

### **A History Older Than the Nation**

Khalil Muhammad, Ford Foundation Professor of History, Race, and Public Policy at the Harvard Kennedy School, traces the roots of disparity to the Colonial period, when the European settlement and conquest of North America took place.

The process began in the second half of the 17th century, said Muhammad, when European settlers stripped Natives of their lands and used Africans as enslaved labor, preventing them from fully participating in the economy and reaping the fruits of their work.

“The two dominant non-European populations, Indigenous and Africans, were subjected to various coercive forms of labor that would be distinct from the experience of indentured European servants,” said Muhammad, who is also the Suzanne Young Murray Professor at the Harvard Radcliffe Institute. “And as such, racism became an economic imperative to harness land and labor for the purpose of wealth creation, and that did not change in any substantial way until really about the 1960s.”

In fact the founders discovered that the issues of Black slavery and equality were so divisive that they opted to kick the can down the road, hoping some future generation would prove wiser or better.

With the Voting Rights Act of 1965, a crowning achievement of the Civil Rights Movement, African Americans finally gained full citizenship. Many believed that would end the era of Black inequality, but it did not, said Muhammad, because that thinking failed to account for how deeply systemic the problem had become.

Such misconceptions have tended to make it difficult to gain widespread public support for the implementation of policies to close the disparities between Blacks and whites. That’s why it’s important to institutionalize anti-racist practices and policies in civil society and government, said Muhammad, as well to better enforce anti-discrimination laws and investment in schools in low-income neighborhoods. But he also believes a “massive commitment to anti-bias education” starting in kindergarten is necessary.

“If we want to undo the cultural infrastructure that is hand in glove with the economic and political racism and domination of people, we have to start very young,” said Muhammad. “Anti-bias education is a social vaccine to vaccinate our children against the disease of racism. Imagine what the world would look like in a generation.”

### **A Legacy That Benefits Some and Hurts Others**

Over the past decades, many scholars have examined the Black-white gap in household wealth. But it was in 1995 that sociologists Thomas Shapiro and Melvin Oliver put wealth inequality on the map with their groundbreaking book, “Black Wealth, White Wealth.” Their research analyzed the role of wealth, or accumulated assets, rather than that of income in the persistent racial divide.

“Income is unequal, but wealth is even more unequal,” said Alexandra Killewald, professor of sociology in the Faculty of Art and Sciences, who studies inequality in the contemporary U.S.

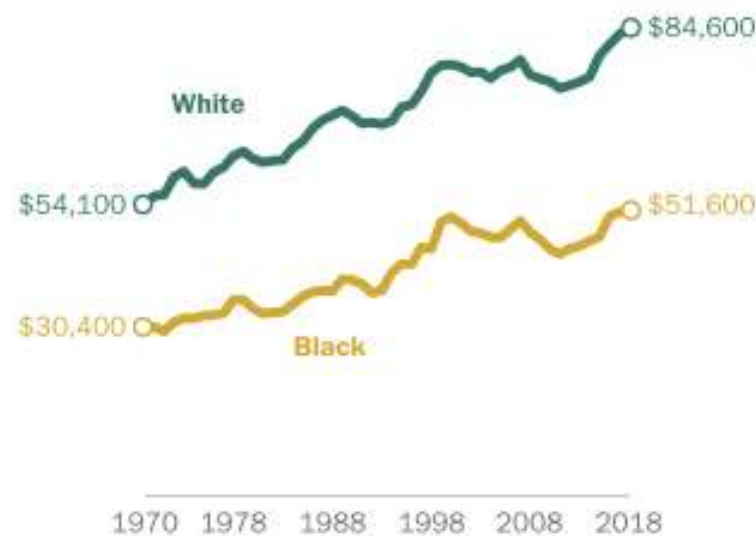
Among the top 5% of households—those with incomes of at least \$248,729 in 2018—their share of all U.S. income rose from 16% in 1968 to 23% in 2018.

**2. Income inequality in the U.S. is the highest of all the G7 nations, according to data from the Organization for Economic Cooperation and Development.** To compare income inequality across countries, the OECD uses the Gini coefficient, a commonly used measure ranging from 0, or perfect equality, to 1, or complete inequality. In 2017, the U.S. had a Gini coefficient of 0.434. In the other G7 nations, the Gini ranged from 0.326 in France to 0.392 in the UK.

