

The State of Racial Inequality in the United States

A group conversation with Dan O’Flaherty, Ruby Mendenhall, and Richard Rothstein

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We think about economic inclusion in a universal sense, wanting everyone to have access to economic opportunity regardless of their race, ethnicity, gender, urban or rural status, or other characteristics. In today’s economy, the larger the number of people able to develop their gifts, the better off we all are.

But inequality of opportunity appears stubbornly persistent across racial and ethnic groups. The history of barriers faced by Black Americans is an outlier, and while we have made important progress in recent decades, improvements to broad indicators have been slow. For example, neither the gap in average earnings nor the gap in average wealth across Black and white households has changed over the past sixty years despite civil rights legislation aimed at racial equality ([reference](#)). Similarly, Black and white households with the same income *and* wealth live in neighborhoods with remarkably different socioeconomic characteristics ([reference](#)). And Black children are disproportionately attending schools facing the obstacles created by concentrated poverty.

Before having conversations on specific topics related to economic inclusion, many of which will relate to racial inequality, we wanted first to have a broad conversation on the state of racial inequality itself in the United States. We began by hosting one-on-one conversations with three leaders, each of which has spent considerable time thinking about these questions: Ruby Mendenhall, a sociologist at the University of Illinois, Dan O’Flaherty, an economist at Columbia University, and Richard Rothstein, the author of *The Color of Law*. We then had a group conversation, asking the group about where we are as a nation and how we got here during the conversation summarized below.

What progress have we made in recent decades, and what obstacles remain?

I began by asking the group to assess where we’ve seen progress and where we haven’t in recent decades.

The guests identified growing economic inequality since the 1970s as a major factor slowing progress toward racial equality. While there are areas where we have had sustained convergence over the last 50 years, such as health (Dan gave the example of life expectancy), anti-Black racism is still taking its toll on health outcomes (Ruby pointed to infant and maternal mortality rates among Black Americans as an example). Richard identified criminal justice and incarceration policies as the area in which we’ve gone the farthest backward due to criminal justice and incarceration policies, and he sees residential segregation as an enormous barrier to progress. He

pointed out that the civil rights movement in the 1960s that ended segregation in public accommodations and public transportation left residential segregation untouched.

How can we keep conversations about racial inequality constructive?

We need to be able to discuss race if we are going to make progress on racial inequality. I asked the group how we can keep such discussions constructive.

Dan noted that it can be helpful to speak in “boring terms,” citing medicine as an example in which language and norms have been developed to discuss extremely emotional issues from a distance. Dan also urged us all to get off of social media because it fosters disagreement, and he expressed the view that we should not be holding serious conversations via internet chats.

Ruby thinks it is important to distinguish between structural- and individual-level conversations:

The structure, the policies, the practices that exclude individuals. And then there is a conversation to be had too about individual behavior, if you are in meetings or if you are in companies and there are no people of color, there are no women. And do you feel comfortable with that? I used the word “comfortable,” and I argue that you shouldn't be comfortable.

Richard also sees a necessity for people to be uncomfortable in such situations where there is a lack of representation.

Thinking about the future of race

Race distorts our thinking, but we cannot ignore race because it shapes our reality. How then, I asked the group, should we deal with race while also working toward a world where race has the same significance as eye color does today?

As Ruby explained, science has long shown that there is no substantive biological distinction between people belonging to different races – race is recognizable primarily as a social construct. Yet the consequences of that construct for the world are not benign, and so we cannot ignore how race shapes our reality. She argued for making sure that access to resources is not limited by race:

It is important to realize that now that we have created this system, we have created an ideology around it, that there are real life consequences of what people refer to as “race” in terms of where you get to live, in terms of your access to school, the resources that are in that school that allow you to thrive or not thrive. And that's what we have to keep track of and monitor and then push to make it equal to get rid of those differences.

Dan said that given our history, he would actually feel bad about a world 100 years from now in which people thought that race had the same significance as eye color. Why is that? One,

because African American culture is so valuable – it is one of the most powerful things in the world today. But also because we need lessons, we need heroes,

and we need to feel that they have something to do with us. I want people 100 years from now to be able to look at Martin Luther King, to be able to look at Malcolm X, to be able to look at Frederick Douglas, to be able to look at Harriet Tubman and say, ‘These are great people. I wish I could be like them.’ Now everybody can say that, but I want some particular group of people to say, ‘Gee, those are my people not generalized good humans. I am proud to come because of my connection with these great people.’

