

Exchanges at Goldman Sachs
Asianomics in America: Contributions and Challenges

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Recorded: June 10th, 2022

Allison Nathan: The Asian American community is often referred to as the model minority. But that stereotype glosses over a group dealing with its own inequalities and challenges.

Daan Struyven: The data show that the bamboo ceiling, sort of the underrepresentation of the group in senior management and leadership positions, is large and surprisingly persistent.

Allison Nathan: I'm Allison Nathan and this is Exchanges at Goldman Sachs.

[INTRO MUSIC]

Allison Nathan: The Asian American community has seen marked success in education, income, and innovation, but remains underrepresented in managerial and executive positions according to new research from Goldman Sachs' global investment research division.

To discuss the contributions and challenges of the Asian communities in the US and countries across the globe, I'm sitting down with Hui Shan, Goldman Sachs' chief China economist, and Daan Struyven, senior global economist in Goldman Sachs Research about their latest report, *Asianomics in America: Contributions and Challenges*.

Hui, Dan, welcome back to the program.

Hui Shan: Glad to be here.

Daan Struyven: Thanks Allison. Excited to be here.

Allison Nathan: So, let me first ask what prompted you to focus on this segment of the community? And what did you hope to cover with this research? Hui, maybe you can kick it off.

Hui Shan: Sure, the sad reality was that between 2020 and 2021, we saw a sharp increase in anti-Asian hate crimes in the US. And we care about our communities. And we had, I think GIR had a town hall on this topic talking to our Asian American colleagues. And, you know, we were asking ourselves, "What can we do? What can we do to bring to the discussion to help bring awareness?"

And as economists, I think we're good at looking at the data, analyzing the data. And that's an important part of if you ever want to do policy making, then evidence-based policy making, needs to find look at the data, look at the patterns, look at the analytics. So, that was really the origin of this piece that we tried to look at this question, Asianomics, the contribution of Asian Americans to the society and to the economy in a comprehensive way.

Allison Nathan: And, by the way, I for one am so happy that economists are embracing these types of subjects at this point and really trying to put some metrics around it. Leverage your expertise for the social good, hopefully, down the road.

Daan, let's talk about some highlights from your report.

The Asian American community is often held up to be one of the most educated groups, one of the most successful groups in the US. Is that what the data showed?

Daan Struyven: Yeah, so, the Asian American community is, indeed, the most highly educated group in the United States. If you, for instance, look at share of Asian Americans with a graduate degree, that's about twice as high as the national average. And probably partly as a result of these very high education levels, since around the start of the millennium, the typical Asian American household now also earns more than the national average.

Allison Nathan: So, you've highlighted the many successes of Asian Americans in important areas: education, income, innovation. But how do these achievements contribute to the broader economy?

Daan Struyven: The Asian American community has made a very large contribution to innovation and GDP growth over the last 20 years. We've spent quite a lot of time in the report trying to quantify the contributions of the Asian American community to GDP growth. And our strategy is to essentially break down GDP growth into three

pieces: growth of the workforce, growth of the capital stock, and then growth of productivity.

And then we essentially look at what is the contribution from Asian Americans to each of these three pieces, those three components, of overall GDP growth?

So, starting with the contribution of Asian Americans to the growth of the workforce, the data showed that Asian Americans have contributed about 22 percent of total employment growth over the past 15 years. And this 22 percent is a very large number compared to the share of Asian American community in the workforce, which is around 6 percent. So, a very dynamic contribution of Asian Americans to employment growth.

Moving to the capital stock, there we assume that Asian Americans contribution mimics the share of the contribution of Asian Americans to the workforce. And then, finally, I think, the most interesting part here is the contribution to productivity growth where we use data on new patents. Patenting data are often considered to be the best proxy for productivity growth in the economics literature. And by using data on patenting by different

states in the United States and changes in the Asian American share, corporation share in each of the states, we estimate that the Asian American community has boosted total new patenting over the last 15 years by around 26 percent. So, a very big contribution, again, to productivity growth, which is sort of the third pillar of GDP growth.

Now, if you combine those three pieces of the puzzle, then the bottom line is that Asian Americans have contributed around a quarter of total growth in output of the US private sector over the last 15 years. And if you look at the numbers in absolute value, it's a very large number with a total contribution of around \$1.5 trillion in current dollar terms contributed by the Asian American community.

Allison Nathan: And the statistic that I did find most striking, or one of the most striking statistics in the report to me, is that 19 percent of high impact patents are from Asian Americans. So, is this group really just driving broader innovation in the US?

