

Econ 133 – Global Inequality and Growth

Racial economic disparities

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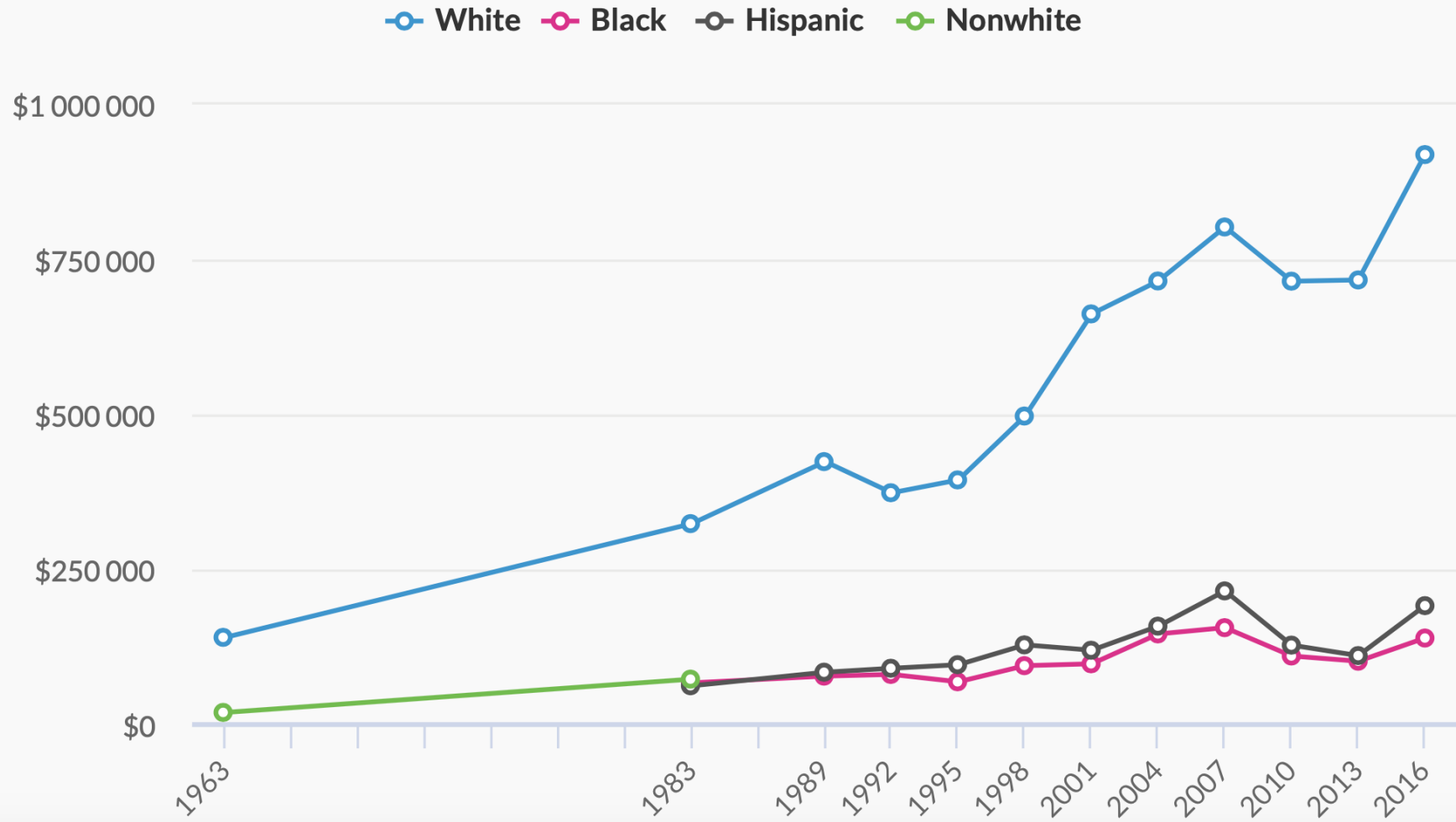
Roadmap

