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“The Gift that Keeps on Giving: Black America’s RDIS”

In a White Supremacist world, it is expected that efforts would have been undertaken to influence Black Americans to believe that we had little-to-no power—especially economic power. Then “spending power” (now thought to be approaching \$2.0 trillion) emerged as a counter claim to our powerlessness. More recently during the Covid-19 Pandemic, several submissions appeared that featured estimates of how much Black Americans and the US economy were leaving on the table due to White Supremacy and racial discrimination.¹ While certain submissions highlighted how Black American outcomes could be improved, there was a persistent and underlying theme that **everyone** would benefit if racial discrimination disappeared.

This analysis brief adds to the just mentioned literature because it considers how racial discrimination reduces Black America’s production, income, and consumption. But it does not discuss how production, income, and consumption could/would be increased if racial discrimination disappeared. Rather, it features estimates that reveal how current racial discrimination results in Black American economic agents generating income and consumption losses for ourselves, which, in mirror like fashion, shower income and consumption surpluses on non-Black Americans. We label them “racial discrimination-induced surpluses” (**RDIS**).

Ideally, in a US socioeconomic system devoid of racism, if Black America accounts for nearly 14 percent of the population, then we should account for about 14 percent of employment, wealth holdings, income, entrepreneurship, homeownership, and any other socioeconomic measure.

On the other hand, with racial discrimination a present and painful reality, let us consider a simple hypothetical scenario that explains how Black America generates the aforementioned losses and surpluses. Imagine that an economy is valued at \$100. Assume that consumers (households and nonprofit organizations) account for 66% of the economy, or \$66. Now assume that consumers only consume food, clothing, and shelter (items) in equal proportions; i.e., food, clothing, and shelter are each valued at \$22. Also imagine that each item is produced by a single and separate industry, and that the value added (**VA**; i.e., compensation, operating surplus, taxes (assumed to be 0), and consumption of fixed capital (assumed to be 0)) for each of the three industries is \$22. Now imagine that Black Americans represent 15% of the population, while non-Black Americans represent 85% of the population. In a **fair and just** (nondiscriminatory) world, Black Americans would likely accrue 15% of the VA of each industry because we would represent 15% of owners and employees of each industry and would/could consume 15% of each item.

Comprehending that we do not reside in such a fair and just world, let us shift back to our racial discriminatory reality. Accordingly, let us permit racial discrimination to reduce Black ownership and employment within each industry to just 10%, and thereby our value added per industry to just 10%. In addition, given the resulting depressed income and related reduced wealth, our consumption is reduced to just 10% of the items, as opposed to 15%.

Consequently, the following results arise: (1) Black America’s VA from participating in this economy is reduced from \$9.9, which would prevail in a fair and just world, to just \$6.6; (2) Black America’s consumption is reduced in like manner; and (3) the non-Black America take is increased from \$56.1 in VA and consumption in a fair and just world, to 59.4 in VA and consumption in a world of White Supremacy and racial discrimination. The point is clear: Black America’s willingness to accept less than a representative position in the economy permits a persistent and significant loss of income, wealth, and consumption; and it permits non-Black America to enjoy a persistent and significant windfall in income, wealth, and overconsumption.

Now we move from the hypothetical to a real-world scenario using available statistics. The exercise we will conduct produces rough and partial estimates that are only hampered by readily available micro-level industry statistics on VA and employment by race/ethnicity. Therefore, we mix and match statistics that are readily available to generate the situation described in the hypothetical scenario presented above.

- A. We use selected Personal Consumption Expenditures (PCE) by product statistics from the Bureau of Economic Analysis and conflate consumer expenditures by product (item) with industry **VA** that is associated with output captured by the households and nonprofit institutions sectors of the economy.ⁱⁱ
- B. We use as the **representative share** of Black America’s employment and consumption our percentage in the nation’s population based on Census Bureau statistics.ⁱⁱⁱ
- C. We map judgmentally detailed industry employment (by race/ethnicity) statistics from the Bureau of Labor Statistics (BLS) and develop an industry weighted (composite) measure of the actual **Black employment share** that is associated with the industries that produce the product/item.^{iv}
- D. We develop a Black American actual **consumption share** for each product (item) by multiplying our representative share (**B**) by the ratio of average (mean) Black American-to-national average household expenditure for seven major items using BLS’s Consumer Expenditure Survey (CEX) statistics.^v

We then estimate a Black American **RDIS** that is extended, willy nilly, to non-Black groups in the US economy using the following formula (the upper-case letters (alphabets) in the formula are associated with the four lettered bullet points just provided):

$$\text{Equation 1: } \mathbf{RDIS} = \frac{(\prod_{i=1}^7(A_i\mathbf{B}) - \prod_{i=1}^7(A_i\mathbf{C}_i)) + ((\prod_{i=1}^7(A_i\mathbf{C}_i) - (\prod_{i=1}^7(A_i\mathbf{B}\mathbf{D}_i)))}{((\mathbf{Lost Income (VA)}) | (\mathbf{Lost Consumption}))}$$

Where *i* counts from one to seven over the consumer products/items under consideration: Food; Apparel and services; Housing; Transportation; Health; Education; and Entertainment.

