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## **“The Black Economics of Uncertainty”**

Economics is huge on uncertainty. Some of the most highly praised economists have explored the topic.<sup>1</sup> Importantly, most widely used quality-of-life indices reflect the impact of uncertainty indirectly or directly. A question for which we believe the answer is a resounding “Yes” is: Are Black Americans’ lives more uncertain than those of White Americans? If so, and if we know that there are adverse psychological and related physical health effects from living with uncertainty, then why is uncertainty not identified as an explicit factor in the Black American Reparations value equation?

Psychologists are quick to conclude that uncertainty can be a cause of anxiety.<sup>2</sup> That anxiety can be stressful. The evidence is that stress—experienced in sufficient dosages and compounded persistently (i.e., chronic stress) over time—can kill.<sup>3</sup>

We can deduce that uncertainty is important to quality-of-life measures because they typically attempt to account for uncertainty. They capture uncertainty indirectly through inequality metrics (viz., the United Nations’ (UN’s) Inequality Human Development Index (IHDI)) or through economic or environmental insecurity metrics (viz., the Organization for Economic Cooperation and Development’s (OECD’s) “Better Life Index” (BLI)). Also, uncertainty is captured directly in a widely used “Quality of Life” (QLI) index by accounting for the “amount of control one has over one’s life” and by the “amount of worries one has in life” (viz., the Ferrans and Powers QLI).<sup>4</sup>

There are good reasons to think that Black Americans experience more uncertainty than White Americans. On the other hand, one could argue that uncertainty is part and parcel of entrepreneurship, and that Whites are far more engaged in business than Blacks. We check that line of reasoning by firing back that, White business failures are less prevalent/likely than Black

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<sup>1</sup> For the uninitiated, the following are selected and popular names of those who rang the bell loudly on economic “uncertainty:” John von Neumann, Oskar Morgenstern, Daniel Bernoulli, Kenneth Arrow, Jack Hirshleifer, and Daniel Kahneman (a Nobel Prize winner).

<sup>2</sup> See Michael Stein (2020), “Avoidance of Uncertainty: Generalized Anxiety Explained,” *Psychology Today*; <https://www.psychologytoday.com/us/blog/understanding-the-anxious-mind/202002/avoidance-uncertainty-generalized-anxiety-explained> (Ret. 090622).

<sup>3</sup> See Jennifer Morey *et al* (2015), “Current Directions in Stress and Human Immune Function,” *Current Opinion Psychology*; <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4465119/> (Ret. 090622).

<sup>4</sup> Readers can learn more about the UN’s IHDI at <https://hdr.undp.org/inequality-adjusted-human-development-index/#/indicies/IHDI>; about the OECD BLI at <https://www.oecdbetterlifeindex.org/#/11111111111>; and about the Ferrans and Powers QLI at <http://qli.org.uic.edu/index.htm>.

business failures.<sup>5</sup> This can be attributed, in part, to the fact that potential financial harm that might derive from White entrepreneurship is shielded by organizational form (partnerships, LLCs, and corporations versus sole proprietorships). In addition, White businesses are initiated with more financial capital than Black businesses.<sup>6</sup> This financial capital extends the window of opportunity for White business to determine how to become profitable, while Black businesses' window of opportunity is smaller.

Let us consider a few reasons why we believe that Black uncertainty exceeds White uncertainty for a few basic life requirements. We do so by asking the question: "Who has the most uncertainty?"

- For housing: A mortgage holder or a renter?<sup>7</sup>
- For mode of transportation: An owner of a new car (not likely to break down) or an owner of an older or used car?<sup>8</sup>
- For on-time transportation: One who owns a vehicle and drives or one who is at the mercy of public transportation.<sup>9</sup>
- For health: A health insurance policy holder with a standard co-pay or one without health insurance.<sup>10</sup>
- For education: A college student and parents who have saved well and require little financial aid or a student and parents who have not saved and who rely more substantially on financial aid?<sup>11</sup>

As a side point, Black Americans, who reside in fresh food deserts, are often chided for frequenting fast-food establishments. Uncertainty may help explain this behavior. One faces more certain outcomes when visiting a McDonalds, Wendy's, Chick-Fil-A, or Kentucky Fried where the price is always and forever \$X.99 per meal versus the trepidation of volatile food prices at a food store? Besides, one may save on transportation costs, meal preparation time, and clean-up-effort with fast foods.

