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Black's Role in the U.S. Economy: 2008-9

Introduction

Under an Obama Presidency, there is an intensified interest in the role of Black Americans in the U.S. economy. While there are the high-profile Black super rich, such as Oprah Winfrey and Robert Johnson, it is also common knowledge that the Black unemployment rate hovers near 16 percent. In many respects, Winfrey and Johnson appear as anomalies; and there is increasing concern in White America concerning the drain on the nation's treasury caused by a group that is so thoroughly unemployed.

While the U.S. Government does not maintain records on Federal, state, and local financial and in-kind assistance by race, it is known that 25 percent of Black Americans are in poverty; at least 10 million Blacks receive some type of governmental assistance for the indigent.

Unfortunately, there is no direct method for estimating the precise impact that Black Americans have on the U.S. economy. We could use the Bureau of Labor Statistics' (BLS) measure of income for Black Americans that is derived from the Consumer Expenditure Survey (CEX) to interpret the share of Black income within National Income. Such an effort would be clouded, however, by the extent to which the CEX does not capture accurately and completely all economic activity in the nation.

The measure that is designed to do the latter is the nation's measure of gross domestic product (GDP)—the sum of all the final goods and services produced in the economy during a year. Consequently, we use one measure of GDP to measure the impact of Black Americans on the U.S. economy—GDP in the form of value added by industry.

Methodology

Value added by industry data allow us to identify each industry's contribution to the overall economy. We use industry value added measures from the U.S. Department of Commerce Bureau of Economic Analysis and data on employment-by-industry-by-race from BLS to develop measures of per worker value added. The data on employment-by-industry-by-race enables us to estimate the proportion of an industry's value added that is produced by Blacks versus all other workers. As a refinement to our estimates of the industry proportions of value added attributable to Black workers, we factor the estimates down to the 83 percent level because Black workers typically earn about 83 percent as much as White workers.¹ Unfortunately, we have no mechanism for accounting for the fact that, in the main, Black workers are generally grouped at the bottom of the industry pyramid; that is Blacks comprise a relatively large

¹ The Black-to-average earnings ratio was developed from the U.S. Department of Labor, BLS (2008) data for 2007.

proportion of low-level workers in most industries and a relatively small proportion of the management and leadership of industries.

Results

The table below shows published, revised, and difference estimates of total value added or GDP at market prices, total real value added, growth rates, implicit price deflators, and growth in implicit price deflators for 2008 and 2009.

Based on market price estimates, we see that GDP would have been \$1.3 trillion and \$1.2 trillion less in 2008 and 2009, respectively, had Black workers not participated in the production of output. Given the traditional relationship between output and income in national economic accounting, we conclude that Black workers earned about \$1.3 trillion and \$1.2 trillion during the two years. These estimates of output and income represent about 8.9 percent and 8.6 percent of GDP, respectively, for the two years. Notably, Black workers comprised 11 percent and 10.8 percent of the workforce, respectively for the two years; they represented 12.8 percent of the U.S. population in 2008. In other words, Blacks accounted for a significantly smaller share of GDP than their representation in the workforce and in the population.

On a real basis (accounting for price change), GDP would have been reduced by \$1.2 trillion and \$1.1 trillion during 2008 and 2009, respectively, had Black workers been excluded from the economy.² Consequently, the decline in GDP from 2008 to 2009 would have been reduced by 0.6 percentage point had Black workers not participated in the economy; the decline in GDP would have been 2.04 percent as opposed to the published 2.63 percent decline.

Similarly, inflation from 2008 to 2009 would have been reduced by 0.38 percentage point as reflected in the GDP implicit price deflators had Blacks been excluded from the economy. That is, inflation is revised from 0.92 percent to 0.53 percent when Black workers are excluded.

Conclusions

Based on this analysis, we find that Black workers contributed proportionately less to the nation's output than would be expected when we consider their representation in the labor force and in the population. Moreover, the decline in real GDP and the rate of inflation, at least theoretically, would have been significantly better (there would have been a smaller economic decline and inflation would have been reduced) had Black workers not participated in the workforce.

These findings do not bode well for Black Americans who are beginning to face a barrage of complaints from special interest groups that are calling for less government; including reductions in spending on assistance programs. Given these results and national spending on Blacks in poverty and otherwise, it is logical that these interest groups might ultimately express the sentiment that outcomes would be improved if Blacks were not part of the nation.

Considering the ever-changing nature of the economy, the increasing emphasis on technology, and the fact that many of the jobs that Blacks have performed, and continue to perform, are

² Real estimates were prepared by deflation using industry-level implicit price deflators.

becoming obsolete (either due to technology or relocation overseas), Blacks should find it important to address this productivity gap issue.

Moreover, as Asia and Africa rise and as resources become increasingly scarce, it is possible that the nation may experience a reduced tolerance for providing assistance to Blacks and for low-level Black worker productivity. Depending on the extent of the scarcity, Black Americans may face increasing economic pressure and racism. As we celebrate African American History month and our past accomplishments, we may also want to bring these current considerations to mind.

Estimates of Output and Price Change	2008	2009
Published estimates of GDP at market prices (\$s millions)	14,369,059	14,119,040
Revised estimates of GDP at market price (\$s millions)	13,097,993	12,899,638
Published less revised GDP at market prices (\$s millions)	1,271,066	1,219,402
Published estimates of real GDP (\$s millions)	13,228,863	12,880,573
Revised estimates of real GDP (\$s millions)	12,036,537	11,791,291
Published less revised real GDP (\$s millions)	1,192,327	1,089,282
Published growth rate (percentage)		-2.63%
Revised growth rate (percentage)		-2.04%
Published less revised growth rate (percentage point)		-0.60%
Published implicit price deflator (index)	108.619	109.615
Revised implicit price deflator (index)	108.819	109.400
Published less revised implicit price deflator (index point)	-0.200	0.215
Published growth in prices (percentage)		0.92%
Revised growth in prices (percentage)		0.53%
Published less revised growth in prices (percentage point)		0.38%

Sources

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