Richard found the question to be ill-posed and focused his response on identifying practical and effective next steps rather than looking to the distant horizon:

I don't know what 100 years are going to be like. ... I'm not looking to map out the perfect racial inequality. I want to see some progress and it's going to be slow. And right now we're not making much and we need to.

Richard went on to question the effectiveness of organizations that are setting up diversity, equity, and inclusion officers as a way of meeting their obligations. Do such efforts respond to their obligations? He worries that symbolic efforts like eliminating restrictive racial deed covenants, which have long since been made unenforceable by law, do not actually create housing opportunities for Black people. He wonders whether organizations are actually facing their responsibilities and working to undo the harm they or others created.

Racial inequality in the labor market: What are some major causes?

When focusing on sources of racial inequality in the labor market, some major factors identified in the literature include job referral networks, hiring policies, discrimination, education, skill-biased technological change, and incarceration policies. We asked our guests which of these obstacles, or others not mentioned, did they identify as being important.

Ruby described her experience to argue for starting with making sure that people have the basic resources to be good parents:

I was an occupational therapist at then Cook County Hospital and also worked on the protective service team. And kids came in failing to thrive. And mothers would say, mostly Black and brown mothers would say, “I don't have enough money. So I'm watering down the formula, and that's why the baby isn't growing.”

Dan argued that the Federal Reserve’s policies are important for this question of basic resources, pointing to the Fed’s policies in the 1980s as being responsible for Black unemployment reaching 20 percent in 1982. He also argued that the Fed’s current policy decisions will have important consequences for Black employment. Dan argued that inflation today is not a monetary issue, but, rather, is more about what group’s consumption or investment will fall. One group’s must fall, he argues, because people want to keep consuming today the same way as they were in 2019 while

the world economy is not producing goods and services today the same way as it was in 2019. As he sees it, if inflation is lowered today via a recession, the reduction in consumption in the United States is going to be predominantly among Black and Hispanic people.

Working toward racial equality in the labor market: What should we prioritize?

The economist Pat Bayer writes that many of the mechanisms generating racial inequality in the labor market can be seen as resulting from residential segregation; he argues that

racism and segregation are really just two sides of the same coin. . . . [Our] separate and unequal geography. . . forms the conditions that foster the vastly uneven application of law enforcement and criminal justice, gives rise to systematic differences in the quality of schools that black and white children attend, and geographically correlates race and poverty in a way that is difficult for many observers to tell apart, further driving racial misperceptions and racism itself. ([Reference](#))

Given these considerations, I asked the guests if we should simply focus on residential segregation to improve racial equality in the labor market. Dan and Richard had a debate in response to this question.

Dan agreed that there is a clear chain of causality from residential segregation to racial inequality in the labor market. However, he argued that there are many chains of causality leading to and from racial inequality, and residential segregation is one initial cause among many. He argued that a more interesting question than “What is the ultimate cause” is “Where can progress be made?” Dan argued that if there are many places to enter into the circle of causality, we should choose where to enter that circle based on where we can achieve the biggest impact.

Richard disagreed, arguing that we cannot start anywhere on the circle of causality. A former education reporter for the *New York Times*, he argued that for almost 30 years we have assumed that people can start with schools. But he pointed to all of the obstacles created from an individual’s being in poverty that get further compounded when living in neighborhoods of concentrated poverty, issues such as higher rates of asthma, lead poisoning, housing instability and homelessness, economic insecurity, and toxic stress from physical insecurity. He expressed the view that it is misguided to expect a school to perform at a high level when residential segregation concentrates the children experiencing these obstacles in that same school.

Dan did not see any contradictions to his view from Richard’s statements. He pointed out that one could make a similar argument that the United States has been working on residential segregation since the 1960s. He continued by noting that he does not see effective levers that are politically possible to reduce residential segregation without large costs to the Black people who move, while he does see levers in other areas—such as education and health—in which we could make progress. He would prioritize police homicide, teachers, and algorithms.

Digging deeper in our one-on-one conversations

Ruby discussed her experience working with low-income mothers; her research on housing, neighborhood effects, and the Gautreaux housing mobility program; and her field work related to youth development and community health workers.

Dan discussed the way in which race is real, how making progress on a single specific aspect of racial inequality can often be seen as a panacea, and the evidence from the economics literature on racial inequality in the labor market (i.e., the roles of discrimination, education, hiring practices, job referral networks, and the racial wealth gap).

Richard discussed why he gradually came to see neighborhood segregation as a central cause of educational difficulties in the United States. He also discussed the findings he catalogues in his book *The Color of Law*, which summarizes his investigation into the causes of segregation.

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