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<sup>5</sup> See Marie Mora and Alberto Dávila (2014), "Gender and Business Outcomes for Black and Hispanic New Entrepreneurs in the United States," *American Economic Review*, Vol. 4, No. 5; pp. 245-49.

<sup>6</sup> See Lee *et al* (2022), "African-American Entrepreneurs: Contributions and Challenges," US Small Business Administrations; [https://cdn.advocacy.sba.gov/wp-content/uploads/2022/05/24115922/Report\\_African-American-Entrepreneurs-Contributions-and-Challenges-508c.pdf](https://cdn.advocacy.sba.gov/wp-content/uploads/2022/05/24115922/Report_African-American-Entrepreneurs-Contributions-and-Challenges-508c.pdf) (Ret. 090722).

<sup>7</sup> According to FRED at the St. Louis Federal Reserve Board, during 2022:QII, 45.3 percent of Black American households were homeowners, while 74.5 percent of White households were homeowners; <https://fred.stlouisfed.org/> (Ret. 090722).

<sup>8</sup> The US Federal Reserve Board's 2019 *Survey of Consumer Finance* reports in its Public Data file (Table 9.19, Means) that for households that owned vehicles, White households' vehicles averaged \$29.1K in value, while Black households' vehicles averaged \$18.4K in value. <https://www.federalreserve.gov/econres/scfindex.htm> (Ret. 090722). Here we assume that the quality of vehicles is positively correlated with vehicles' value.

<sup>9</sup> Ibid. See Table 9.19 (%&Medians), which reports that 89.3% of White households owned vehicles, while only 71.5% of Black households owned vehicles.

<sup>10</sup> See Katherine Keisler-Starkey and Lisa Bunch (2020), *Health Insurance Coverage in the United States: 2019*, U.S. Census Bureau, US Department of Commerce; <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-271.pdf> (Ret. 090722).

<sup>11</sup>The National Center for Education Statistics' 2020 *Digest of Education Statistics* (Table 331.35) reported that for the 2015-16 academic years (latest data available), 95.5% of Black American full-time, full-year undergraduate students received financial aid, while only 85.7% of White American students received financial aid; [https://nces.ed.gov/programs/digest/d21/tables/dt21\\_331.35.asp?current=yes](https://nces.ed.gov/programs/digest/d21/tables/dt21_331.35.asp?current=yes) (Ret. 090722).

It is fundamental that increasing income and wealth can contribute positively toward reducing uncertainty and improving our quality of life—although these may be complex and difficult options, if they are options at all. However, we should be able to improve our psychological and physical health-related quality of life by reducing uncertainty. Whether we concern ourselves with uncertainty in housing, transportation, health, education, food, employment, etc., we should be vigilant in making decisions that are uncertainty-reducing, thereby, improving health outcomes and our quality of life.

Which brings us to our conclusion and the question: “Why is the uncertainty that Black Americans endure—due to racism and its attendant discrimination, which can cause anxiety, stress, and premature death—not explicitly factored into the Reparations valuation equation?”<sup>12</sup> If uncertainty is not factored into that equation explicitly, then it is reasonable to contend that the accounting for reasons for Reparations is incomplete.

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<sup>12</sup> Notably, the two most recent and important Reparations volumes by William Darity and Kirsten Mullen (2020, *From Here to Equality: Reparations for Black Americans in the 21<sup>st</sup> Century*) and by The California Task Force (2022, *California Task Force to Study and Develop Reparation Proposals for Africans: Interim Report*) say little-to-nothing concerning how the heightened uncertainty in Black Americans’ lives causes undue harm to our health and likely explains, in a significant way, our shorter longevity.