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How The Crisis Is Making Racial Inequality Worse

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Editor's note: This is an excerpt of Planet Money's newsletter. You can sign up here.



Timothy A. Clary /AFP via Getty Images

COVID-19 is killing African Americans at a rate three times higher than white people. You can see the disparity on the map with places like the Bronx, the Lower 9th Ward of New Orleans and the South Side of Chicago grappling with thousands of deaths from the disease. The health crisis, however, is also an economic crisis, and the virus is clobbering these communities on this front, too.

Job losses are "dramatically concentrated in the low end of the wage distribution," says Erik Hurst, an economist at the University of Chicago's Booth School of Business. He is the co-author of a new study, "The U.S. Labor Market during the Beginning of the Pandemic Recession," which analyzes payroll data from millions of American workers between early March and mid-April.

If you look at the top fifth of income earners as of February, he says, about 9% of them lost their jobs. That's catastrophically bad. But if you look at the bottom fifth of earners, who are more likely to be black and Latino, about 35% of them lost their jobs.

The International Monetary Fund is now warning that the COVID-19 crisis will increase economic disparities. In another new study, it looks at the effects of pandemics — like SARS, H1N1 and Ebola— over the past few decades. "And what we found in the aftermath of these events, inequality was higher on a whole host of measures," says Jonathan Ostry, an IMF official who co-authored the study. Workers at the top are more likely to have the luxury of working remotely and the skills, education and wealth to help them weather the economic downturns that follow pandemics. Meanwhile, workers at the bottom get squeezed.

In the United States, these disparities are inextricably linked to race. It's undeniable when you look at death rates. However, if you were looking simply at unemployment numbers, you might at first get misled. In good times and bad, the black unemployment rate is typically double the white unemployment rate, says economist Valerie Wilson, who directs the Program on Race, Ethnicity, and the Economy at the Economic Policy Institute, a left-leaning think tank. But if you look at the most recent data from the U.S. Bureau of Labor Statistics, the black unemployment rate is 16.7%, which is higher than the white unemployment rate of 14.2% but not close to double.

The closer parity between black and white unemployment numbers, Wilson says, reflects how widespread the shutdown has been. It also, however, reflects "the disproportionate representation of African Americans in what have been deemed to be essential jobs." Think grocery cashiers, mail carriers, security guards, health aides, gas-station attendants and fast-food cooks.

Wilson says having an essential job is a "double-edged sword." On the one hand, essential workers have greater job security, which might come in handy if unemployment benefits expire. On the other hand, these workers are on the front lines, risking their health. "People are having to choose between their economic security and their health security," she says. Adding insult to injury, had they been laid off, these workers would have been able to stay home and collect relatively generous unemployment benefits. Instead, they have to work, and they're often not compensated for lost hours.

Meanwhile, government rescue efforts aren't reaching minority-owned businesses. The new Payroll Protection Program is designed to save small businesses from the crisis, and it has the generous feature of offering forgivable loans to those that keep their employees on the payroll. However, around 96% of black-owned businesses, Wilson says, are sole proprietorships, meaning they don't have employees, which makes it harder for them to get their loans forgiven. The loans are also distributed through private banks, which may lack preexisting relationships with minority business owners and may discriminate when giving out loans. Surveys show that about 38% of all small business applicants report getting the loans they requested — but just 12% of minority applicants report getting them.

The cruel irony of the COVID-19 pandemic is that — after a decade of wage stagnation following the financial crisis, which hit them especially hard — African Americans were finally beginning to see wage growth just as the virus began hitting our shores. Many African Americans lack the wealth needed to help them float through another period of economic turbulence. "The median black family has only about 10% of the wealth of the median white family," Wilson says. "They don't have any backup available in terms of wealth or other kinds of financial resources that they can pull from when they lose a job or when their pay gets cut."

"Black Americans are approximately 13% of the nation's population but hold closer to 2.6% of the nation's wealth," says William Darity Jr., the Samuel DuBois Cook distinguished professor of public policy, African and African American studies and economics at Duke University.

Darity and his wife, the scholar Kirsten Mullen, recently wrote op-eds in the Philadelphia Inquirer and Newsweek arguing that the COVID-19 crisis in black communities is integrally related to their deficit of wealth. Darity says that, like the higher rate of preexisting conditions such as diabetes, asthma and obesity seen in black communities — which is itself linked to poverty — "we argue that you should think about the wealth gap as a preexisting condition that leads to greater susceptibility to the harms of the disease." Darity and Mullen, who are authors of a new book called *From Here to Equality: Reparations for Black Americans in the Twenty-first Century*, argue that the COVID-19 death rate in black communities further strengthens the case for addressing the racial wealth gap through a reparations program.

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