Table 1.—Rough and Partial Estimate of Black America’s Racial Discrimination-Induced Surplus, 2022

Line No.	Selected Consumer Expenditure Survey Items	Selected BEA PCE Categories	Selected BLS Detailed Industries	2022 (In Billions of Dollars)				
				(A) Personal Consumption Expenditures: Proxy for Value Added (VA)	(B) Black American Representative Share (Population)	(C) Actual Black American Employment Share	(D) Black American-to-National Household Consumption Ratio	(E) Racial Discrimination Induced Surplus RDIS = ((A*B)-(A*C)) +((A*C)-(A*(B*D)))
1	Total			14,398.5				449.5
2	Food	Food and beverages for off premise consumption; Food service; and Tobacco	Crop production; Animal production and aquaculture; Support for agriculture and forestry; Fishing, hunting, and trapping; Food mfg; Beverages and tobacco mfg; Grocery and related products merchant wholesale (MW); Farm product raw materials MW; Farm supplies MW; Alcoholic beverages MW; Super markets and other grocery stores; Specialty foods stores; Beer, wine, liquor stores; Convenience stores; Food service and drinking places; Agricultural implement mfg; and Agricultural chemical mfg	2,576.2	13.41%	11.7%	76.85%	80.0
3	Apparel and services	Clothing and footwear; Jewelry and watches; and Luggage and similar personal items	Textile, apparel, and leather mfg; Apparel, piece goods, and notions MW; Clothing stores; Shoe stores; Jewelry, luggage; and leather goods stores; Department stores; General merchandise stores including warehouse clubs	642.5	13.41%	16.1%	118.77%	-16.2
4	Housing	Furniture and furnishings; Household appliances; Housing and Utilities; Accommodations; Telephone and related communications equipment; Fuel oil and other fuels; and Telecommunications services	Construction; Utilities; Real estate; Personal and household goods repair and maintenance; Household appliance mfg; Furniture and related product mfg; Engine, turbine, and power transmission equipment mfg; Wood product mfg; Lumber and other construction materials MW; Household appliances and electrical goods MW; Hardware, and plumbing and heating equipment, and supplies MW; Accommodation; and Furniture and home furnishing stores;	3,840.8	13.41%	8.0%	88.05%	61.5
5	Transportation	Motor vehicles and parts; Motor vehicle fuels, lubricants, and fluids; Transportation services; Sports and recreation vehicles	Airport transport; Rail transport; Bus service and urban transit; Taxi and limousine services; Automotive repair and maintenance; Gasoline stations; Fuel dealers; Automobile dealers; Automotive parts, accessories, and tire stores; Tire mfg; Petroleum refining; Motor vehicles and motor vehicle equipment mfg; Aircraft parts mfg; and Oil and gas extraction	1,884.3	13.41%	13.9%	82.56%	44.1
6	Health	Health care; Therapeutic appliances and equipment; and Pharmaceutical and other medical products	Hospitals; Health services, except hospitals; Pharmacies and drug stores; Health and personal care, except drug stores; Drugs, sundries, and chemical and allied products MW; Pharmaceutical and medicine mfg; and Medical equipment and supplies mfg	3,434.9	13.41%	16.2%	66.14%	156.0
7	Education	Educational services; and Education books	Education	326.8	13.41%	15.4%	53.33%	20.5
8	Entertainment	Recreation goods and vehicles (excluding Sports and recreation vehicles); Recreation services; Recreation items; Magazines, news, and stationery; Internet access	Information; Arts, entertainment, and recreation; Sporting goods, and hobby and toy stores; Sewing, needlework, and piece goods stores; Musical instrument and supplies stores; Book stores and news dealers; and Sporting and athletic goods, and doll, and toy and game mfg	1,693.0	13.41%	10.3%	54.37%	103.6

Table 1 is read left to right. The first three substantive columns present the seven CEX items under consideration, the related PCE categories that yield the important expenditure values that proxy for VA, and the linked BLS industries that enabled estimation of Black America’s actual employment shares. The next four columns provide the statistics used to derive the RDIS estimates as explained in Equation 1. The columns show: (A) VA amounts; (B) Black America’s the representative share; (C) Black America’s actual employment share; (D) the average Black American household-to-national household consumption ratio; and (E) the RDIS estimate.

