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"How Black America Could Save Billions—Households at Least $500"

Black America should be able to save billions of dollars each year, and the average Black American household should be able to save $500 easily. How can this be accomplished? By adopting a consumption policy that is outlined below.

Several Black American economists contend that, after controlling for certain variables, Black American households generally save more than White American households.[1] Also, Black Americans know that we could save more by reducing our consumption of products and services, such as tobacco, alcohol, gambling, etc.

However, the U.S. Bureau of Labor Statistics' *Consumer Expenditure Survey* (*CES*) sheds light on ways that we might save even more.[2] For example, suppose we adopted a policy of consuming goods and services that non-Black households consume, but at a rate that is no greater than the ratio of average Black–to–non-Black after-tax household income. For 2017, the CES reports this ratio at 73 percent.

Why would or should we adopt such a consumption policy? Because Black America cannot make progress on the economic front by earning less income than non-Black America yet continuing to consume at a rate equal to, or greater than, the rate at which non-Black America consumes.

Of course, it is the case that the average Black household already consumes many goods and services at rates that are less than 73 percent of the consumption of the average non-Black household. But there are particular goods and services for which we should consider reducing our rate of consumption. Consider Table 1.

The table shows in column "A" the amount spent by the average non-Black household on selected goods and services during 2017; column "B" shows spending by the average Black household; column "C" shows what average Black household consumption would be if we consumed at a rate no greater than 73 percent of non-Black household consumption; and Column "D" shows potential saving by Black households (i.e., column B less column C).

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[1] Consider N.S. Chiteji and Darrick Hamilton, (2002), "Black-White Wealth Gap among Middle-Class Families," *The Review of Black Political Economy*, Vol. 30, No. 1, pp. 9-28.

[2] For a brief overview of the CES, listen to: *Economic Minute: What Is an Average Consumer?*

Table 1.--Black Average Household Consumption in 2017 and Potential Saving
(In US Dollars)

No.	Category	(A) Non-Black Average Household Spending*	(B) Black Average Household Spending	(C) Black Household Spending at 73 percent of the Non-Black Average	(D) Potential Black Average Household Saving (B-C)
1	Housing - Rented Dwellings**	$3,970	$5,447	$2,898	$2,549
2	Housing - Telephone Services	$1,372	$1,248	$1,002	$246
3	Apparel and Services – Footwear	$371	$436	$271	$165
4	Transportation - Gasoline, Other Fuels, and Motor Oil	$2,015	$1,661	$1,471	$190
5	Transportation - Vehicle Insurance	$986	$835	$720	$115
6	Personal Care Products and Services	$778	$653	$568	$85
7	**Potential Total Savings**				**$3,351**

Source: BlackEconomics.org's computations using U.S. Bureau of Labor Statistics' CES data.

*--Non-Blacks include Whites, White Hispanics, Native American Groups, and Asians.

**--Fifty-nine percent of Black households reside in rental dwellings.

According to Table 1, savings are likely to be had in housing, apparel and services, transportation, and personal care products and services. Let's look at each in turn.

While saving may be possible on rental dwellings, probably not at the $2,549 level. Consider that spending of $2,898 implies a less than $250 monthly rental rate. However, it seems reasonable to suggest that Blacks should be able to obtain rental housing at a cost no greater than that obtained by non-Blacks (i.e., $3,970)—unless significant housing discrimination is at play. If so, then there would be saving of $1,477.

It is reasonable to believe that Black households should be able to reduce our consumption of telephone services and save nearly $250 per year.

Also, it is reasonable to suggest that Black households can reduce our consumption of footwear where we spend more on shoes in absolute terms than non-Blacks. There would be $165 saving.

We should be able to achieve the $190 and $115 in saving on gasoline, other fuels, and motor oil and vehicle insurance, respectively. Because Blacks pay less in absolute terms for these products and services than non-Blacks, it does not appear that widespread price discrimination is occurring. However, this saving may be constrained because Blacks' commutes to work may be much longer than those of non-Blacks.

Finally, it is reasonable to conclude that we can save $85 per year on personal care products and services. Consider cutting a couple of haircuts and a perm or two.

If the average Black American household could realize what appear to be easy saving on telephone services, footwear, and personal care products and services, then about $500 could be saved in a

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year. And, if by "average" we mean that at least half of the 17.3 million households (or about 8.6 million) could realize this saving, then nation-wide saving by Black households would increase by well over $4 billion in a year.

On the other hand, if the average Black American household could also realize saving on the transportation related items (i.e., $190 on gasoline, other fuels and motor oil and $115 on vehicle insurance) and on rental housing at the reduced level mentioned above ($1,477), then there would be total saving of $2,278. Again, if this total saving is achieved by half of Black American households, then nation-wide saving would increase by over $19.5 billion.

What should we do with the saving? Invest it and see it grow. At some point in the future, this saving could assist Black America in developing and controlling the type of financial and other institutions in our areas of influence that could make us increasingly independent. That independence would enable us to save lives, extend lives, and live lives with much higher levels of well-being.

Don't you think that it's worth the effort?

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B.B. Robinson
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