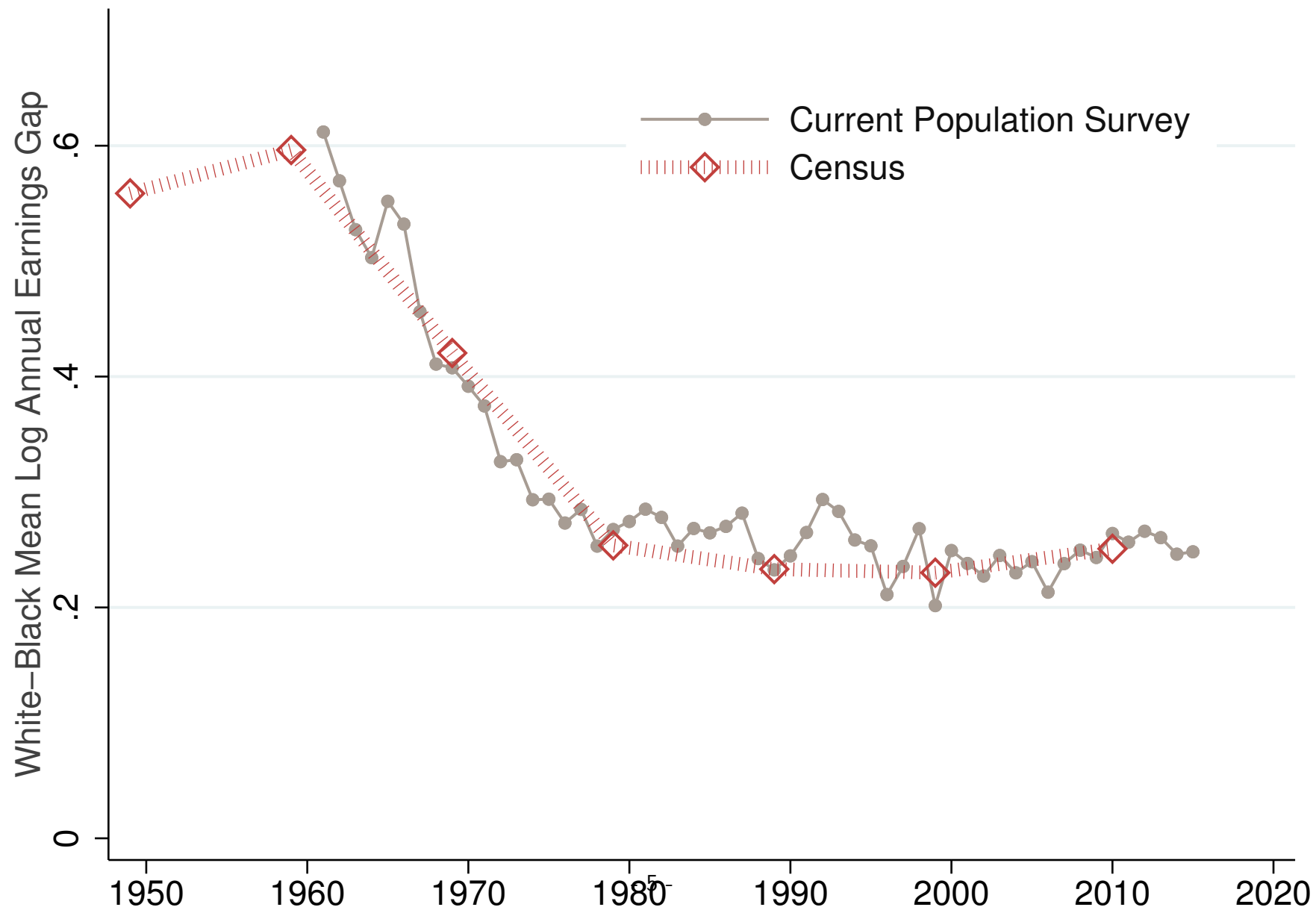
- Racial economic disparities: wealth, labor income
- How can we explain the dynamics of the racial wage gap?