Daan Struyven: They're definitely playing a big role, especially if you compare it to the fact that the Asian American community accounts for just 7 percent of the

labor force driving 19 percent of so-called high impact patents. Those are patents that are issued across the three continents. You know, that's a big deal.

You see it in some other statistics. About 11 percent of American PhD graduates are Asian American. About 13 percent of college educated STEM jobs are held by Asian Americans. And, you know, when you compare the roughly 90 percent share of high-impact patents with the even bigger 26 percent boost to overall patenting in the economy, what it actually shows is that Asian Americans are not only patenting disproportionately themselves, but Asian Americans are also supporting innovations by other Americans.

For instance, if an Asian American launches a company, that person is actually complimenting the skills of inventors in the rest of the economy. So, the benefits, in a sense, of Asian American innovation and entrepreneurship are very broad based.

Allison Nathan: Also, interesting. Let's jump into diversity for a second because Asian Americans encompass many different backgrounds. They have lots of ethnicities,

lots of occupation levels in the economy and society. So, Hui, talk to us a bit about the inherent diversity of this group that's often not sufficiently acknowledged or well understood.

Hui Shan: Right. Exactly. So, this is also a fun part that we learned when we dug into the data. Because typically you think about the Asian Americans, oh, there are a lot of Asian Americans who are doctors or engineers, which is true. When we look at different occupations and how representative Asian Americans are in these occupations, you do see overrepresentation in computer-related occupations, in medical doctors.

But what's also interesting is that if you look at the other end of the spectrum, because the computer-related programming, engineer, doctor, they have a higher-than-average wage level. If you look at the other end of the spectrum, the occupations with less than average wage level, for example this one category, cosmetology and travel, this occupation has a lower-than-average wage level, but Asian Americans are four times as likely to be in that occupation than the average American. So, I think it's quite interesting to showcase the diversity.

Another example is that Daan was talking about the education. We have this impression that Asian Americans are highly educated. Which is true for Indian American, Chinese American, Korean American and so on. But when you look at, for example, Cambodian Americans, Mon Americans [PH], they are slightly less likely to have a bachelor's degree than the average American. And they also have a slightly lower income than the average American.

And what's mostly interesting is this category - Pakistani Americans. They're more educated, more likely to have a bachelor's degree. But their income is below the national average. So, you can find examples in different types. And it's all over the place. So, this is quite enlightening and interesting that when we talk about Asian Americans, they're not just fitting just one box.

Allison Nathan: So, what challenges does this diversity present? And what can we do about it?

Hui Shan: I think the takeaway from that analysis and thinking through the diversity is that if the reality or if the facts are that these people are very different, the education

background, the occupation choices, they're all very different, then in thinking about policies or corporate strategies or mentoring and career, all of these different dimensions from the business level to the policy making level, we have to be more thoughtful about who we're talking about. It's not just the Chinese American challenges, but also when I look at the data, what about the Pakistani American challenges?

And so, I think it's telling us that, first of all, Asian Americans' contribution to the country is not just about education and patents, which are important. And secondly, when we think about policy making, when we think about addressing some of the issues, we have to be mindful about this diversity aspect.

Allison Nathan: And Hui, we've worked together a long time. But some people may not know your background. You are part of that highly educated Asian American diaspora. You have a doctoral degree from MIT. You worked at the Federal Reserve in Washington DC before joining Goldman Sachs. You spent time in our New York office. You're now in our Hong Kong office.

Tell us a little bit about your journey in the US and how that contrasts from the experience you've had working in New York and Hong Kong. And how your Asian background really has played into all of that.

Hui Shan: Yeah. This is why I think sitting down with you and Daan, I love this opportunity. I've benefited a lot from your mentoring to me over the years. And Daan and I, I don't know if you know, we went to the same graduate school. Had the same advisor. And then we came back to Goldman Sachs working as economists and becoming friends and colleagues. I think that showcases this sort of diversity and the beauty of America in some sense.

And looking back, you know, I worked at Goldman Research in the New York office for eight years. In 2019, moved over here to Hong Kong. I find that moving from New York to Hong Kong, I've realized, or appreciated, the definition of minority versus a majority. Right?

When I was in the US, I always thought of myself as a minority. But once I landed here in Hong Kong, you know, when somebody from the Philippines told me, "Oh, I'm going to this minority workshop," it hit me that now I'm a

majority. So, I think that that kind of a perspective is interesting when we're moving around globally, being more mindful of the minorities, of people who may not have as loud a voice as we do. How do we enable them and empower them and give them a voice? Because one day when we move to another part of the world, we are the minorities and we might need the help, the mentoring, the friendship that we're giving to the minorities in the US.

