



AUGUST 2021 NEWSLETTER



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The State of Black America

For this month’s issue, we want to highlight a recent report by the McKinsey Institute for Black Economic Mobility (BEM), a research institute and think tank dedicated to advancing racial equity and inclusive growth in the United States—and globally.

The report is quite detailed identifying critical gaps Black Americans face in their roles as workers, business owners, savers and investors, consumers, and residents served by public programs.

We support their findings and recommendation on how to create a more equitable world designed to help all Americans; as such, will be highlighting key findings.

Summary of findings reveal dismantling the barriers that have kept Black Americans from fully participating in the US economy could unleash a tremendous wave of growth, dynamism, and productivity.

For instance, addressing wage gaps alone presents an opportunity to propel two million Black Americans into the middle class for the first time, while transforming and extending the lives of millions more.

Black neighborhoods are consumer “deserts”



Today, our focus is on urban communities and how many Black neighborhoods are consumer “deserts” that need greater access to goods and services.

Across all the categories of spending a higher percentage of the Black population lives in neighborhoods with insufficient access to goods and services.



FOOD

One out of every five Black households is situated in a food desert, defined by the USDA as a low-income neighborhood with inadequate access to food. This applies to roughly 8.3 million Black residents, 40% of whom live in five states: *Georgia, Texas, Mississippi, Florida, and Louisiana.*



HOUSING

The US Department of Housing and Urban Development defines households as “cost burdened” when over 30 % of gross income going toward housing which applies to 53.7% of Black renter households. These gaps are the result of a shortage of affordable housing in majority-Black neighborhoods combined with a long history of discriminatory practices preventing Black Americans from moving into white neighborhoods.



BANKING

Bank branches have been closing rapidly in recent years, and Black Americans are disproportionately likely to live in **banking deserts**, whether urban or rural. According to FDIC data, nearly half of all Black households were unbanked or underbanked in 2017, compared to just 20 percent of white households.



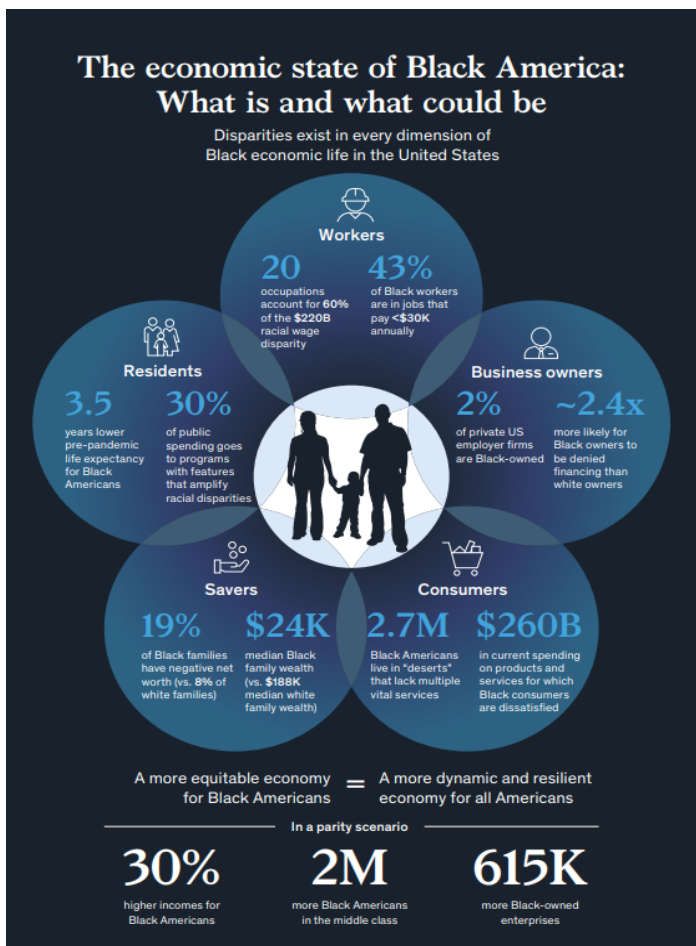
HEALTHCARE

Black Americans are nearly 2.4 times more likely than whites to live in a neighborhood with limited healthcare services, defined as areas that are either medically underserved or have too few providers relative to the population.



BROADBAND

Black households are 50 percent more likely to live in areas with limited broadband service, with spillover effects on job hunting, remote work, and remote learning.⁹ In some urban neighborhoods, networks are in place, but many internet service providers impose credit checks or require cash deposits from new customers, and they disproportionately turn away Black households. Yet Black consumers are actually more likely to participate in e-commerce; they have compensated for broadband gaps by becoming “mobile first.”



A substantial opportunity exist that would better serve these communities.

In 2019, Black household spending totaled approximately \$835 billion, 10% under the nation’s total, and lower than the Black share of the US population (13.4%). This gap is primarily the result of lower average incomes and wealth; however, achieving parity in the labor market could boost Black consumer spending by some 40%.



Source:

Stewart III, S., Manyika, J., Chui, M., Julien, JP., Hunt, V., Sternfels, B, Woetzel, J. & Zhang, H. (2021). The State of Black America: What is and what could be. *McKinsey Institute for Black Economic Mobility*. [the-economic-state-of-black-america-what-is-and-what-could-be-f.pdf \(mckinsey.com\)](https://www.mckinsey.com/~/media/mckinsey/industries/technology%20and%20operations/2021/09/the-economic-state-of-black-america-what-is-and-what-could-be-f.pdf)

But lower incomes do not fully explain the gap, some latent demand exists today but is going unmet. Years of underinvestment by the private sector have left some majority-Black communities with a dearth of retail options and key services. In addition, there is an opportunity to introduce products, brands, and services designed specifically to appeal to Black consumers.

In some cases, this would involve capturing dollars already being spent elsewhere today—and our own consumer survey shows that Black consumers are often willing to switch what they buy and even pay more for offerings that truly resonate.

When combined with the effects of income parity and expanded access to goods and services in Black communities, there is an opportunity to unlock some \$700 billion in value that would be shared by companies and Black households.

This is a dual opportunity to add revenue for companies and growth for the economy while addressing important gaps in neglected communities and creating value for consumers.

Multiple interventions can contribute to improving labor market outcomes. There are no easy fixes to achieve parity; instead, it will require difficult and complex work to dismantle long-standing systemic barriers.

It may also take new antidiscrimination measures and enforcement. Policy and educational institutions have a role here, yet much of the onus—and the opportunity—rests with employers. A few examples include:

- Diversify hiring and promotions.
- Strengthen educational pathways.
- Improve the quality of jobs disproportionately held by Black workers today.
- Prepare for the future of work.
- Expand opportunity across industries & geographies.

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QUOTE OF THE MONTH

“Justice will not be served until those who are unaffected are as outraged as those who are.”

— Benjamin Franklin

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