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Strengthening Diversity and Inclusion in Economics

Remarks by

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at

Exploring Careers in Economics

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It is a pleasure to be here today to talk about the future of economics with the next generation of economists who will shape it. I hope you will take away from what you hear today that a rigorous grounding in economic analysis can help you succeed in whatever field you choose. I will share a few thoughts on what economics can do for you and what you can do for the field of economics.¹

Let me start with what economics can do for you. Just as there are a variety of reasons that people decide to pursue economics, so too there are many career fields where a degree in economics can be a powerful enabler. I have to admit I had some reservations that led me not to major in economics as an undergraduate. That changed during my first job out of college, when I recognized that economics can provide powerful tools to analyze and design programs to improve opportunities and financial security for workers and their families.

Economics can give you a powerful framework to explore the questions that matter most to you. Let me give a few examples of some important questions and the economic practitioners who made a big impact in addressing them.

So here's one: How can we help protect working women and men and their families from the financial devastation of job loss due to forces beyond their control? Frances Perkins first began thinking about that question as a young White girl in the manufacturing hub of Worcester, Massachusetts in the 1880s. When Frances asked her father why nice people could fall into poverty, he replied that this was a question little girls should not concern themselves with. Fortunately, Frances did not listen to him. In college, Perkins took an economics class where she started exploring the impact of rapid

¹ I want to thank Darren Gersh, Kurt Lewis, and Nancy Riley for their assistance in preparing this text.

industrialization on the lives of working people. Her professor encouraged students to visit local factories to see firsthand some of the brutal working conditions facing women and children. That early field research sparked Perkins' determination to bring about improved working conditions and established her careful attention to gathering data.²

Perkins went on to become a key author of the New Deal, and served as Labor Secretary for a record 12 years, despite considerable opposition to the appointment of the first woman Cabinet secretary. She persuaded Roosevelt to put in place a system of unemployment insurance and built the Labor Department's capability to compile the necessary employment statistics. She worked hard to secure legislation codifying core labor rights, and she played a key role in designing and implementing Social Security.³

As Perkins was advocating for policies to improve working conditions facing women and children, another young economist was gathering evidence on the lives of Black working people. In her doctoral dissertation, Sadie Tanner Mossell Alexander examined the living standards of Black families who were migrating to Philadelphia to meet the demand for labor brought about by World War I.⁴ Alexander would become the first Black American to earn a PhD in economics. She would subsequently become the first woman to receive a law degree from the University of Pennsylvania because of the barriers she encountered in the field of economics.

Black workers were fleeing the South, Alexander explained in her dissertation, because of poor wages, segregation, lynching and disenfranchisement, seeking higher

² George Martin, *Madam Secretary: Frances Perkins* (Boston: Houghton Mifflin Company, 1976). See also <https://francesperkinscenter.org/life-new/>.

³ Martin, *Madam Secretary: Frances Perkins*.

⁴ Sadie Tanner Mossell, "The Standard of Living Among One Hundred Negro Migrant Families in Philadelphia," *The Annals of the American Academy of Political and Social Science* 98 (November 1921): 173-218.

wages, better education, “the ballot,” and “greater justice” in the North. And what did those Black workers migrating to Philadelphia find? Alexander’s path-breaking research showed that one-third of Black families earned less than what she defined and calculated to be a fair standard of living. About one-quarter of the Black families she studied were underfed. Keep in mind Alexander wrote this in 1921, almost 50 years before the U.S. government adopted a formal definition of the poverty level. Alexander decried the systemic discrimination in housing, education, and so much more that held Black people back in Philadelphia. And yet, Alexander was optimistic that Black workers moving North for better paying jobs would eventually attain the education and standard of living of what she called the “Great American Middle Class.”

Since that time, a college degree has become more important for financial security. That raises the vitally important question of how to make college more affordable for low-income students. It turns out Lois Dickson Rice spent much of her career addressing that question. As the daughter of a janitor and a maid determined to send their five children to college, Rice was inspired by her parents’ dedication to education.⁵ Denied an alumni club state scholarship because she was Black, Lois, with the help of her high school teachers, secured a better scholarship directly from Radcliffe.⁶ From there, she went on to a career at the College Board, becoming widely known as the “mother of the Pell grant.” Originally called the Basic Educational Opportunity Grant, over almost half a century later, the program Rice designed and her tireless work to make

⁵ Sam Roberts, “Lois Dickson Rice, Trailblazing Executive Behind Pell Grants, Dies at 83,” *The New York Times*, January 18, 2017, <https://www.nytimes.com/2017/01/18/us/lois-dickson-rice-dead-pell-grants.html>.

