

**Discussion of
"The Economic Gains from Equity"**

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Brookings BPEA

Analysis in the Paper

2018 Raw Data

Group	Share of Sample	Pop. 25-64 (in mill.)	Average ACS Income (with zeros)	Group Specific “GDP” (in trill.)
White	0.62	170	\$46,426	\$4.9
Black	0.12	170	\$29,163	\$0.6
Hispanic	0.17	170	\$28,891	\$0.8
Other	0.09	170	\$47,103	\$0.7
<i>Total ACS Labor Income</i>				<i>\$7.0</i>

- Use data from the 2017-2019 pooled American Community Survey.
- Focus on individuals aged 25-64.

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Hispanic	0.17	170	\$46,426	\$1.3
Other	0.09	170	\$47,103	\$0.7
<i>Total ACS Labor Income</i>				<i>\$7.9</i>

- **In 2018, equating average labor income of other groups to that of whites leads to large gains..... about \$0.9 trillion or ~12% of total labor income.**

Analysis in the Paper

1990 Raw Data (in \$2018)

Group	Share of Sample	Pop. 25-64 (in mill.)	Average ACS Income (with zeros)	Group Specific “GDP” (in trill.)
White	0.77	128	\$38,548	\$3.8
Black	0.11	128	\$26,617	\$0.4
Hispanic	0.08	128	\$25,144	\$0.3
Other	0.04	128	\$33,925	\$0.2
<i>Total ACS Labor Income</i>				<i>\$4.6</i>

- In 1990, three changes relative to 2018
 - (1) Group size – less Hispanics and more whites

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- In 1990, three changes relative to 2018
 - (2) Total population is smaller

Analysis in the Paper

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- In 1990, three changes relative to 2018
 - (2) Relative to incomes have changed (only slightly)

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White	0.77	128	\$38,548	\$3.8
Black	0.11	128	\$38,548	\$0.5
Hispanic	0.08	128	\$38,548	\$0.4
Other	0.04	128	\$38,548	\$0.2
<i>Total ACS Labor Income</i>				<i>\$4.9</i>

- **In 1990, equating average labor income of other groups to that of whites leads to large gains..... about \$0.3 trillion or ~7% of total labor income.**

What Explains Changes Over Time?

1990 Raw Data With 2018 Shares (in \$2018)

Group	Share of Sample	Pop. 25-64 (in mill.)	Average ACS Income (with zeros)	Group Specific "GDP" (in trill.)
White	0.62	128	\$38,548	\$3.1
Black	0.12	128	\$26,617	\$0.4
Hispanic	0.17	128	\$25,144	\$0.5
Other	0.09	128	\$33,925	\$0.4
<i>Total ACS Labor Income</i>				<i>\$4.4</i>

1990 Counterfactual (in \$2018)

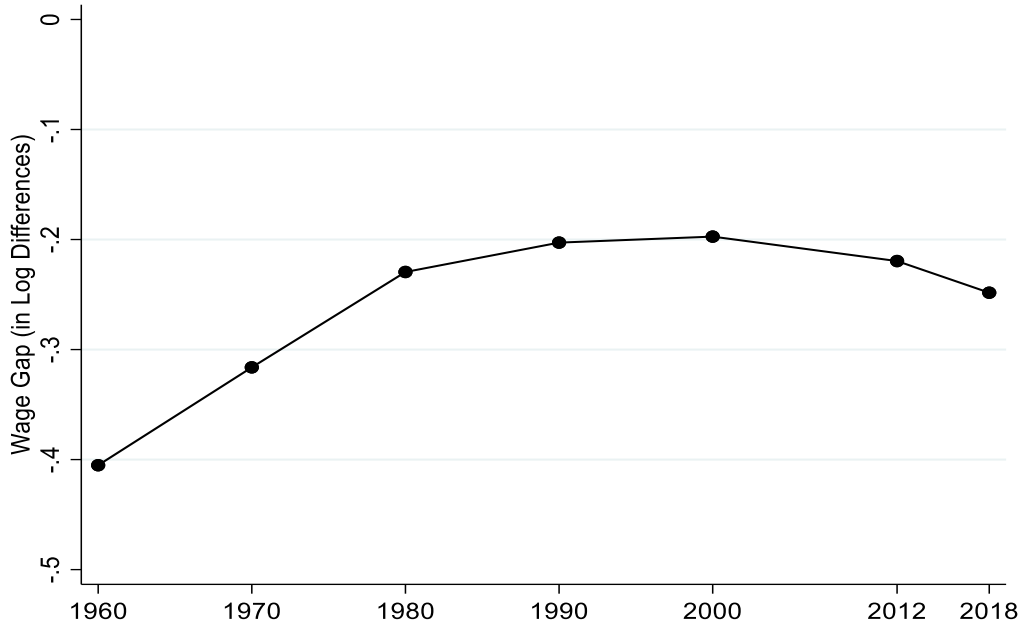
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<i>Total ACS Labor Income</i>				<i>\$4.9</i>

