

Transcript Policy 360

Episode 54

Kelly Brownell (KB): Hello everyone and welcome to policy 360. My name is Kelly Brownell and I'm the Dean of a Sanford School of Public Policy here at Duke University. Today I'm very pleased to welcome William- or as he's better known to us, Sandy Darrity-to the program. Sandy is the director of the Samuel Du Bois Cook Center on Social Equity at Duke University. Sandy specializes in inequality in the US, especially when it comes to race and he's done pioneering work on his topic. He's an economist by training, and has spent his career digging into the numbers behind economic and racial inequality. Welcome, Sandy, to Policy 360.

Sandy Darrity (SD): Thanks, glad to be here.

KB: So, you co-wrote in a treating article recently entitled "Forget a Higher Minimum Wage: Here's What to do to Help American Workers". It's quite a provocative title. Before we ask about your solution, could you please lay out the issue for us as you see it?

SD: So, the primary issue is that we have recurring cycles of high levels of joblessness in the American economy. We usually refer that as "cyclical unemployment", but we also have something that we refer to as "structural unemployment", which are segments of the population that are continuously subjected to high rates of joblessness. This is typically members of our national community who are faced with discrimination, so this would include Black Americans, it would include individuals who have been recently-incarcerated and have completed their sentences, it would include folks who have physical disabilities, it would also include individuals who have been recent military veterans, because they also have a great deal of difficulty in finding employment. So, the problem is joblessness and the accompanying deprivation that's associated with it. We can explain much of the poverty in the United States not by people necessarily- not by people necessarily having no jobs, although that's a component of poverty, but also having poorly-paid jobs. And so, we've tried to craft a proposal or policy that we think could address both the issue of joblessness, as well as the issue of low-income employment.

KB: Well, let's try to put these numbers in perspective. We could make lots of comparisons- people who've been incarcerated versus not, for example, but let's talk for a moment about the Black/White difference. So, tell us, give us a sense of the gulf in employment numbers for those groups.

SD: So, there's a stylized fact about the nature of the relationship between the Black unemployment rate and the White unemployment rate in the United States, and, essentially, since we first began to collect statistics on unemployment by race, we found that the Black unemployment rate tends to be twice as high as the White unemployment rate. And this is also the case, even if you take into account educational attainment. So, if you look at every tier of educational attainment, you still find a two-to-one ratio with respect to the unemployment rate. And, episodically, there are circumstances in which Whites who never finished high school- actually they have a lower unemployment rate than blacks who have had some college education. So, I've typically said that the Black/White unemployment ratio is actually an index of the degree of discrimination in the American economy, and this is a pervasive and persistent phenomena.

KB: Has that gap changed over the years?

SD: No, actually, it's very odd. I mean, it stays in the vicinity of this two-to-one ratio fairly consistently.

KB: So, if you exist in a workplace, as we do, you hear a lot more talk about fair employment practices- affirmative action has been around for quite a long time. It's surprising that that gulf is not changing.

SD: No, the gulf doesn't appear to change. It seems to be kind of impervious to a wide range of social policies that have been introduced over the course of, say, the past 50 years.

KB: So, one can point to implicit or explicit bias as a driver of that- are there other things that might be responsible as well?

SD: Well, I mean, if we're thinking about the racial unemployment gap, I think it has to be attributable to some form of bias in hiring.

KB: Alright. So, you say that income-earners in the bottom 50% haven't seen areal raise since 1980. Why is that?

SD: That's a tricky issue, and I think it's largely because the huge productivity increases that have taken place in this economy have been allocated overwhelmingly to folks who are the owners of the means of production, rather than the folks who are actually performing the work in the labor force. So, it's a distributional issue and it's a distribution of the fruits of growing productivity in such a way that it's worked at the disadvantage of the people who are actually doing the work.

KB: And has that changed over time?

SD: Yeah, actually, since the 1980s, there's been a tremendous increase in the degree of inequality in income, as well as wealth in the US economy. You know, it's pretty transparent that it has to be linked to a set of social policies that were inaugurated during the course of the Reagan administration and have been sustained thereafter.

KB: So, explain some of those policies if you would. So, if the American workplaces are becoming more productive and there's a lot of wealth being generated, why is that not affecting everybody in the workforce?

SD: So, there's a continuous process of maintaining a downward pressure on wages, which also can be aggravated by episodes of high unemployment, but also our tax reforms that took place in the 1980s clearly have to be implicated. We went from a situation in which the marginal tax rate on the highest incomes in the American, in the American economy were in the vicinity of 90% in the 1950s, to a situation where, you know, clever usage of a variety of "outs" in the tax system can enable some people who are making extraordinary incomes to pay virtually no taxes at all. So, a very, very different kind of situation in terms of tax liability for people at the upper end of the income distribution, and I think that that's had a major effect on the way in which incomes have been apportioned that across our economy.

KB: So, this certainly is a challenging situation. What do you propose?