⁶ Susan Rice, *Tough Love: My Story of the Things Worth Fighting For* (New York: Simon & Schuster, 2019).

college accessible to all, have helped around 200 million Americans afford a college education.⁷

Economics can also provide powerful answers to questions such as, “What is the cost of discrimination?” This question was explored extensively by Andrew Brimmer, a child of sharecroppers who earned his PhD in economics at Harvard. Brimmer served with great distinction as the first Black governor of the Federal Reserve Board from 1966 to 1974, where he contributed to decision-making on monetary policy, and went on to publish research on systemic risk in capital markets and the Fed’s lender of last resort function.⁸ Brimmer estimated that discrimination cost the U.S. economy 3.8 percent of gross domestic product in 1993.⁹ In case you are wondering about the cost in today’s economy, Dana Peterson, who is the chief economist of the Conference Board and served as a research assistant at the Federal Reserve Board, estimated closing racial gaps could add roughly \$5 trillion to the economy over the next five years.¹⁰

I wanted to share these examples of pathbreaking economic scholar-practitioners who overcame daunting barriers to make important contributions on economic questions that touch the lives of working people all around our country. We created *Exploring*

⁷ Lois Fitt Rice and David Mundel, “The Impact of Increases in Pell Grant Awards on College-going among Lower Income Youth,” (Washington: The Brookings Institution, November 2008), <https://www.brookings.edu/research/the-impact-of-increases-in-pell-grant-awards-on-college-going-among-lower-income-youth>. See also <https://fas.org/sgp/crs/misc/R45418.pdf> and <https://blog.ed.gov/2012/06/celebrating-success-40-years-of-pell-grants/>.

⁸ Andrew F. Brimmer (1984), “The Federal Reserve as Lender of Last Resort: The Containment of Systemic Risk,” a paper presented before a joint session of the American Economic Association and the Eastern Economic Association, Dallas, Tex., December 19, pp. 35–40; and Andrew Brimmer (1989), “Distinguished Lecture on Economics in Government: Central Banking and Systemic Risks in Capital Markets.” *Journal of Economic Perspectives*, vol. 3, number 2, pp 3-16.

⁹ Thomas D Boston, *A Different Vision: African American Economic Thought, Volume 1* (Abingdon, UK: Routledge, 1997).

¹⁰ Dana M. Peterson and Catherine L. Mann, “Closing the Racial Inequality Gaps,” *Citi Global Perspectives & Solutions*, September 2020, <https://www.citivelocity.com/citigps/closing-the-racial-inequality-gaps/>.

Careers in Economics to help you answer the question of whether economics is right for you. Today you will hear from my colleagues about why they chose economics, and you will learn about the many rewarding career opportunities available to you. Through our partnership with Howard University, you will see how students there are working with our economists to take a hands-on approach to research.¹¹ I want to thank our colleagues in Federal Reserve Education for cohosting and helping to make this event available to students, educators, and groups across the nation.¹²

So that should give you a sense of what economics can do for you. What can you do for economics? You can bring your diverse backgrounds and life experiences and unique talents and interesting questions to strengthen the study and practice of economics. Economics is a powerful field that influences public policy and the economic opportunities facing all Americans. We should not be satisfied until the people in our field and those sitting around every economic decisionmaking table represent America in all its strength and diversity.

A growing body of research and evidence makes clear that the quality of the economics profession and its contribution to society will be greater when it reflects a broader range of people and perspectives. Research shows that greater diversity results in better outcomes—it broadens the range of ideas and perspectives brought to bear on solving problems, and it brings important insights to the analysis of our economy. As Amanda Bayer and Cecilia Rouse have documented, microeconomic experiments and other

¹¹ For more on the Board's partnership with Howard University Department of Economics see: <https://newsroom.howard.edu/newsroom/article/13256/howard-university-host-five-year-program-increase-diversity-economist-pipeline>

¹² Federal Reserve Education (FRE) offers free classroom ready online resources for students from kindergarten to college. See <https://www.federalreserveeducation.org/>.