Globally, the Gini ranges from lows of about 0.25 in some Eastern European countries to highs of 0.5 to 0.6 in countries in southern Africa, according to World Bank estimates.

## In the U.S., black-white income gap has held steady since 1970

*Median U.S. household income, in 2018 dollars*



Note: Income is adjusted for household size and scaled to reflect a three-person household. Whites and blacks include those who report being only one race and are non-Hispanic. Source: Pew Research Center analysis of 1970 to 2019 Current Population Survey, Annual Social and Economic Supplements.

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The first federal minimum wage established a new frontier for this debate, in the form of legislation increasing or expanding the minimum wage and other workers' rights standards. In the years since the 1938 law, workers' groups have successfully lobbied for numerous minimum wage increases, and many states have outpaced the federal government in terms of protecting certain minimum standards in wages and hours for workers. But critics argue that minimum wage legislation has not been aggressive enough, while critics of the minimum wage continue to argue that forcing increased wages will force businesses to close or cease hiring and argue that unregulated competition between companies provides better wages for workers than can be achieved by mandating wage standards.

### **Does the Minimum Wage Work?**

Since the passage of the nation's first minimum wage law in 1938, minimum wage laws have been updated many times. The first came just a year after the initial minimum wage of \$0.25 was established in 1938, and raised the wage to \$0.30 in October of 1939. The next came several years later, in 1940, and raised the wage to \$0.40, then to \$0.70 in 1950, five years after the previous wage increase. The minimum wage finally hit \$1.00 per hour in 1956, then climbed to \$1.15 in 1961, then \$1.25 in 1963. The most recent update of the federal minimum wage prior to the \$15 minimum wage debate came in 2009, when a new federal law set the minimum wage at \$7.25 for all applicable workers.<sup>5</sup>

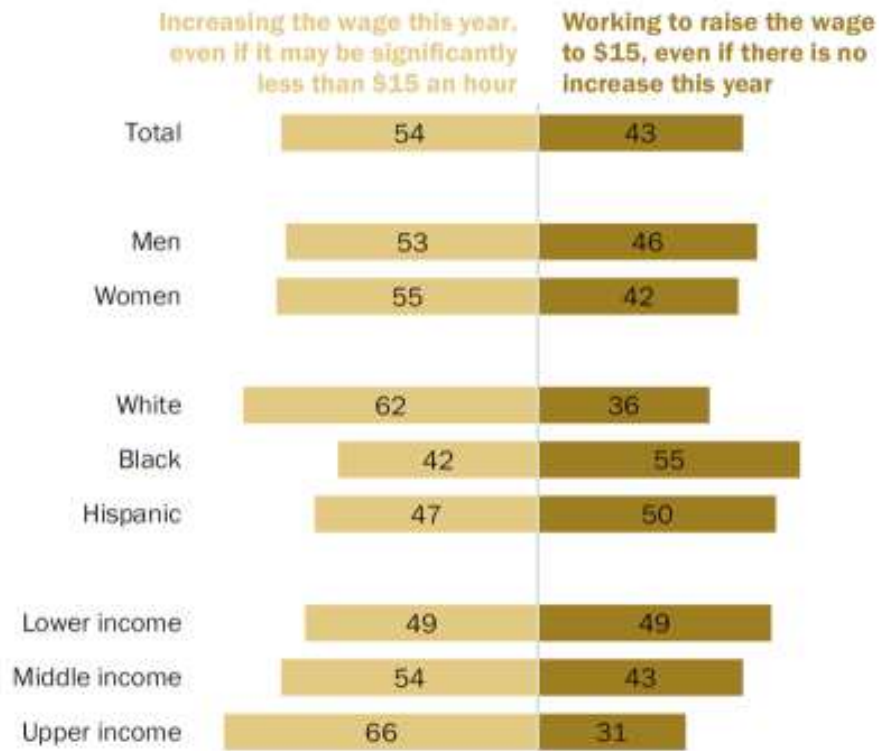
While the minimum wage has increased at semiregular intervals since the late 1930s, the federal wage rate has always been insufficient at least in certain states. Many states have adopted minimum wage laws mandating rates significantly higher than the federal limit, and in these states federal legislation has reduced importance. The difficulty with establishing nationwide wage rates is that conditions, costs, and the labor market differ significantly from state to states such that it can be difficult to create a wage rate that will work for workers in all states. This is one of the criticisms frequently raised to counter calls for new federal wage rates. Critics of the minimum wage frequently argue that limiting corporate regulation, and allowing states and companies to compete with workers, will result in higher wages for workers and will be more effective than mandating wage increases.<sup>6</sup>