1 Racial economic disparities

- Persistence of large racial economic disparities: striking dimension of inequality in the US and in many countries
- Major disparities for both wealth and labor income

Average Family Wealth by Race/Ethnicity, 1963-2016

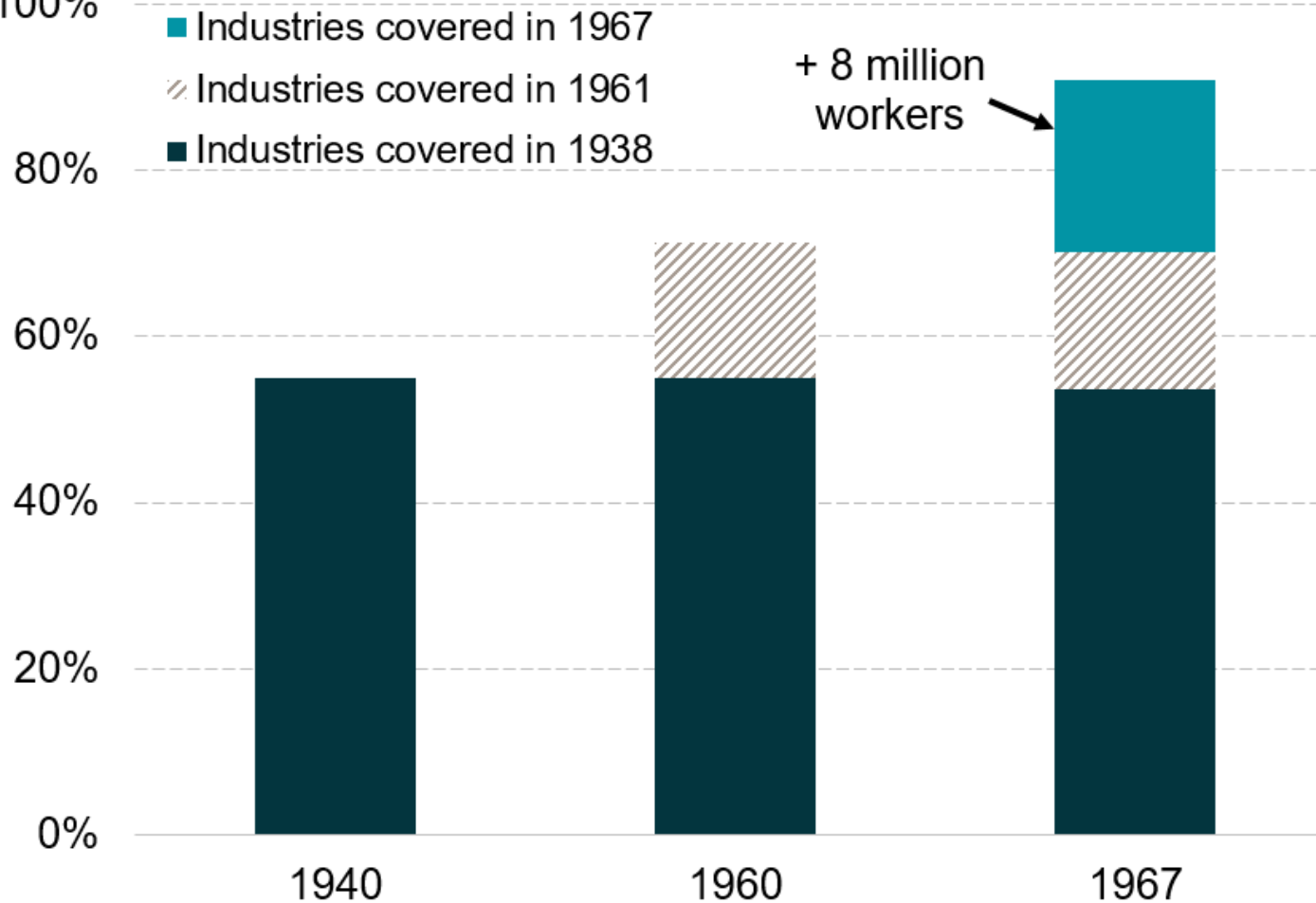




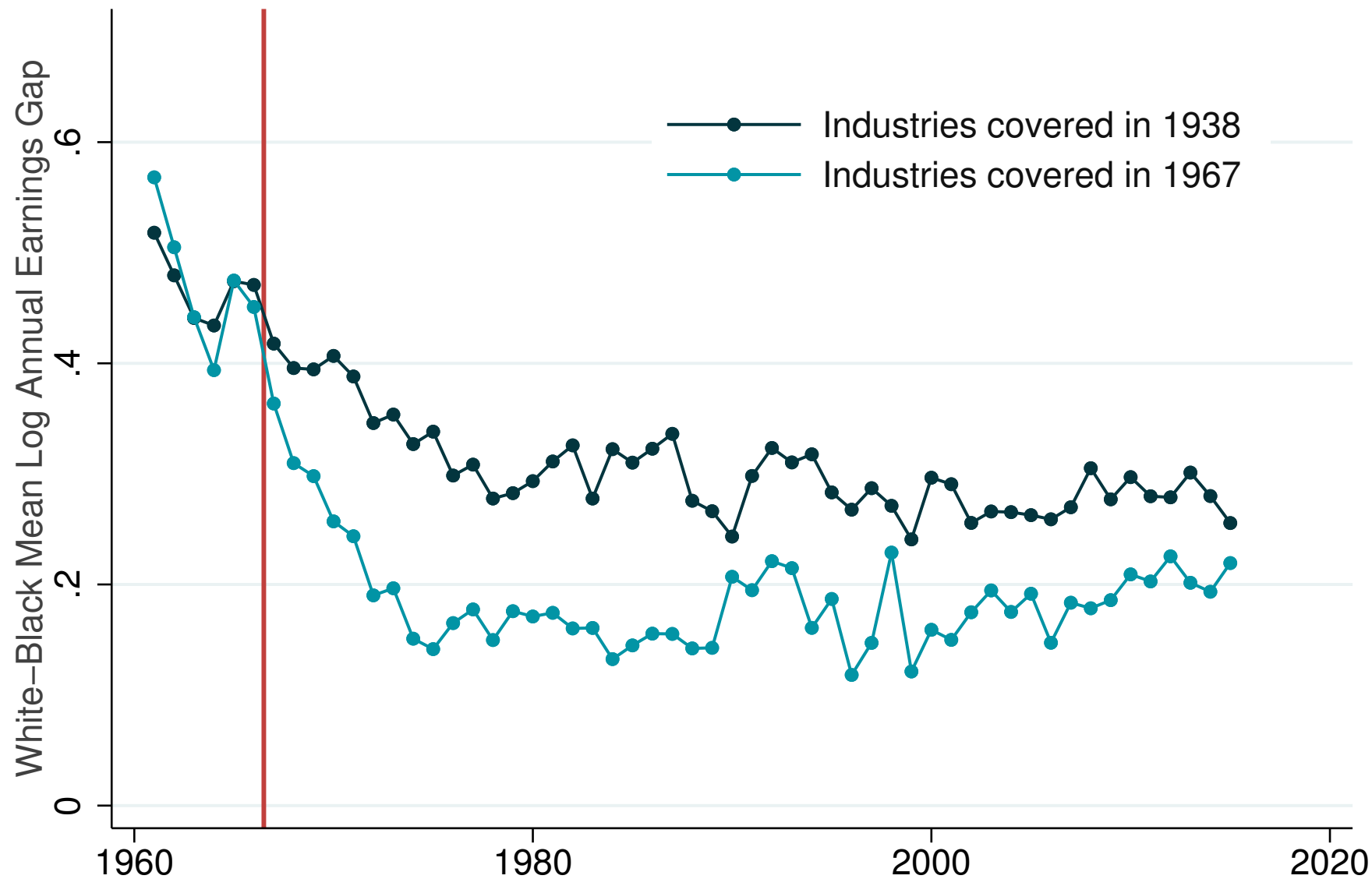
2 Explaining dynamics of racial earnings gap

Racial earnings gap fell only once since 1950: in 1960s and 1970s.
Why?