research demonstrate the benefits of diversity for group deliberations and decisionmaking. For instance, one well-known experiment found that racially diverse groups of students outperformed other groups in solving problems, and another found similar benefits from gender diversity.¹³ A review of 2.5 million research papers across the sciences found that those written by ethnically diverse research teams received more citations and had a greater impact than papers by authors with the same ethnicity.¹⁴

It is notable that when Congress established the Federal Reserve System, it took great care to ensure that there would be a diversity of perspectives around the decisionmaking table with regard to regional representation. That is why we have 12 Reserve Bank Districts represented on the Federal Open Market Committee. But we have not yet lived up to that standard on racial and ethnic diversity. For instance, it was not until 2017, more than 100 years after the creation of the Federal Reserve, that the first African American, Raphael Bostic, was chosen to lead a Reserve Bank.

We need to address the stubbornly persistent gap in the awarding of economics degrees.¹⁵ Among U.S. citizens and permanent residents earning a doctorate in economics from U.S. universities, the representation of those identifying as Black, Hispanic, or Native American was 10 percent in 2018. The share of women overall obtaining a doctorate in economics was slightly above 30 percent in 2018, little changed from 1994. By contrast, Blacks and Hispanics make up 13 percent of medical students

¹³ Amanda Bayer and Cecilia Elena Rouse, "Diversity in the Economics Profession: A New Attack on an Old Problem," *Journal of Economic Perspectives* 30 (Fall 2016): 221-42, <https://www.aeaweb.org/articles?id=10.1257/jep.30.4.221>.

¹⁴ Richard B. Freeman and Wei Huang, "Collaborating with People Like Me: Ethnic Coauthorship within the United States." *Journal of Labor Economics*, 33(S1), pp 289-318.

¹⁵ Lael Brainard, "Strengthening Diversity in Economics" (speech at the Conference for the 2017 Summer Training and Scholarship Program, East Lansing, MI, July 28, 2017), <https://www.federalreserve.gov/newsevents/speech/brainard20170728a.htm>.

and women overall make up just over half of all medical students in the country.¹⁶ Economics also lags behind law as well as science and engineering in the share of underrepresented minorities and women receiving advanced degrees. But the gap starts at the undergraduate level, as highlighted by Rhonda Sharpe.¹⁷ From 2011 to 2015, Black women accounted for only 1.5 percent of undergraduate economics degrees, compared with their 6.2 percent share of all undergraduate degrees.¹⁸

Diversity and inclusion need to be priorities for every economics department around the country—and for the think tanks, governments, businesses, and many other organizations that train and employ economists. Many of my colleagues in economics and education are working hard to make progress, including by developing programs to support and mentor diverse talent interested in this consequential discipline. We need to make it a national goal to catch up to medicine, science, engineering, and other fields in developing robust programs, conducting ongoing evaluation, and constantly adapting to improve the inclusivity of economics and our ability to recruit and retain diverse talent. We want to be known within the profession as a place where minorities and women are confident they have the opportunity to make an impact and feel they are respected and heard by leadership.

We must continue to make progress towards a more just society, and I am hopeful that economists will contribute to that progress. Studying economics will provide you

¹⁶ See <https://www.aamc.org/news-insights/press-releases/majority-us-medical-students-are-women-new-data-show>.

¹⁷ Rhonda Vonshay Sharpe, “We’ve to Build the Pipeline. What’s the Problem? What’s Next? The Remix,” *The Review of Black Political Economy*, January 15, 2019, <https://journals.sagepub.com/doi/full/10.1177/0034644618822500>.

¹⁸ Amanda Bayer and David Wilcox, “The Unequal Distribution of Economic Education: A Report on the Race, Ethnicity, and Gender of Economics Majors at U.S. Colleges and Universities,” Finance and Economics Discussion Series 2017-105 (Washington: Board of Governors of the Federal Reserve System, October, 2017), <https://www.federalreserve.gov/econres/feds/files/2017105pap.pdf>.

with a powerful, intellectual framework for asking and answering questions that matter to you. It will enable you to influence people's lives for the better. It will enable you to craft policy to change our world. It will enable you to teach and help shape the next generation. It will enable you to pursue a range of opportunities, not just in economics, but also in business, finance, policy, and nonprofits. I wish you good luck and success in your studies, and I trust that I will soon be reading about the questions—and answers—that matter most to you.