- In 1990, equating average labor income that of whites *assuming population shares are the same as 2018* leads to large gains..... **~12% of total labor income.**

Paper Summary

- **The gaps in labor market outcomes between a given group and whites has been relatively constant over the last 30-40 years.**

Male Black-White Wage Gap: Conditional on Age and Education



- Measuring wage as annual earnings divided by annual hours (for those working)
- Black-White Wage gap fell sharply from 1960 to 1980
- Racial wage gap stagnated since.

- *Census/ACS Data: Men 25-54, Control for **age and education***

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- **The reason that the gains from equating incomes are rising over time is because the relative share of Hispanics in the population has risen (at the expense of whites).**

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- The gaps in labor market outcomes between a given group and whites has been relatively constant over the last 30-40 years.
- Gains from equalizing incomes of other groups to that of whites are large and have been rising over time.
- The reason that the gains from equating incomes are rising over time is because the relative share of Hispanics in the population has risen (at the expense of whites).
- **As the U.S. population as a whole is becoming more diverse, the aggregate gains from reducing barriers across groups becomes larger.**

Comment 1: Productivity Gains vs. Redistribution

- Discrimination may lead to both *redistribution* in the labor market and *distortions in allocations*.
- **Discrimination affects allocations:**
 - Occupational sorting
 - Employment propensities
 - Human capital investments (which is more than years of schooling)
- Reducing forces such as discrimination can potentially improve aggregate productivity by allowing all individuals to better pursue their comparative advantage. [Focus of Hsieh et al. (2019)].

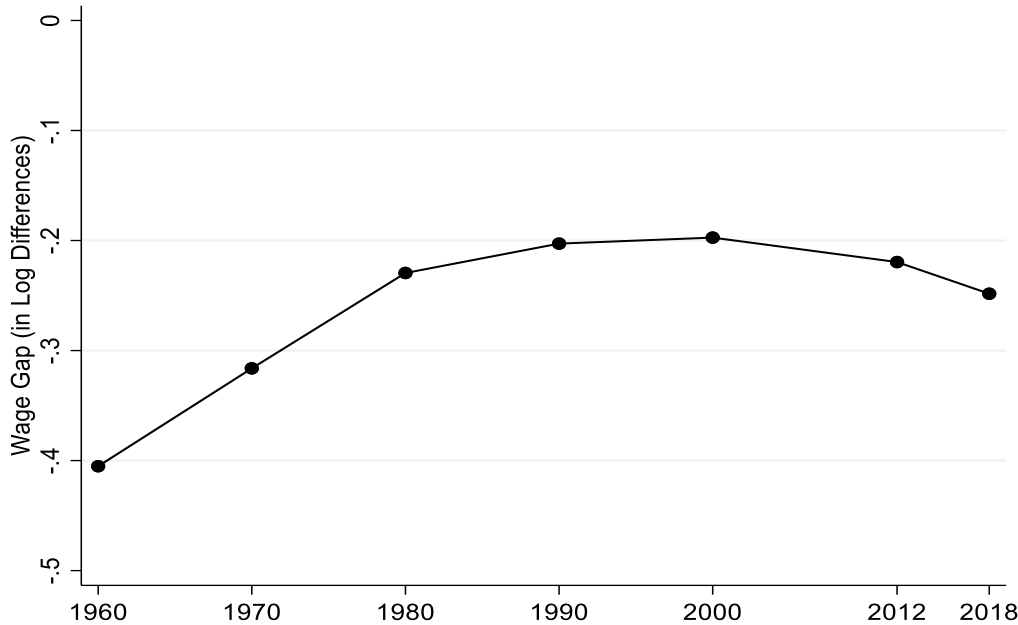
Comment 1: Productivity Gains vs. Redistribution

- Discrimination may lead to both *redistribution* in the labor market and *distortions in allocations*.
- **Discrimination make some groups better off at the expense of others.**
- Hsieh et al. (2019) also estimate that the labor market outcomes of white men deteriorate when the barriers facing women and Black men diminish.
- Implies – in a macro sense – white men and women may not be a good counterfactual for what would happen to the incomes of other groups when barriers are reduced.
- *Given majority group is gaining from the status quo, makes change hard.*

Comment 2: Where Do We Go From Here ..