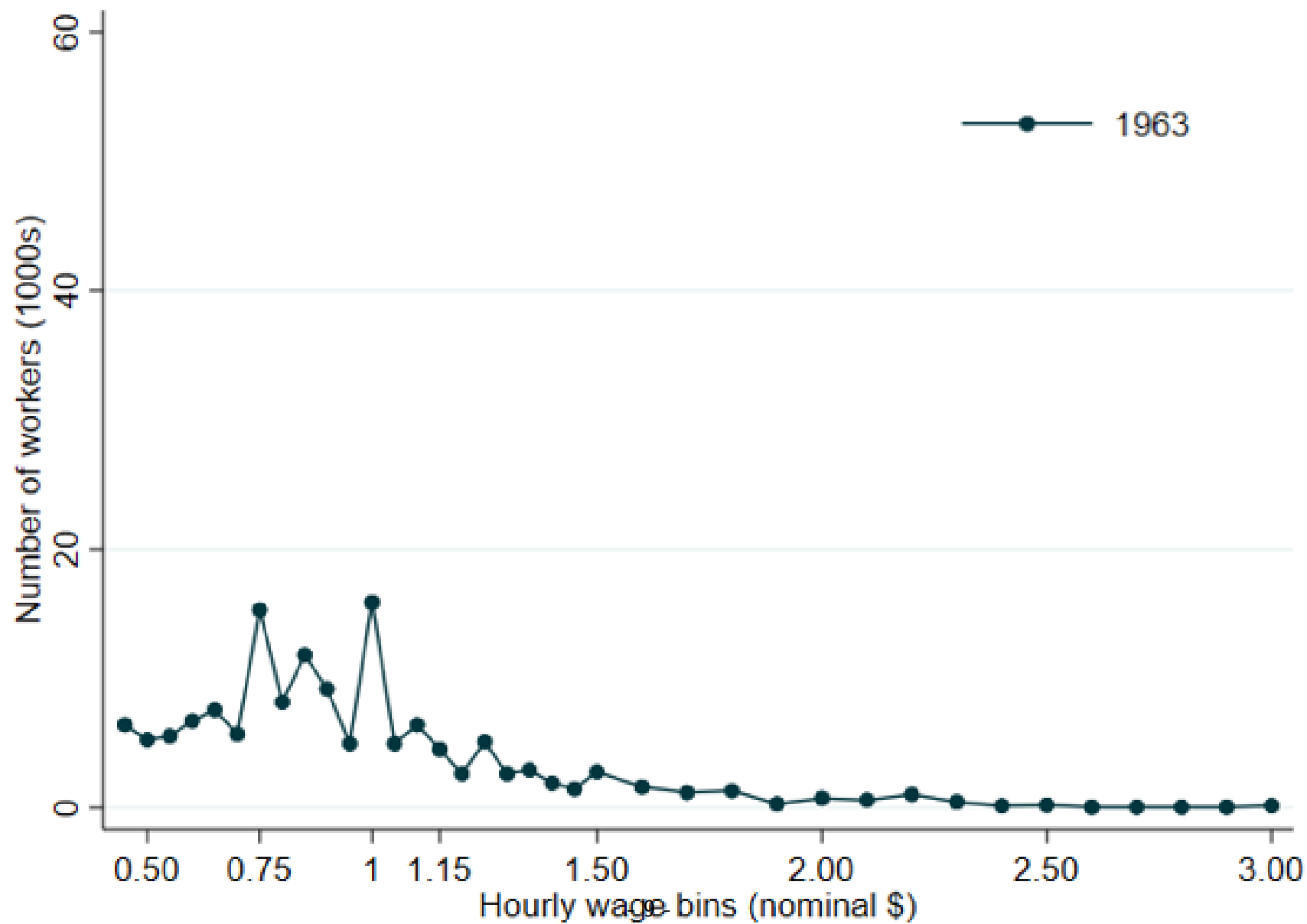
- Demand factors ($\sim 30\%$): Anti-discrimination policies
- Supply factors ($\sim 50\%$): \nearrow in schooling
- Minimum wage rise ($\sim 20\%$) [Derenoncourt and Montialoux, 2018].

