

Impacts of Covid-19 on Racial Inequality in the United States

Jiayao Wang¹, Jiarun Li^{2,*}

¹Minhang Crosspoint Academy at Shanghai Wenqi Middle School, Shanghai, 200240, China

²University of Sydney, Sydney, Australia, 2050

Jessicawangjiayao@outlook.com

*Corresponding author: gerrard971122@gmail.com

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Abstract: This paper investigated the impacts of Covid-19 on racial inequality in the United States and took African and Caucasian Americans as representatives of the different racial groups. By first studying the historical context of racial inequality, it could be found that African Americans were already in a disadvantaged position before the Covid-19 pandemic. Then by analyzing the general impacts of the pandemic and its specific effects on racial inequality, it was found that the racial gap is becoming more significant over the last two years. Potential specific policy intervention was suggested in the following section, in which the feasibility of the policies was also analyzed.

1. Introduction: Context and the History of Racial Inequality in the United States

As one of the sources, consequences, and features of racism, racial inequality has been a topic that lasted throughout the history of the United States [1]. It has become increasingly complicated with the death of George Floyd in Minneapolis in May 2020. On that day, horrifying footage showed that George Floyd, an African American, was unreasonably treated and brutally murdered by police officers. While George was no longer harmful to the police force and shouted that he could not breathe, the policeman ignored the message and still put his knee on George's throat for at least 17 minutes, which caused his death. The news went viral globally and led to some of the most prominent Black Lives Matter protests ever [2]. While these social activities were expected to facilitate racial equality, solving the long-lasting problem for good requires much more [3].

It has almost been two years since this incident. During this period, the covid-19 pandemic has spread to the entire world and taken millions of lives. The social and economic disorder caused by the pandemic was significant, and the distress of human society is continuing. These motivated this paper, which seeks to understand how and to what extent did the covid-19 influenced racial inequality in the United States. For simplification purposes, this paper will focus on the groups of Caucasian Americans and African Americans to represent the racial inequality situation in the country. This also makes logical sense as the difference between these two racial groups is most significant and representative.

Racial inequality in the United States represents the social disparities between different racial groups. It has been a prolonged situation in the country [4]. Upon the independence and building of the nation in 1776, the new institution continued to accept slavery [4]. The triangle trade, which kidnapped millions of Africans to America, operated until 1808, but the inter-country slavery trade was still allowed [5]. During this time, African Americans were treated as property. Their master owners could treat them whatever they would like. The violation of human rights culminated in around 1860 when there were around 4 million enslaved Black people across the country [6]. Racial segregation became very serious during the time, but the attitudes toward this topic were significantly different between North and South. People in the North were anti-slavery. They abolished the black slave policy, while the South was pro-slavery and advocated slave policy [7].

This triggered the following American Civil War. The federal government's victory in the north led to the 'Thirteenth Amendment to the United States Constitution' in 1865, which officially abolished the slavery system. This was a significant victory in that at least African Americans were started to be treated as humans [8]. In the next 150 years, until today, it took a long journey for the African Americans to fight for their civil rights, such as voting rights. Until today, at least by law, people from different racial groups were treated equally. During these periods, many people stood out and wanted to reclaim their rights. Dr Martin Luther King is one of them. He is a symbol of African Americans fighting for their legal rights and equal treatment [9]. President Obama, who was elected as the 44th president of the United States, was another inspiration for African Americans [10].

However, the practical gap between racial groups did not close over the years, particularly in economic senses. It is observed that, from 1984 to 2009, the household wealth gap between Caucasian Americans and African Americans tripled to a value of \$236,500 [11]. Meanwhile, the median adjusted income for households headed by African Americans was \$43,300, and for Caucasian Americans, it was \$71,300 in 2014. In that year, the median net worth of households headed by Caucasian Americans was roughly 13 times that of African American households [12]. As mentioned earlier about George Floyd's tragedy, African American men are 2.5 times more likely to be killed by police than Caucasian Americans [13].

Following the economic and financial inequality between the two racial groups, African Americans are disadvantaged in terms of their access to the health care system, education, property markets, and employment (especially in high-level income) opportunities [14]. The concept of cumulative causation could be adopted to interpret such a wide range of inequality, which these factors reinforce each other to increase the gap further [15].

Overall, it could be concluded that the United States had a deep root in racial inequality. While fundamental human rights were improved during the time, the economic and social gaps were hard to be filled. It would be vital to analyze how has the covid-19 pandemic changed the situation to provide up-to-date practical policy suggestions.