- **In the broad, what are the root causes of the group differences in labor market returns?**
 - Current labor market discrimination?
 - Current barriers in the ability to acquire human capital?
 - Past discrimination which manifests in group differences in wealth, access to housing, neighborhood choice, institutions, etc.
- Understanding the root causes is critical for figuring out how to equate labor market opportunities across groups.
- The paper is silent on this issue – the answer is likely all of the above ...

Comment 3: Revisiting Black-White Male Wage Gap



- Does the fact that the Black-White wage gap remained constant since 1980 imply that there has been no improvements in race specific factors (like discrimination) during the last four decades?
- Not necessarily.....
- *Census/ACS Data: Men 25-54, Control for **age and education***

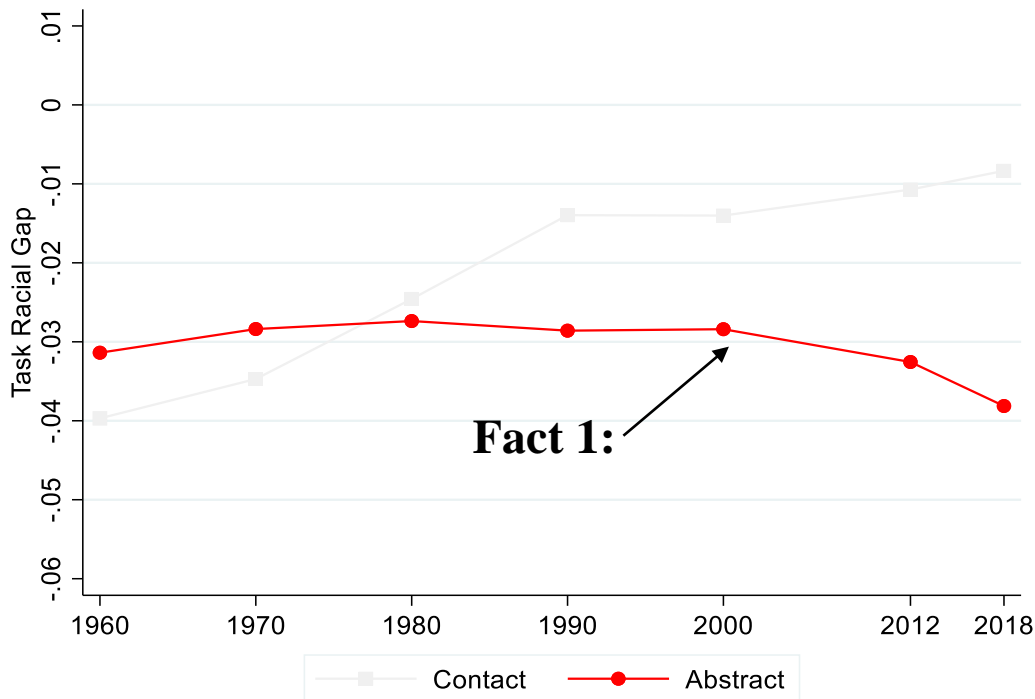
Hurst, Rubinstein, and Shimizu (2021):

"Task Based Discrimination"

- Show that the constant racial wage gap since 1980 is a function of two offsetting forces.
- *Force 1: Black men underrepresented in occupations requiring Abstract tasks and the returns to Abstract tasks have risen sharply since 1980.*
 - All else equal, this worked to widen the racial wage gap.
- *Force 2: Race specific differences (such as labor market discrimination and human capital differences) diminished.*
 - All else equal, this caused the racial wage gap to narrow since 1980.
- The magnitude of these forces roughly offset.