The problem with allowing free-market competition to determine wage rates is that workers are not free to move between employment opportunities. Many Americans lack the resources to relocate between states or might face other difficulties in relocation, such as family, educational, or interpersonal commitments. Within a state, competition for workers may force companies to increase wages, but this only works when there are more jobs available than workers in need of employment. When companies must compete for workers, wages increase. When workers are readily available, companies can pay the minimum wage necessary to retain their workforce.

Critics of minimum wage increases also argue that small businesses will be negatively impacted, some potentially forced to close, when states or the federal

## Demographic divides among backers of \$15 minimum wage over next step if it lacks congressional support

*Among the 62% of Americans who favor raising the federal minimum wage to \$15 an hour, % who say if there is not enough support in Congress for it to pass this year, there should be a greater priority on ...*



Notes: White and Black adults include those who report being one race and are not Hispanic. Hispanics are of any race. Family income tiers based on adjusted 2019 earnings. No answer responses not shown.

Source: Survey of U.S. adults conducted April 5-11, 2021.

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By contrast, 36% of White adults who favor a \$15 minimum wage say Congress should keep pressing for that amount. A majority of White supporters of a \$15 federal minimum wage, by contrast, say Congress should work for an increase in the minimum wage even if it is less than \$15 an hour.

Lower-income adults who favor a \$15 minimum wage are divided on the better approach if there is inadequate support in Congress for the proposal this year: 49% say congressional leaders should prioritize any raise to the minimum that can

## Backlash

Anger over AI's role in exacerbating inequality could endanger the technology's future. In her new book *Cogs and Monsters: What Economics Is, and What It Should Be*, Diane Coyle, an economist at Cambridge University, argues that the digital economy requires new ways of thinking about progress. "Whatever we mean by the economy growing, by things getting better, the gains will have to be more evenly shared than in the recent past," she writes. "An economy of tech millionaires or billionaires and gig workers, with middle-income jobs undercut by automation, will not be politically sustainable."

Improving living standards and increasing prosperity for more people will require greater use of digital technologies to boost productivity in various sectors, including health care and construction, says Coyle. But people can't be expected to embrace the changes if they're not seeing the benefits—if they're just seeing good jobs being destroyed.

In a recent interview with MIT Technology Review, Coyle said she fears that tech's inequality problem could be a roadblock to deploying AI. "We're talking about disruption," she says. "These are transformative technologies that change the ways we spend our time every day, that change business models that succeed." To make such "tremendous changes," she adds, you need social buy-in.

Instead, says Coyle, resentment is simmering among many as the benefits are perceived to go to elites in a handful of prosperous cities.

In the US, for instance, during much of the 20th century the various regions of the country were—in the language of economists—"converging," and financial disparities decreased. Then, in the 1980s, came the onslaught of digital technologies, and the trend reversed itself. Automation wiped out many manufacturing and retail jobs. New, well-paying tech jobs were clustered in a few cities.

According to the Brookings Institution, a short list of eight American cities that included San Francisco, San Jose, Boston, and Seattle had roughly 38% of all tech jobs by 2019. New AI technologies are particularly concentrated: Brookings's Mark Muro and Sifan Liu estimate that just 15 cities account for two-thirds of the AI assets and capabilities in the United States (San Francisco and San Jose alone account for about one-quarter).

The dominance of a few cities in the invention and commercialization of AI means that geographical disparities in wealth will continue to soar. Not only will this foster political and social unrest, but it could, as Coyle suggests, hold back the sorts of AI technologies needed for regional economies to grow.

Part of the solution could lie in somehow loosening the stranglehold that Big Tech has on defining the AI agenda. That will likely take increased federal funding for research independent of the tech giants. Muro and others have suggested hefty federal funding to help create US regional innovation centers, for example.

A more immediate response is to broaden our digital imaginations to conceive of AI technologies that don't simply replace jobs but expand opportunities in the sectors that different parts of the country care most about, like health care, education, and manufacturing.