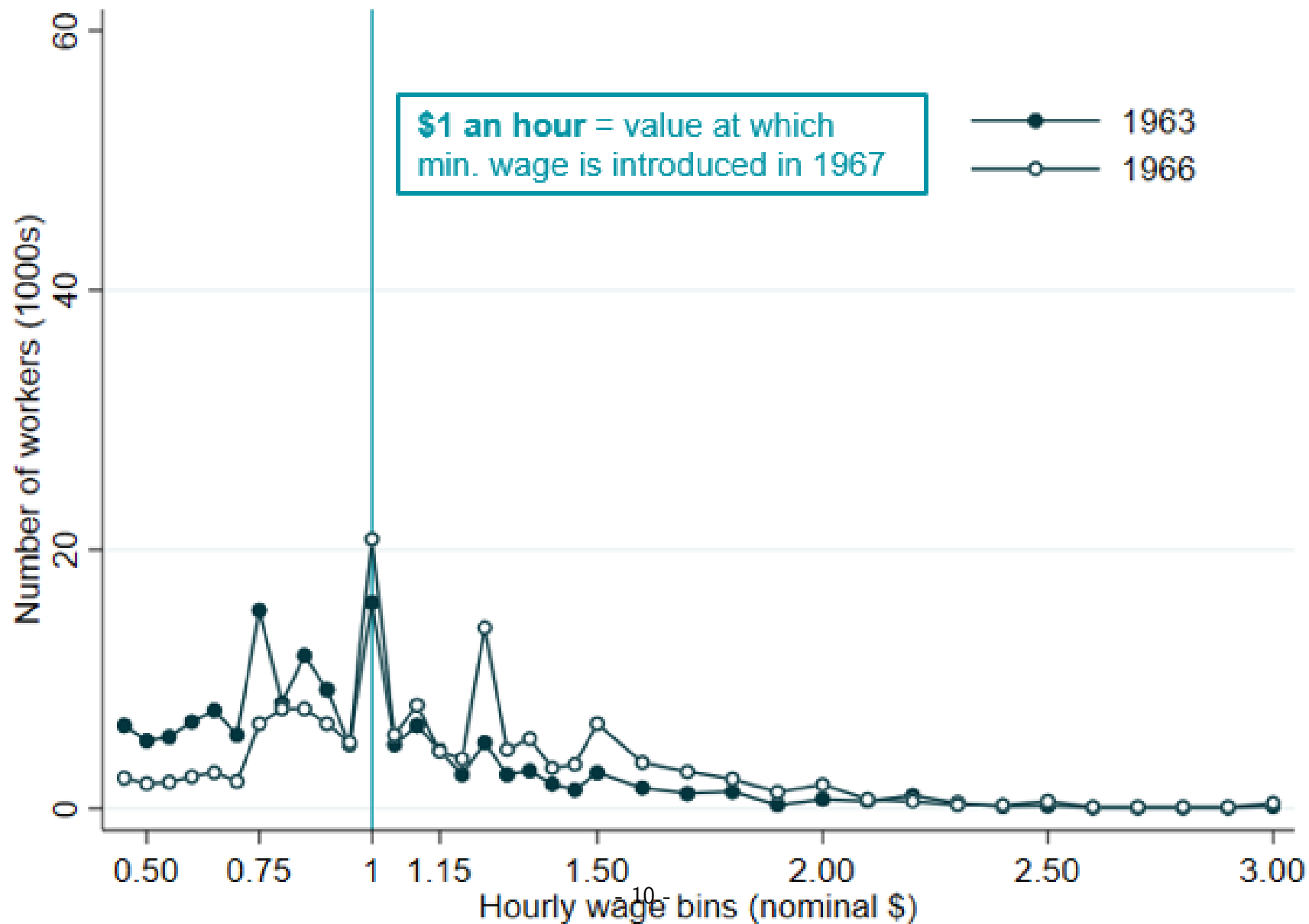


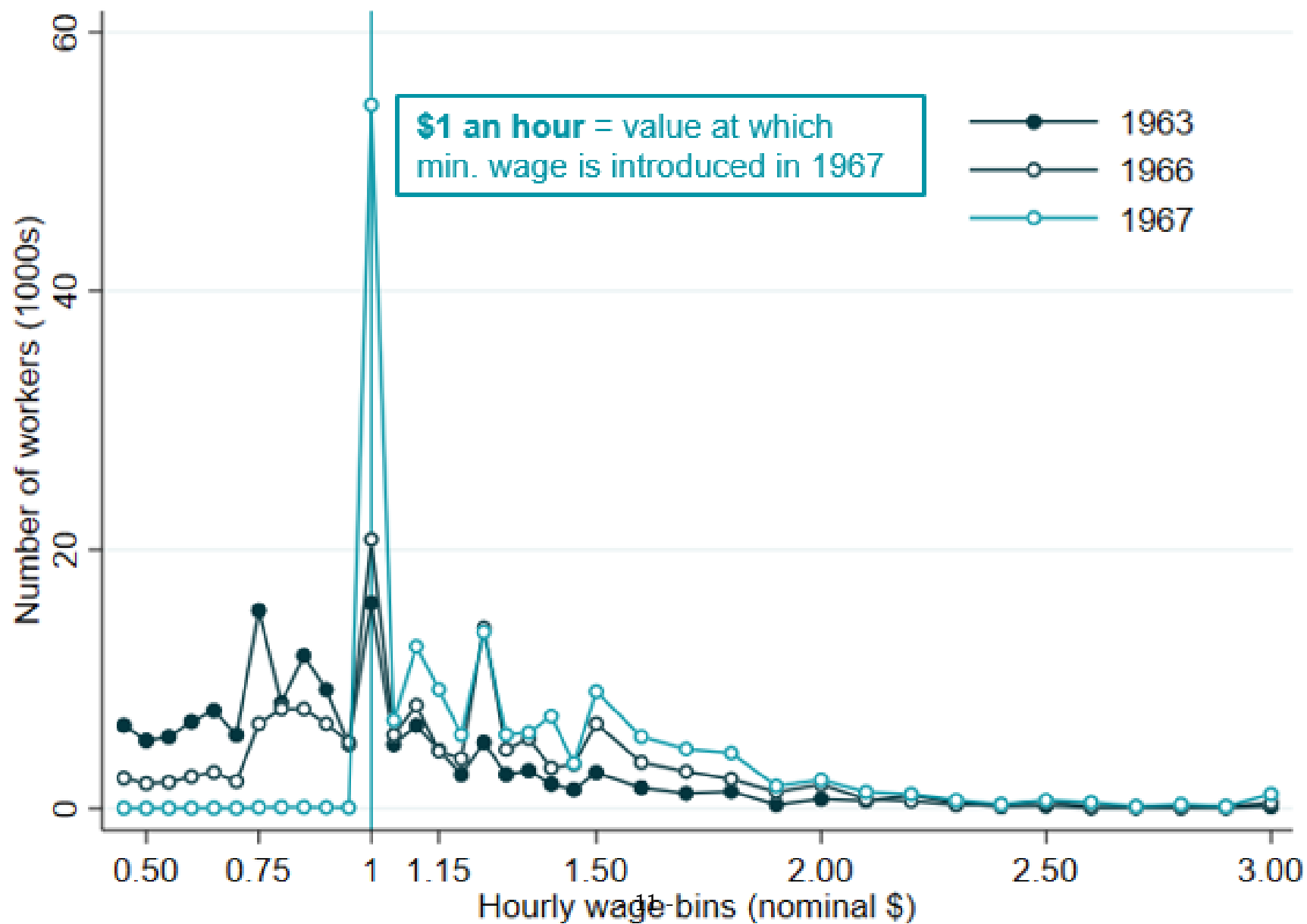
→ Industries covered in 1967 represent \sim **20% of economy** and **30% of black workers**.



Sample: Adults 25–65, black or white, worked more than 13 weeks last year, worked more than 3 hours last week, not self-employed, not in the armed forces.







3 Summary

- Persistence of large racial economic disparities
- But public policies can be effective at reducing racial gap
- Key role of education, anti-discrimination policies, minimum wage

References

Derenoncourt, Ellora, and Claire Montialoux, “Minimum Wages and Racial Inequality”, working paper 2018 (web)