Hurst et al. (2021): Racial Gaps in the Task Content of Jobs

$$Black_{ijt} = \alpha_t + \sum_k \beta_{kt} \tau_{ijt}^k + \Gamma_{kt} X_{it} + \epsilon_{ijt}$$

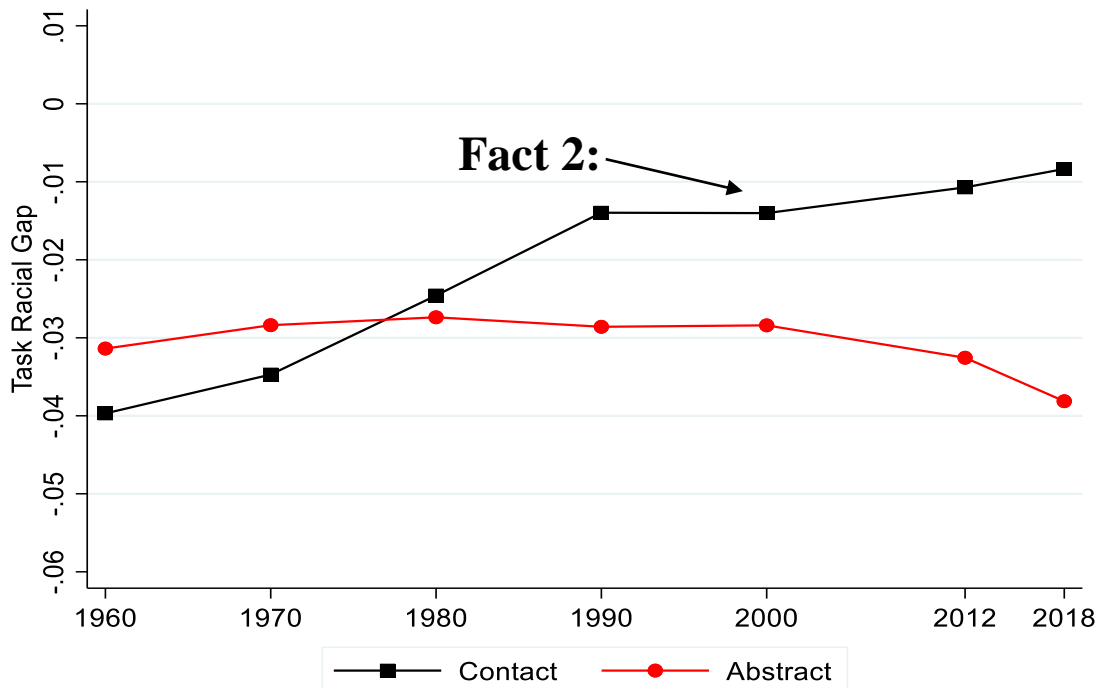


Fact 1: →

- **Fact 1: No convergence in *Abstract* tasks from 1960 to 2018.**
- **1 standard deviation increase in *Abstract* task content of jobs reduces propensity individual in that job is Black by about 3 percentage points.**

Hurst et al. (2021): Racial Gaps in the Task Content of Jobs

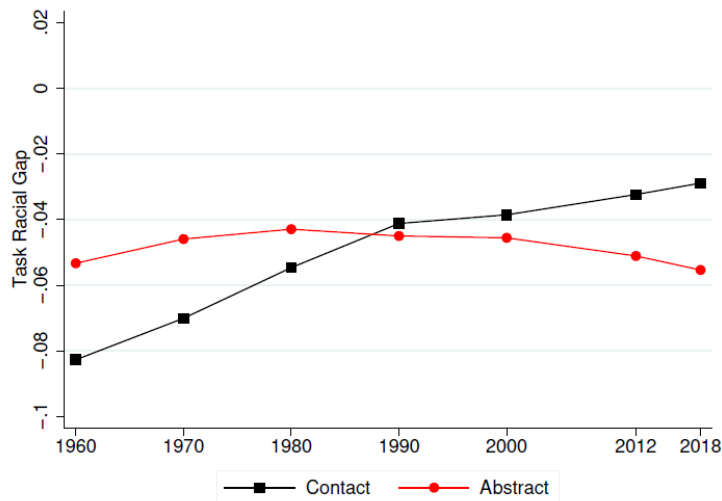
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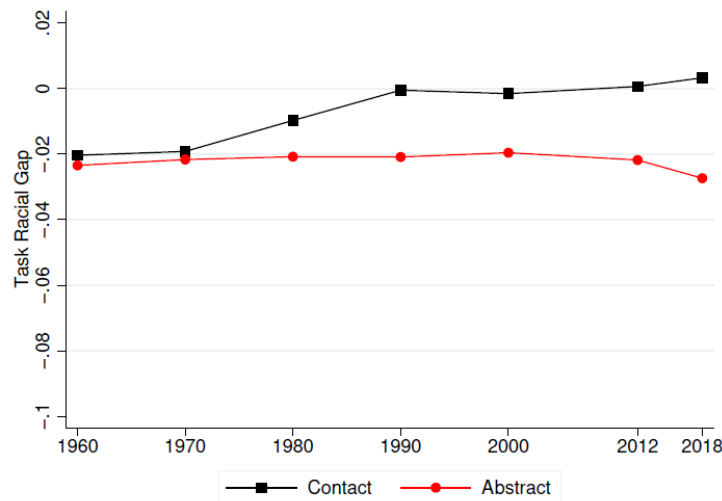
- **Fact 2: Large convergence in "Contact" task from 1960 to 2018.**
- **Contact tasks measure the extent to which individuals have to interact with customers or co-workers as part of their job.**