Line 1 of the table reveals that the VA for these seven items amounts to almost \$14.4 trillion, which is 82.2% of total PCE for 2022. Given that PCE comprises just over 68% of US gross domestic product (GDP) for 2022, the VA considered here constitutes just 56% of the total US GDP. Therefore, the RDIS estimates that appear in Table 1 have only been derived from just over one-half of the economy. Relatedly, it is important to note that a similar analysis of the remaining portion of the economy should reveal different income and consumption losses/surpluses, but it is also likely to produce certain offsets to the loss/surplus estimates presented here.

The key finding of this analysis brief is that our rough and partial estimate of the RDIS for 2022 is about \$450 billion. As highlighted by Equation 1, we can consider the total loss/surplus in two parts: Income and consumption. The income loss is about \$175 billion, while the remainder (about \$275 billion) is the consumption loss.

This analysis brief should, at a minimum, motivate the following three thoughts: (i) It is important that Black economists remember to not only account well for the income and potential wealth losses that accrue from racial discrimination (which may be easy to measure), but they should also attempt to account for the related, specific, and important consumption losses;^{vi} (ii) economists and others engaged in the Reparations fight should entertain efforts to measure and capture both income and consumption losses broadly as part of Reparations Claims; and (iii) non-Black Americans enjoy the benefits of the RDIS that Black Americans generate and, logically, the former are likely to work “with all deliberate speed” to expedite the disappearance of surpluses they enjoy now.

The final element of this analysis brief is for readers to engage in an introspective moment to enumerate the innumerable ways Black Americans have given to the nation—usually with little-to-no recompense. These rough and partial RDIS estimates represent another ongoing and unrequited gift. **We are America’s gift that keeps on giving.** Do you agree that we have given until the hurt has become unbearable. Let us begin now to do all that we can to halt this giving and begin to collect due returns on all our gifts to a largely thankless nation.

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ⁱ An easily comprehended introduction to this literature as the pandemic unfolded was, Bina Patel Shrimali (2020), “Racial Equity Primer,” Federal Reserve Bank of San Francisco; <https://www.frbsf.org/research-and-insights/blog/sf-fed-blog/2020/06/12/racial-equity-primer/>. Also readers are urged to consider the following three submissions: (i) Nick Noel *et al*, (2019), “The Economic Impact of Closing the Racial Wealth Gap,” McKinsey & Company; <https://www.mckinsey.com/~media/mckinsey/industries/public%20and%20social%20sector/our%20insights/the%20economic%20impact%20of%20closing%20the%20racial%20wealth%20gap/the-economic-impact-of-closing-the-racial-wealth-gap-final.pdf>. (ii) Dana Peterson and Catherine Mann (2020), “Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the US” Citi GPS; <https://ir.citi.com/%2FPRxPvgNWu319AU1ajGf%2BsKbjJjBJSaTOSdw2DF4xynPwFB8a2jV1FaA3Idy7vY59bOtN2lxVQM%3D>. (iii) Lisa Cook (2020), “Racism Impoverishes the Whole Economy,” *The New York Times*; <https://www.nytimes.com/2020/11/18/business/racism-impoverishes-the-whole-economy.html>. (All Ret. 061424).

ⁱⁱ Bureau of Economic Analysis (2024), “Table 2.4.5 Personal Consumption Expenditures by Type of Product,” *National Income and Product Accounts*, US Department of Commerce; www.bea.gov (Ret. 061324).

ⁱⁱⁱ Bureau of the Census (2023). “Table 1. Population by Sex and Age, for Black Alone and White Alone, Not Hispanic: 2022,” *Current Population Survey, Annual Social and Economic Supplement, 2022*, U.S. Department of Commerce; <https://www.census.gov/data/tables/2022/demo/race/ppl-ba22.html> (Ret. 061024).

^{iv} Bureau of Labor Statistics (2023), “Table 18. Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity,” <https://www.bls.gov/cps/aa2022/cpsaat18.htm> (Ret. 061324).

^v Bureau of Labor Statistics (2023), “Table 2100. Race of reference person: Annual expenditure means, shares, standard errors, and relative standard errors, *Consumer Expenditure Surveys, 2022*, US Department Labor; <https://www.bls.gov/cex/tables/calendar-year/mean-item-share-average-standard-error/reference-person-race-2022.pdf> (Ret. 061324).

^{vi} We highlight the recognition and measurement of consumption losses because failure to account for them will yield estimates/claims (especially when compounded) that under value Black America’s suffering. As a case in point, while not shown explicitly in Table 1, Black America’s consumption loss in Health is sizeable. The loss reflects, undoubtedly and in part, our absorption of government sponsored Medicaid and other resources to cover health expenditures. However, the reality is that Black America’s health as signaled by life expectancy lags far behind non-Black American groups. This reflects the long-standing underconsumption of healthcare services due to racial discrimination and to healthcare’s unaffordability. That is, our consumption losses have likely been large historically and the related health effects have compounded over the generations.