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Economist Found \$16 Trillion When She Tallied Cost of Racial Bias

Dana Peterson, who was a Citigroup global economist, recalled her own experiences of bigotry while researching how gaps between Black and White Americans eat into economic output.

By Saijel Kishan



▲ Dana Peterson PHOTOGRAPHER: YURI GRIPAS

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As protests against racial injustice erupted across the U.S. in late May, an economist on Wall Street set aside her usual work of analyzing monetary policy and all things macro to try her hand at something few in her field have attempted: quantifying the cost of racism to the world's largest economy.


From her home in northern New Jersey, Dana Peterson, who at the time was a global economist at Citigroup Inc., got to work parsing data stretching over two decades, a period that included the longest economic expansion in American history. Several months later, she revealed how that economic boom belied a glaring number: Closing racial gaps would have generated an additional \$16 trillion in economic output since 2000, her research showed.

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For Peterson, doing the work of putting a dollar figure on the effects of racism endured by Black Americans was a way to convey the centuries-old issue in a way that the world of finance and economics would understand and relate to, she says. “Some people don’t really contemplate there being a problem,” she says. “So that was the value of adding numbers, because numbers take some of the emotion out of it. If you can relate to someone in their language, then it means something.”

The project, which culminated in the publication of a [104-page report](#) in September, was also a way for the 44-year-old Peterson, who left Citi last month to become chief economist at the Conference Board, to exorcise some of her own experiences of racism. During an interview, she recalled being on the subway in New York as a school girl when she and her teen friends were stopped and frisked by police. While attending Wesleyan University, she encountered classmates who questioned whether her admission to the elite Connecticut college was a result of affirmative action policies, rather than on her own merit. Then there was the time, early in her career, when—on showing up to meet a prospective employer—she saw the look of disappointment on his face when he said he had been expecting someone whose features conformed to her Scandinavian-sounding name.



▲ Dana Peterson speaking at a conference in Washington on Nov. 19, 2019. PHOTOGRAPHER: YURI GRIPAS

“I felt like I was telling part of my own story,” says Peterson of the report, “helping people to understand things from my perspective as a Black person, but also marrying the fact that I’m an economist. It gave me a chance to talk about everything.”



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Americans and other minorities to employment, higher incomes, and the ability to build wealth. Housing segregation, for example, leads to unequal access to quality education. Growing up poor, meanwhile, boosts the likelihood that incarceration will diminish job opportunities.

Sifting through granular data such as student loan debt and occupation breakdowns by race—information that is usually the preserve of think tanks and academics, rather than Wall Street economists—Peterson said that inequities exist at every juncture, be it when Black Ivy League graduates are paid less than White counterparts or the struggles Black business owners face when trying to secure investment from venture capitalists. By her calculations, an additional 6.1 million jobs a year and \$13 trillion in business revenue could have been generated over the last two decades if Black entrepreneurs had fair and equitable access to credit. “At all these different levels of society and achievement, there are these roadblocks,” Peterson says. “It’s pyramidal.”

Over the course of her research, Peterson said she was most struck by an analysis conducted by the Urban Institute on the gap in home ownership rates. The nonprofit said that after accounting for differences in income, education, credit score, and marital status, 17% of the difference between Black and White households remained unaccounted for. “That was shocking—that potentially one in five rejections alone might be attributable to bias or racism,” Peterson says. Equitable access to home loans could have resulted in 770,000 additional Black homeowners since 2000, with combined sales and expenditures adding \$218 billion to gross domestic product, she concluded in her report.

Peterson calculated that by closing the various gaps between Blacks and Whites, the U.S. could stand to gain an additional \$5 trillion in economic activity over the next five years—not an insignificant number as the U.S. struggles to recover from the downturn caused by the Covid-19 pandemic.

Citigroup’s report comes at a time when the Federal Reserve is paying increasing attention to the plight of Black Americans and other minorities who have disproportionately been negatively affected during the pandemic. The presidents of the Atlanta, Boston, and Minneapolis reserve banks have pledged to add minority voices to compilation of the central bank’s Beige Book report, which highlights the views of businesses and corporate chiefs in each district.

Additional groups have also tallied the economic costs of racism. Altarum, a nonprofit in Ann Arbor, Mich., said two years ago that the U.S. could realize an \$8 trillion gain in gross domestic product by 2050 by closing racial equity gaps. A McKinsey & Co. report that was published last year projected that the racial wealth gap will cost the U.S. economy as much as \$1.5 trillion from 2019 to 2028, because of its dampening effect on consumption and investment. “Showing the impact of inequities is important because disparate audiences have different motivations, and we think it’s important to show the impact on the economy,” says Shelley Stewart III, a McKinsey partner who was one of the report’s authors.

During her 18-year stretch at Citigroup, Peterson said she didn’t put her photograph on the company’s email system because of her race. “I had a very real fear that people would judge the quality of my work—or whether they wanted to work with me—by my picture,” she says. Peterson didn’t have that option at her new job, but says that at this point in her career, she’s not bothered by it. “My older self would have told my younger self to be bolder and less fearful, but you make decisions based upon the ‘now’ that you live in.”

