



ECONOMIC UPDATE

February 24, 2023

Fact of the Week – *Black labor force participation exceeded the rate among white workers in January 2023*

The Black labor force participation rate [exceeded](#) that of white workers in January 2023, reaching 62.9% last month. The strong engagement of Black workers with the labor market illustrates how important these workers have been to the strong recovery from the pandemic recession.

While the labor force participation rate of Black workers has historically lagged that of white workers, the share of Black workers working or actively looking for work has increased significantly since the depths of the pandemic recession.

Black labor force participation is now near pre-pandemic levels, even as the share of white workers actively looking for work has persisted below pre-pandemic levels.

What You Need to Know

- **The Biden administration announced plans to lower borrowing costs for lower-income and first-time home buyers.** This week the Biden administration [announced](#) that mortgages insured by the Federal Housing Administration (FHA) will reduce the fees paid by borrowers on a typical loan by 0.3%. This effort will help make homeownership more affordable for first-time and lower-income borrowers. This is particularly notable as FHA insures loans for a higher proportion of Hispanic and Black borrowers than other government-backed mortgage programs.
- **New data show the Fed’s preferred measure of inflation, PCE inflation, ticked up slightly.** The Bureau of Economic Analysis [reported](#) that on a monthly basis, prices increased by 0.6% in January 2023. On an annual basis, PCE inflation increased by 5.4%.
- **Revised estimates show the U.S. grew at a 2.7% annual rate in the fourth quarter of 2022.** Revised estimates from the BEA shows the U.S. economy [grew](#) by 2.7% in Q4 2022, a strong rate of growth despite a 0.2% downward revision from the first estimate from BEA.
- **Lael Brainard joined the White House as the first woman to lead the president’s National Economic Council (NEC).** President Biden [installed](#) Federal Reserve Vice Chair Lael Brainard as the head of the NEC this week, succeeding Brian Deese. Brainard’s successor at the Fed could also be another prominent woman economist, as reporting [suggests](#) that former Treasury chief economists Karen Dynan and Janice Eberly are both under consideration.
- **President Biden nominated Ajay Banga as president of the World Bank.** President Biden [tapped](#) Mr. Banga for the job as a result of his experience leading organizations in developing countries and noted his experience “forging public-private partnerships to address financial

inclusion and climate change.” Banga was previously the Chief Executive Officer of Mastercard and originally hails from India.

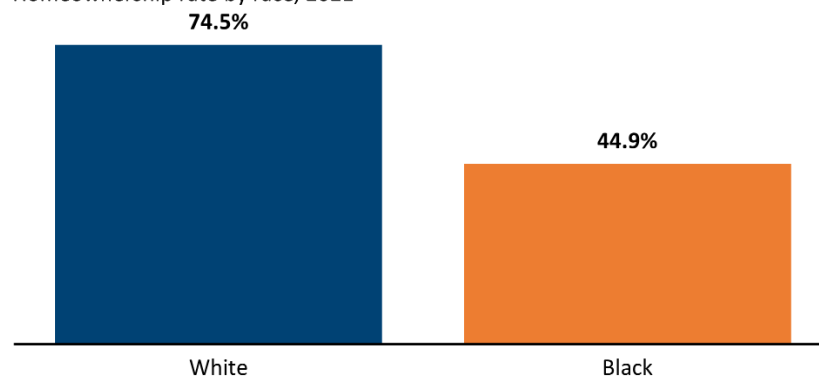
Chart of the Week- *Disparities in homeownership continue to perpetuate the racial wealth gap in the United States*

Homeownership serves as a pillar for building generational wealth and economic security. While the homeownership rate for the typical Black family has historically [lagged](#) that of the median white family, the share of Black households who owned their homes increased in 2021 as a result of federal investments and economic relief efforts.

Nonetheless, the gap in homeownership remains pervasive: less than half of Black families own their homes compared to more than 7 in 10 of white families. Such disparities in homeownership continue to be one of the main drivers of the racial wealth gap in the United States.

Black Families Are Much Less Likely To Own Their Home Than White Families

Homeownership rate by race, 2021



Source: U.S. Census Bureau

Note: White refers to the non-Hispanic white population. Black refers to the non-Hispanic Black population.



What to Watch Next Week

- *Monday, February 27:* The Tax Policy Center will host an [event](#) on the difficulty of calculating tax credits which many low- and moderate-income families rely on to cover expenses.
- *Wednesday, March 1:* The Economic Policy Institute will host a [panel](#) on non-compete clauses and the impacts they have on the compensation of workers and economic mobility.
- *Wednesday, March 1:* The Bureau of Labor Statistics (BLS) [releases](#) annual state unemployment estimates. The national unemployment rate was just 3.4% in January 2023.

New Reports and Research

- Analysis from the Center on Budget and Policy Priorities (CBPP) [shows](#) that Republican proposals to prioritize certain federal payments once the U.S. meets the debt ceiling would actually prevent Treasury from meeting its legally binding obligations. CBPP projects that payment prioritization would harm many people and businesses, while still failing to prevent the economic fallout of a debt default.
- The Tax Policy Center [found](#) that Black couples face a marriage penalty at tax time, while white couples enjoy a marriage tax benefit of \$662. One reason for this is that marriage penalties are

more common among couples where both spouses work—which is more widespread among Black couples—than among those where only one spouse works.

- [Research](#) from the Institute on Taxation and Economic Policy (ITEP) showed the extent of rampant tax dodging among American corporations. For example, American corporations reported earning \$60 billion in the Cayman Islands in 2019--despite that nation's economic output totaling just \$6 billion that year. Similarly, American corporations reported earning \$31 billion in Bermuda in 2019, although that nation's output totaled just \$7 billion.

Recommendations

- [“Biden Gets Chance to Redefine World Bank Role,”](#) *Politico*
- [“The Forgotten Gas Stove Wars,”](#) *Vox*
- [“Who Is Lael Brainard?,”](#) *The Washington Post*

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