2. The General Economic Impacts of Covid-19

Unemployment rate in the United States from 1990 to 2021

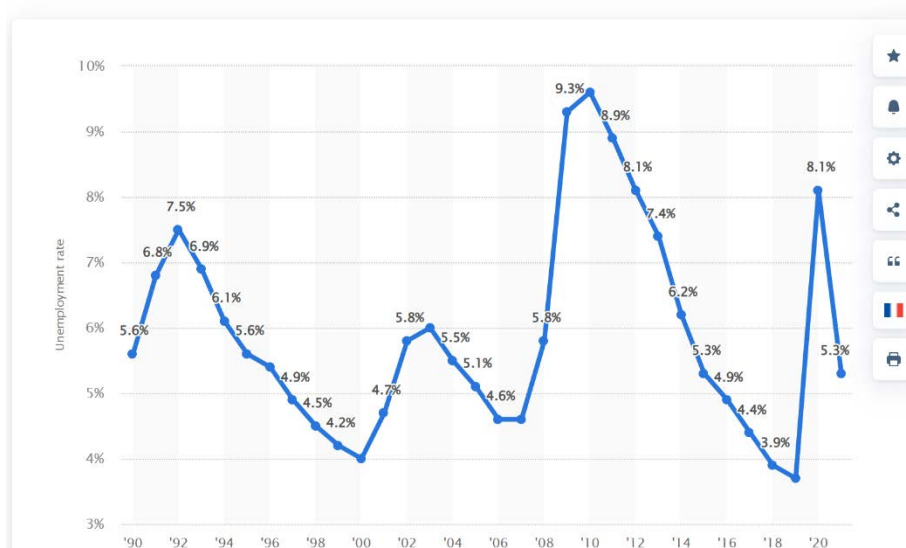


Figure 1 The Unemployment Rate in the United States [21]

The covid-19 pandemic has profoundly changed the world over the last two years. Until the end of March 2021, there have been more than 486 million cases and 6 million deaths globally [16].

Before going through the details of how the pandemic affected racial inequality in the United States, it would be logical first to interpret the general economic impacts of the pandemic on society.

The direct loss of lives was the most devastating consequence of the pandemic. The death toll of Covid-19 in the United States had reached 1 million by the start of April [17]. Although most of the deaths were concentrated in the age group over 50, it is still a significant burden on the labour force physically and psychologically [18].

By looking at the key economic indicators, the GDP annual growth rate of the United States in 2020 and 2021 were -3.41% and 5.97%, respectively [19]. While it seems that the recovery from the pandemic is on a positive trajectory, it should be noted that the country's inflation rate has reached 4.7% in 2021, the highest level since 1990 [20].

Meanwhile, as shown in figure 1 in the previous page, the unemployment rate has reached 8.1% in 2020, the highest level since 2012. While it improved in 2021 to 5.3%, it was still at a high level.

The Covid-19 pandemic is not solely a demand-side or supply-side shock. It has adverse effects on both sides of the economy. On the demand side, as people are becoming more cautious in the uncertain environment, it is expected that they will tend to induce more savings and decrease their consumption behaviours or risky investment. While more saving is a positive act for individuals, according to the paradox of thrift, it can be harmful to the entire economy.

In terms of the supply side, as workers are exposed to the virus, they may face frequent quarantine and sickness from Covid-19. This will for sure decrease the economy's efficiency and lead to supply-chain crises. One of the examples would be the port crisis which delays the transportation of goods and slows down the economic recovery globally [22].

Additionally, according to a study conducted by the OECD organization, by measuring the direct government tax and welfare spending's effects on the diminishing of inequality, the United States government was the worst at reducing inequality among all advanced OECD economies [23]. Consequently, during the chaotic time of the pandemic, it is expected that inequality would magnify in society.

Therefore, not only that the direct effects of the Covid-19 pandemic on the economy could be significantly detrimental, the adverse effects on low-income households and inequality would be even more destructive. As we have mentioned earlier, the racial inequality between Caucasian Americans and African Americans was already significant. It would be meaningful to analyze how would the Covid-19 pandemic directly affects the racial inequality in the United States.

3. The Impacts of Covid-19 on Racial Inequality

Inequality has been an essential topic in economics. For example, French economist Thomas Piketty showed that the top 1% of the households in the United States (in terms of income) received more than a fifth of national income in 2013, and this figure was less than a tenth around the 1980s. Forty years ago, the idea of trickle-down economics was vogue, but the reality shows that the flow of wealth from the rich to the poor did not occur. It was quite the other way around [24].

The most common measurement of inequality in economics terminology is by using the Gini Coefficient and Lorenz Curve. The Gini Coefficient is a tool for analyzing income and wealth distribution within a country or region. As shown in figure 2 below, the x-axis represents the cumulative share of the population from poorest to most affluent, and the vertical axis is the cumulative share of income. The red line is the 45-degree line, which represents perfect equality, and the blue line is the Lorenz curve. There are two points interpreted in the figure below.