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
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
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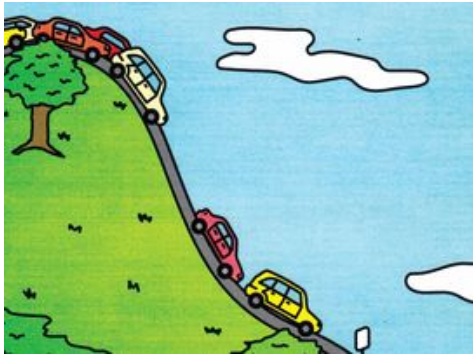
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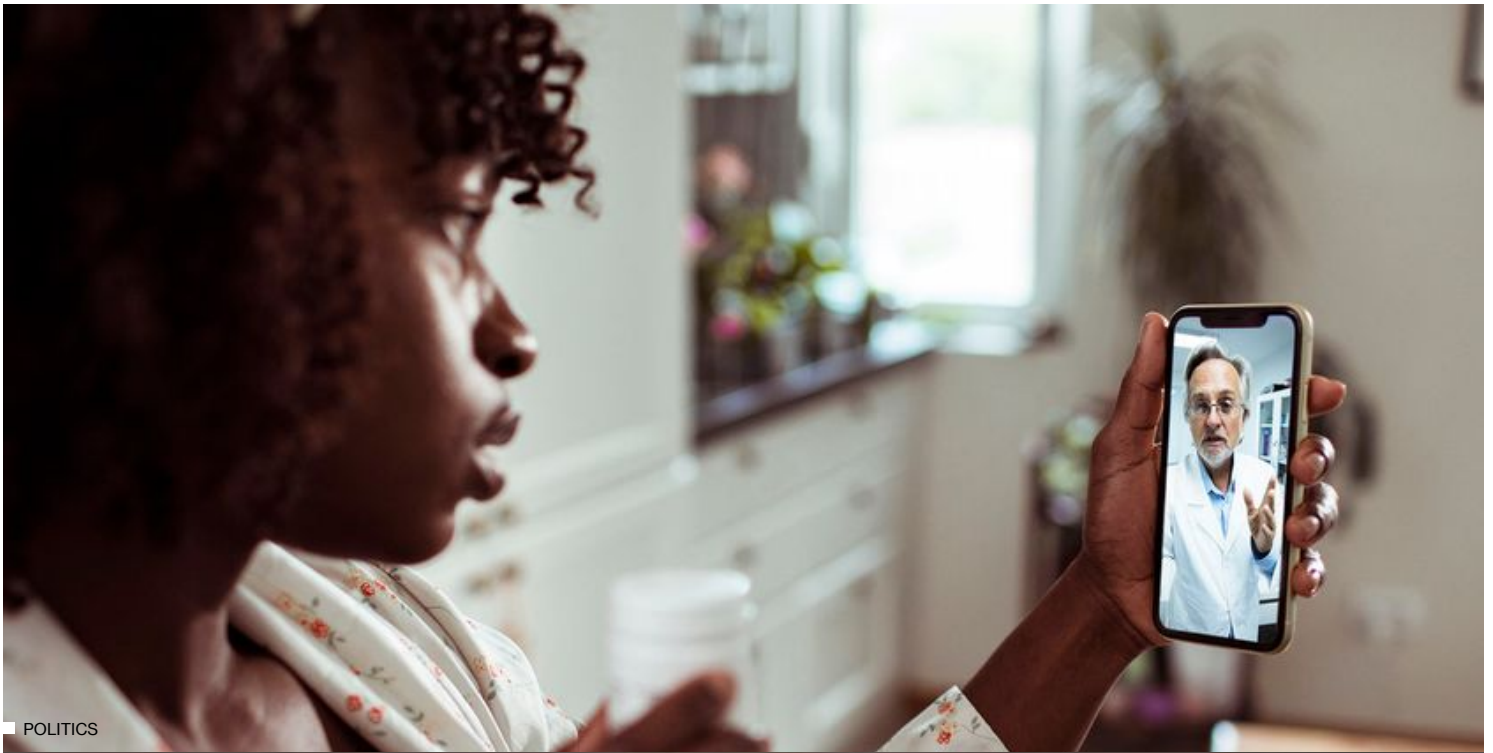
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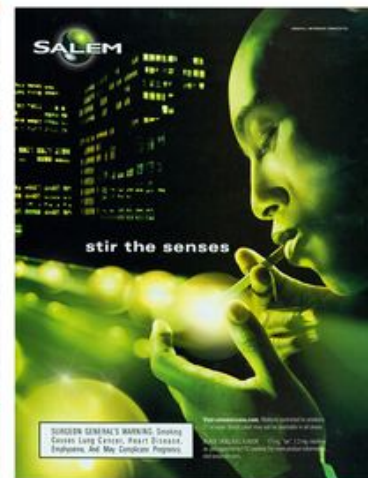
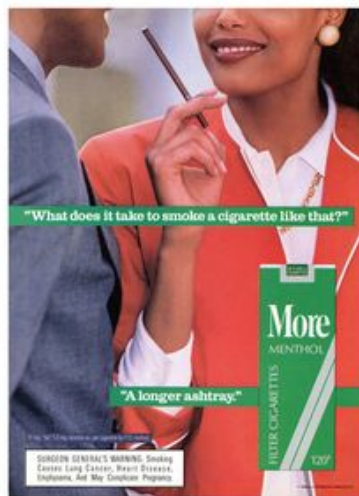
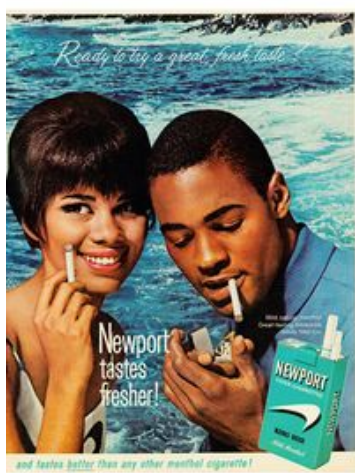
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