SD: Well, one thing that we've proposed in the context of the article that you mentioned is the

notion of a federal job guarantee. So, the premise here is that every American who would want employment could find a job because the federal government would ensure that there would be employment available for them. So, this is actually a replication and extension of what was done in the 1930s under the aegis of the Works Progress Administration. Where I believe the Works Progress Administration succeeded in putting approximately 30-40% of the persons who were unemployed during the Great Depression to work. The premise here is that we want to make it possible for a 100% of individuals who might be subjected to unemployment to have a job and we'd like to do it permanently, rather than on a temporary basis where the WPA was treated more as an emergency measure than as a sustained public option for employment. And that's exactly what we have in mind- is a public option for employment.

KB: And what would government do to create those type of job opportunities for people?

SD: So, I think that the first part of this would be to identify what the unmet social needs are. I think that we can say something about those already, based upon some of the knowledge that we currently have. I think that one of the important arenas would be what Derek Hamilton at the New School and I have referred to as "the human infrastructure". This would involve the creation of jobs that would entail the provision of variety of care services, but especially child care and elder care, which I think are prohibitively expensive for many people to purchase, and as a consequence, they take on the burden of having to absorb their full days with looking after aging relatives, or looking after small children. So, if we could provide a professional cadre of individuals who could provide elder care and child care, that would be a tremendous benefit to all Americans.

KB: So, when you think back to the work you discussed from the 1930s, you think about great dams being built, or, you know, highways being constructed, and things like that. If that was so successful, why did it stop- what set of social circumstances and political ones led to ceasing that kind of government effort?

SD: So, I think that what led it to stop was the attenuation of the Great Depression, which I think was primarily a consequence of the huge boost of unemployment that was associated with us going to war, World War II. And, then I think people said, "Well, it's not so important that we maintain this program", although it was possible to do that. So, what we have in mind is a program that would expand and contract with the business cycle. So, if you had a federal job guarantee, the amount of jobs offered or available would increase in times of economic

downturn, and then would contract in times that are more prosperous, when there's a much higher or larger number of jobs available in the private sector.

KB: So, what sort of reactions are you getting to this proposal from people on different parts of the political spectrum?

SD: So, it's interesting. Kevin Hassett, who is now the head of Trump's Council of Economic Advisers, actually seems to be someone enthusiastic about a policy like this. I think it's because, in his own family, their capacity to survive the Great Depression was in large measure attributable to one of his grandparents having the opportunity to work through the Works Progress Administration. And so, there's kind of a personal narrative, I think, that underlies his support for this. So, there's somebody on what we might view as the "right-wing" of the political spectrum who seems to think that this is, basically, a good idea. So, I think there are people at both ends of the spectrum who think that this is a good idea. I know that when they polled the American population in 2014 or so, a plurality of Americans said that this was a great idea. Now, it wasn't a majority of the respondents, because there was some significant portion of the respondents who said that they didn't have an opinion, but the largest share of folks who were in favor of this was somewhat in, the somewhere in the vicinity of about 45% of the American respondents.

KB: Well, during the Trump campaign, and then also subsequently, there's been a good bit of discussion about infrastructure programs. How would that coincide with this?

SD: Well, it wouldn't coincide directly, because I think the Trump agenda is to essentially provide contracts and subsidies for the private sector to be responsible for fulfilling these kinds of obligations. This is a program that says that the social needs that are unmet should be addressed by putting people to work through the public sector, to perform them. So, as you mentioned then, the WPA there was an emphasis on the physical infrastructure- roads, bridges, and highways. I've talked about the human infrastructure, but, you know, quite obviously, physical infrastructure needs could be met quite successfully through this process. I'm thinking locally, in the context of Durham, there's been a renewed conversation about rapid transit and light rail. I've heard estimates that to build the light rail system, or just a part of the light rail system, would cost in the vicinity of \$1 billion. I think that that's a function of contracting it out to the private sector to do, but if we had a public-sector employment program where people were

put to work building those kinds of structures, it would be far less expensive than the way in which it's being done now.

KB: So, within this context, would it make sense to figure out which types of jobs would bring the greatest return and invest initially in those with the greatest social return? Like, you mentioned healthcare- not, I have child care as an example. So, if child care is costing the society so much money because it's not being handled effectively, an investment of that would bring the greatest return. With that, makes sense to start with something like that?

SD: Well, I think so. Yeah, absolutely, I mean I think it's related to the way in which we think about public goods- those are the goods that are not adequately provided by the private sector, because they're not perceived as sufficiently-profitable to provide, but they can have a great deal of positive impact on people's daily lives. And so, so I think that's what, that's the area we should try to prioritize.

KB: How would you pay for this, or how would government pay for this?

