently.

BHATTACHARYA: Precisely. So, we need in some sense to work on two sides. We need to improve the capabilities to be able to invest, to translate significant needs and opportunities into real demand. And on the other side we need to harness and mobilize the literally the 150 trillion of long-term savings that could be used for this purpose. So there is much to do and I think this is the year where the world can come together. It has to come together through the G7 but also the upcoming G20 meetings, the UN meetings, and culminating in the G20 summit and COP26 at the end of this year.

DEWS: A team of amazing colleagues helps make the Brookings Cafeteria possible. My thanks to Audio Engineer Gaston Reboreda; to Bill Finan, Director of the Brookings Institution Press who does the book interviews; to my communication colleagues: Marie Wilkin, Adrianna Pita and Chris McKenna for their collaboration. And finally to Camilo Ramirez and Andrea Risotto for their guidance and support.

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Until next time, I'm Fred Dews.