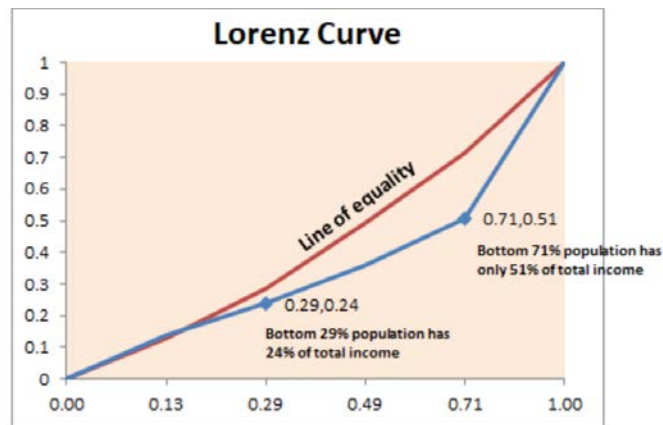


Figure 2 Lorenz Curve [25]

By considering the area between the line of equality and the Lorenz curve as area A, and the area below the Lorenz curve as area B, the Gini coefficient is calculated as $\frac{A}{A+B}$. Therefore, while this Lorenz curve and Gini coefficient approach could measure the societal level inequality, it lacked an understanding of racial inequality.

The research in 2020 by Mody et al. [26] expanded the use of the Lorenz curve in racial inequality research. They put a cumulative proportion of hospitalization from Covid-19 and cumulative proportion of tests from Covid-19 on the Lorenz curve's two axes, respectively. The idea was to examine the testing disparities between racial groups across the St Louis Region from march to August of 2020.

It was found that, out of the total 7 counties, in the 17 zip codes areas with more than 50% of residents being African Americans, they only had 22.9% of total tests but had around 50% of total hospitalizations. In the 86 zip codes areas, the ratio of African American residents is less than 50%. They had 52.9% of total tests and only 25% of hospitalizations. In this sense, African Americans had consistently lower tests per hospitalization rates than Caucasian American households [26]. As hospitalization generally stands for severe health consequences, it could be interpreted that, while the African Americans were more significantly affected by the pandemic, they did not get equal chances to access testing.

Another research conducted by APM Research Lab [27] found that the age-adjusted Covid-19 mortality rate gap in the United States between different racial groups is significant. While Caucasian Americans had 256 deaths per 100,000, African Americans had 428 deaths per 100,000, which means that African Americans suffer from a 75.4% higher mortality rate than Caucasian Americans [27]. Such findings are consistent with Covid-19 hospitalization rates and the drop in life expectancy [28].

Economically, the inequality between racial groups after Covid-19 is also significant. As shown in figure 3 below, African Americans suffered from a consistently higher unemployment rate than Caucasian Americans over the last two years. The gap has increased from the start of 2020 until November 2021. The unemployment rate for Caucasian Americans and African Americans are 3.7% and 6.7%, respectively.

As it was found in previous sections that the income and wealth gap between African Americans and Caucasian Americans was already significant before the Covid-19, the dramatic differences in health and economic burdens from the pandemic are likely to increase the racial gap. While the cumulative forces between racial groups have already led to lower life expectancy, health insurance spending, education investment, consumption, income, and wealth levels for African Americans, they are suffering more from the hospitalization and deaths from Covid-19. In the meantime, African Americans are even more disadvantaged in the labour market that they have higher unemployment rates than Caucasian Americans. Employment is a fundamental human right and the foundation of stable and sustainable economic growth and development. Considering that the American government has been taking a laissez-faire attitude towards inequality management and

welfare policies, it seemed that racial inequality would continue to increase without proper policy interventions.