SD: Well, I mean, government would pay for this the same way I pays for anything else. You know, we constructed a very crude estimate of the expense of this program. We started with an estimate that was predicated on putting everyone to work who was out of work at the nadir of the Great Recession. So, this is about 15 million Americans, and we estimate that the cost of hiring each of these individuals, providing them with benefits, providing them with a salary that's above the poverty level, and providing them with the technical support and management support that would be required, would be somewhere between \$50-60 thousand dollars per person. And, if that was the expense for million Americans, then the cost of the program would be somewhere between \$750-900 billion dollars per annum. And, you know, pause about saying, "Well, maybe it would be \$1 trillion." Okay? But, the cost of our, of an array of social support programs that we have to address poverty is also in the vicinity of about \$750 billion, so the net cost could be reduced sharply from the total that I gave by taking into account the fact that this could substitute or replace a host of so-called "entitlement programs".

KB: You make a very persuasive and compelling argument for supporting this. If I think of, if I put myself in the position of a legislator, I could see many people coming to me saying that what

I'm proposing will be cost-effective; treatments for opioid addiction or alcoholism, or mental health services, or public health interventions, or job training, whatever it would happen to be, and all those things produce an impressive return when you look at the numbers. But, of course, government can only pick a few of those things to invest in. Could you make the argument that this would be an especially good investment compared to the other things?

SD: Yes, because it would simultaneously address our joblessness problem, it would address our poverty problem. particularly working poverty. because the private sector would have to provide people with compensation that's comparable to the minimum compensation that's available from the public job option. And so, I think that both joblessness and poverty are high-priority issues in our society, they have strong effects on inequality, and they have strong effects on deprivation, particularly not for individuals alone, but also for their families. And so, I think that this would be this would have a profound impact on transforming American society.

KB: So, we began this discussion with a conversation about inequality and race differences, among other differences, and we talked about the implicit and explicit bias that's driving some of the numbers that you- the discouraging numbers that you talked about. Is it possible to separate out what you're proposing from issues of race in a way that might make it more winnable- politically- and get around some of those issues of great bias?

SD: Well, so, this is a program- the proposal for a federal job guarantee is a universal program, so it applies to all Americans. It's not a race-specific program. Now, we could argue in the language that's used by Richard Reeves and Isabel Sawhill at the Brookings Institution that, although it is not race-specific, it is race-conscious in the sense that those groups in the society who are most deprived of work opportunities will disproportionately benefit, but it's a universal program. It's not a program that has a means test, it's not a program that is exclusively for Group A or Group B. It's for any Americans, and so, in that sense, I think there's a political palatability that might not be there if it was a program that was designed exclusively for a particular social group.

KB: It would be a shame to have to avoid the race issues, because they're so important in this context, so I'm certainly not proposing that. But, in terms of generating maximum political support, one has to think about different ways of framing it, and I the way you've just framed it as being an inclusive opportunity program is really impressive and I don't know how the

numbers would work out, but it might be possible, though, in an absolute way it would help more people who are white than black just by them-

SD: Oh, yeah, I think the absolute numbers would definitely bear that out, especially given the scope of working poverty.

KB: So, you've talked about potential bipartisan interest in this. Are you optimistic about something like this gaining favor as time goes forward?

SD: I'm not altogether optimistic in the environment that we have with the Trump presidency, even if there are some individuals within the Trump administration who might support this. I just don't think that this is likely to happen at this point, but what Derek Hamilton and Alan Ahaad I have been arguing is that this might be a great opportunity for job-guarantee programs to be inaugurated at the municipal level, and, in fact, we've talked about a municipal job guarantee and the notion that some municipalities can commit themselves to being full-employment cities, so even if this can't happen at the federal level, it could be re-configured in such a way that it could be started, or jump-started, at the municipal level.

KB: So, is that the sort of thing some big philanthropy might help get going- a pilot test in a city, for example?

SD: Sure, it would be great if that could happen- larger cities with more extensive tax bases probably could finance the program without any significant amount of philanthropic support, but in a smaller city like our own, Durham, where if we were to put everyone who is out of work to work at the present moment, it would cost us probably about \$700 million and the city's budget is \$450 million, so philanthropic support would be essential at least to start the project, because I think, once it's underway, given the kinds of services that are provided, and the like it, begins to, in some sense, pay for itself.

KB: And the philanthropic support would also be very helpful, I'm assuming, in evaluating the impact.

SD: Yes, absolutely, and that would be one of the advantages of having the program inaugurated at a municipal level- is that you could begin to explore what the kinks are, and figure out how to make the program more effective before it's scaled up to the national level.

KB: This is an incredibly important topic, and it's really nice of you to share your vision on this, and we're so happy to have you as a member of our faculty, given the important nature of the work you do. So, thank you so much for joining us today.

SD: We'll, I'm thrilled to be part of the Sanford School.

KB: So, William- Sandy Darrity- is the Samuel Du Bois Cook Professor of Public Policy at the Sanford School of Public Policy at Duke University, where he also teaches African-American Studies and Economics. He co-wrote the "Washington Monthly" article we've been talking about with Mark Paul, a postdoctoral associate at the Cook Center and Derek Hamilton, an associate professor of economics and urban policy at the New School for Social Research in New York. We will have a link to the article on our website, policy360.org. Until next time, I'm Kelly Brownell.