Hurst et al. (2021): Task Gaps in the "South" vs Other Regions

Figure 3: Census/ACS Task Content of Occupations: South Region vs Other Regions



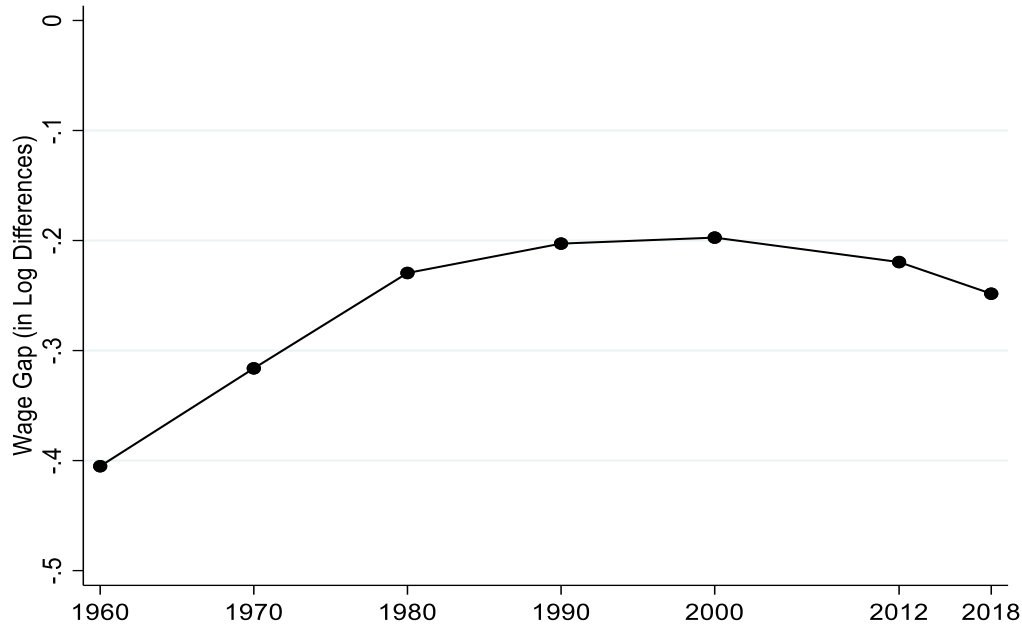
PANEL A: SOUTH REGION



PANEL B: ALL OTHER REGIONS

Convergence in "Contact" tasks much larger in the South. Paper makes a case that the racial gap in "Contact" tasks is a good proxy for taste-based discrimination.

Comment 3: Revisiting Black-White Male Wage Gap



- Does the fact that the Black-White wage gap remained constant since 1980 imply that there has been no improvements in race specific factors (like discrimination) during the last four decades?
- No – changes in the structure of the economy are masking potential race specific gains.
- *Census/ACS Data: Men 25-54, Control for **age and education***

Conclusion

- If individuals from differing groups are endowed with the same potential, we should expect to see similar labor market outcomes.
- However, differences in average labor market outcomes between whites and other racial/ethnic groups are quite large.
- Moreover, they are not narrowing over time. The constant relative "gaps" are a function of both (1) changes in race specific factors (like declining discrimination and convergence of skills) and (2) shifts in the structure of the economy that are favoring whites relative to other groups.
- **Systematic efforts to improve labor market outcomes for non-white ethnic and racial groups will have important individual and aggregate gains.**