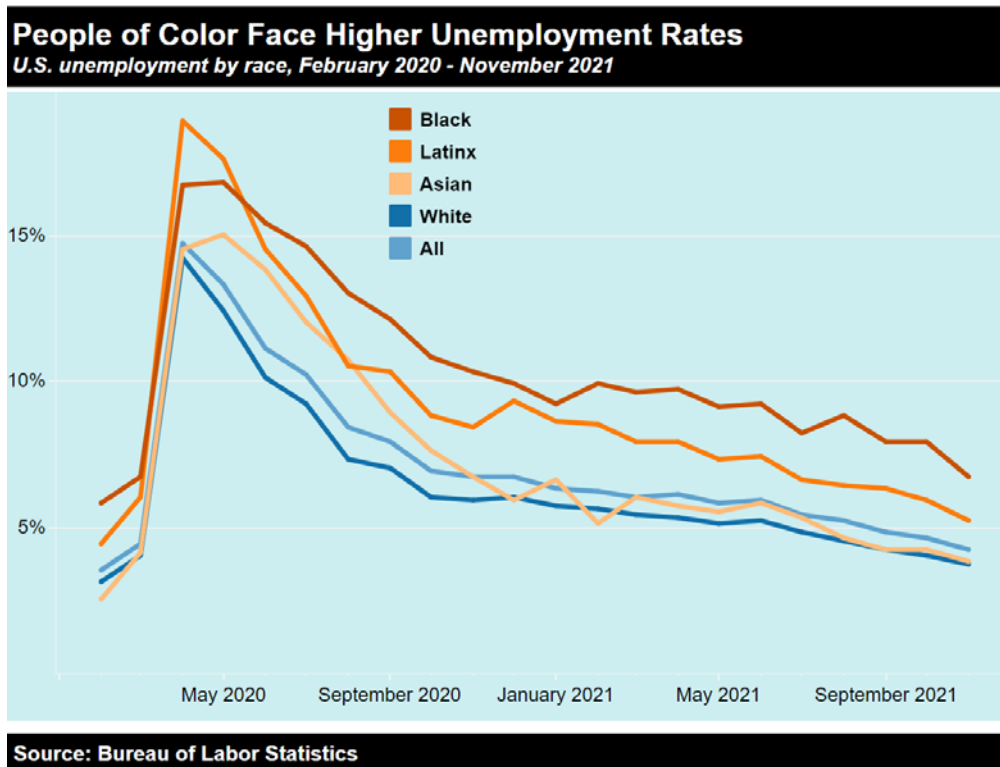


Figure 3 Unemployment Rate by Race [28]

4. Economic Policy

Nevertheless, there seems to be hope in this dark time. President Joe Biden announced that he planned to advance racial equity in the United States [29]. Thus, it would be reasonable to consider feasible economic policies in combatting racial inequality.

The most direct policy that could improve the current situation would help African Americans be employed. However, this could not be directly controlled by the government in general cases. Private enterprises' lack of employment demand is the core reason behind the unemployment problem.

President Joe Biden has planned to stimulate the economy by providing \$100 billion in additional finance for small businesses [29]. This would allow the small businesses to endure the hardship in the pandemic era and create job opportunities. As people get employed, they could use their wages for property renting and purchasing, consumption and investment, and other expenditures. Then the economy could be back to track to a virtuous cycle.

Meanwhile, similar to the intervention policies after the Great Depression in the 1930s, the government could invest in infrastructure and welfare areas to stimulate the economy's aggregate demand. President Joe Biden has made plans to improve the infrastructure in many ways in the coming years [30]. This could create job opportunities directly, and the government could make specific plans in helping African Americans by employing more people from this racial group.

To fundamentally improve racial equality, the government must invest more in the education sector in the longer term. It should be noted that part of the reasons African Americans had a higher unemployment rate was their relatively lower average productivity. The solution will have to rely on investment in education and training. The government could provide scholarships and mortgages to motivate African Americans to take more education and training, which will benefit them and incur positive spillover effects on society.

Meanwhile, in the other welfare-related sectors, such as the health system and government housing, the government could also take more responsibilities to improve equality.

It should be considered that these policies face feasibility issues. As a tradition of American politics, this government intervention could be considered a breach of freedom and a violation of the spirit of the market economy. Also, government spending should be fueled with more budget. The expansionary policies will lead to more budget deficits, which means there should be accompanying tax reform policies. However, considering the costs and benefits, it would still be reasonable for the government to consider this combination of policies to improve racial equality, as the continuing omission of racial inequality issues will lead to further significant social consequences, such as in the case of George Floyd.

5. Conclusion

This paper has examined the impacts of Covid-19 on racial inequality in the United States. Starting from analyzing historical sources of racial inequality and providing a context of this social issue, it was found that African Americans have been in a disadvantaged position in all senses of history.

The paper analyzed the general impacts of Covid-19 on the economy and the specific effects on racial inequality. It was concluded that African Americans suffered more significantly than Caucasian Americans in this pandemic, both in health and economic terms. Then the paper provides possible policies to combat such racial inequality and analyzes the potential issues of the policies.

The work could be expanded in several ways, including more data analysis, and a comparison study between the United States and other OECD countries could be beneficial. We have lived in an unequal world with increasing uncertainty during the last couple of years, but the chase for equality and justice should not be stopped. The Covid-19 pandemic will eventually be over, and the hope for an equal society is always there.

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