

New Citi GPS Report Estimates \$16 Trillion in Lost GDP Due to Racial Inequality in the United States

Outlines Actionable Steps for Governments, Corporations and Individuals to Help Eliminate the Economic Gaps

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NEW YORK--(BUSINESS WIRE)--Citi today released a new report that estimates the economic losses attributed to racial inequality in the United States over the last two decades. The Citi Global Perspectives & Solutions (GPS) report [Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S.](#) posits the lost GDP of systemic and societal racism and discrimination faced by Blacks over the last 20 years to be \$16 trillion. This loss includes gaps in wages, access to housing and higher education and investment in Black-owned businesses. The report also provides recommendations the public and private sectors can take to help close the gap.

“Racial inequality has always had an outsized cost, one that was thought to be paid only by underrepresented groups,” **said Raymond J. McGuire, Vice Chairman of Citigroup and Chairman of Banking, Capital Markets and Advisory at Citi.** “What this report underscores is that this tariff is levied on us all, and particularly in the U.S., that cost has a real and tangible impact on our country’s economic output. Now, more than ever, we have a responsibility and an opportunity to confront this longstanding societal ill that has plagued Black and brown people in this country for centuries, tally up the economic loss and as a society, commit to bring greater equity and prosperity to all.”

The report identifies the underlying causes of the racial and economic gaps exacerbated by the COVID-19 pandemic and discusses the value of closing gaps. Report authors prognosticate that if racial inequity gaps were closed today, the equivalent add to the U.S. economy over the next five years could be \$5 trillion of additional GDP, or an average add of 0.35 percentage points to U.S. GDP growth per year and 0.09 percentage points to global GDP growth per year.

“One important thing that we can do is to show the costs of racial inequality through objective analysis which is what the authors of this report have sought to demonstrate,” **said Dr. Catherine L. Mann, Global Chief Economist at Citi** and one of the principal authors of the report. “Our overarching goal for the Citi GPS series is not only to tackle the key opportunities and challenges of the 21st century, but also to address complex societal questions and not to shy away from difficult subjects. As such, we believe that we have a responsibility to address current events and to frame them with an economic lens in order to highlight the real costs of longstanding discrimination against minority groups, especially against Black people and particularly in the U.S.”

Additional notable findings include:

- **Closing the Black racial wage gap** 20 years ago might have provided an additional **\$2.7 trillion** in income available for consumption and investment.
- **Improving access to housing credit** might have added an **additional 770,000 Black homeowners** over the last 20 years, with **combined sales and expenditures adding another \$218 billion to GDP** over that time.
- **Facilitating increased access to higher education** (college, graduate and vocational schools) for Black students might have **bolstered lifetime incomes that in aggregate sums to \$90 to \$113 billion.**
- **Providing fair and equitable lending to Black entrepreneurs** might have resulted in the **creation of an additional US\$13 trillion in business revenue** over the last 20 years that could have been used for investments in labor, technology, capital equipment, and structures. **6.1 million jobs might have been created per year.**

The report also outlines several steps that governments, corporations and individuals can take to improve outcomes, including:

Governments

- **Monetary Policy:** The Fed has recently signaled a willingness to enhance its focus on inequality, indicated its policies will focus on 'broad-based and inclusive' job gains and focusing on both maximum employment and a target inflation rate.
- **Encourage Work:** Reforming tax benefits and application of specialized tax reforms to encourage work among lower income families (e.g., Earned Income Tax Credit or Child Tax Credit) and help reduce racial gaps.
- **Provide Guaranteed Wages, Income Support & Jobs:** Policy suggestions include raising minimum wage, creating a 'living wage', introducing income supplements or supports, and stabilizing jobs.

Corporates

- **Support Initiatives from the Top:** Initiate a focus on diversity and inclusion at the top of the house with senior management and percolating that view down the ranks.
- **Address Racial Gaps in Hiring, Retention, and Firing:** Implement policies that are more conscious of addressing racial gaps in hiring, retention, and firing.
- **Engage in Corporate Social Responsibility:** Take direct action by bolstering external communities and supporting minority-owned firms.
- **Dismantle Structural Barriers to Hiring Black Talent:** Engage fully with Fair Chance Hiring to encourage the hiring of qualified job applicants with criminal histories.

Individuals

- **Use Education as a Pathway for Advancement:** Parents can advocate for greater accountability from and funding for local schools while students can focus on job-relevant skills including STEM, problem-solving, teamwork, and communications .
- **Don't Ask, Don't Get – Advocate for One's Career:** Seek mentors, advocates, and sponsors while considering relocating to increase job prospects or starting one's own business.
- **Embrace Delayed Gratification and Risk:** Increase financial literacy as an avenue for financial independence, including investing in the stock market.

Citi

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About Citi Global Perspectives & Solutions (Citi GPS)

As our premier thought-leadership product, Citi Global Perspectives & Solutions (Citi GPS) is designed to help our clients navigate the global economy's most demanding challenges, identify future themes and trends, and help our clients profit in a fast-changing and interconnected world. Citi GPS accesses the best elements of our global conversation and harvests the thought leadership of our research analysts and a wide range of senior professionals across our firm.

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