Allison Nathan: I had no idea that you and Daan went back so far. And Hui, you have been very successful here. You're an MD in this division. You're our chief China economist, a very important position here at Goldman Sachs. But the research also highlights the concept of the bamboo ceiling or the lack of Asian Americans in senior leadership positions. So, Daan, talk to us a little bit about how that phenomenon played out in the data you looked at.

Daan Struyven: Yeah. And thank you, Hui, by the way, for all the mentorship as well. I'll probably not have ended up in this seat if you had not introduced me to Goldman research when I was still in grad school. And you know, thanks a lot. I enjoy this job a lot.

But moving to the bamboo ceiling, which was coined by author Jane Hyun, the data shows that the bamboo ceiling, sort of the underrepresentation of the group in senior management and leadership positions, is large and surprisingly persistent.

If you look at all the large US firms combined, Asian Americans account for about 13 percent of the professional positions, which should sort of allow you to grow into the top senior management positions. But there in those positions, the Asian American share is lower at around 6 percent.

Some of this gap does reflect some observable differences like the younger age on average of Asian Americans throughout the population average. But these observable differences cannot explain the full seniority gap.

I think the easiest way to illustrate that is when you look at US-born Asian American men with a graduate degree, and if you compare them with white America-born men of exactly the same age with also a graduate degree, the first group is still 15 percent less likely to reach top executive

positions.

What we also do in this study to sort of figure out what would allow us to break through the bamboo ceiling is taking a detailed look at the biographies, the history of all the 39 African American CEOs of S&P 500 and Fortune 500 companies. And a couple of very interesting trends emerge.

First of all, 38 of the 39 Asian American CEOs at those top firms are actually born, raised, or educated in the West. And so, have a very Westernized background. Most CEOs are also South Asian in terms of their background. They typically also are more likely to have graduate degrees. And also lead younger firms they have often founded themselves.

I think the most interesting finding in this study of those 39 Asian American CEOs is actually the underperformance of their companies before their appointment. And so, it looks like Asian American CEOs are appointed to restore performance.

And then when you look at what happens to those

companies once the Asian American CEOs are in their seats, for the median company, you see a pretty big outperformance or recovery, for instance of the stock price, with a 75 percent outperformance over the first three years during the leadership of an Asian American CEO.

And so, I think there are really two interesting takeaways from this advanced study. First of all, the fact that Asian Americans tend to be only appointed when companies are declining is sort of limiting the opportunity set for leadership positions of Asian Americans. And probably helps to explain why this bamboo ceiling has sort of emerged in the first place.

And then second, the financial outperformance of Asian American companies does suggest that the group is bringing unique perspectives and unique abilities to the floor. And actually, that there is an untapped potential for US companies to do more.

Allison Nathan: And so, what can be done to make sure that those missed opportunities are taken advantage of? What can get us on track for a more equitable future from your perspective, Daan?

Daan Struyven: Yeah. So, I think at the level of individual allies or individual companies, I think the most straightforward takeaway from our research is that, you know, this group is driving about a quarter of GDP growth of the largest and most dynamic economy in the world. And we should celebrate the contributions and recognize the contributions of this community to innovation in the broader economy.

I also think that companies should double down on their efforts to develop a diverse set of leaders. And then if you move to the macro society level, I think that public policy should do more to welcome Asian Americans into the economic system, in part because we show that the benefits, for instance from innovation, are broadly shared.

What is that in practice? I think it can range from a more welcoming immigration policy to more opportunities for foreign students, foreign entrepreneurs, and foreign researchers.

I think these considerations are especially relevant in the current context of the US labor market. We are facing the

tightest labor market in US history. There are now nearly 6 million more jobs than workers. And over the last three years, the contribution from immigration to the workforce has shrunk by around 1.6 million relative to the trends before the pandemic.

Allison Nathan: And Hui, I'm hoping to end on a more positive note. Are you seeing evidence today that companies are making real efforts towards a more equitable and inclusive future, and beginning to adopt some of the strategies and policies Daan began to highlight on the corporate side?

Hui Shan: Yeah, I do. I think the fact that we're doing this and we're writing this report and we're doing webcasts and talking to people, and not only internally, but a lot of our business partners, clients, and they dial into our webcasts and want to hear us, to hear about the research findings about Asian Americans, that awareness is quite encouraging.

And following what Daan was saying, whether it's immigration policy, whether it's corporate awareness, you know, this is a complex problem. If it was an easy problem,

we wouldn't be talking about it here. Right? We wouldn't be spending time and thinking about what we can do to help enhance and to increase the diversity.

I do agree with what Daan was saying. On a very small level, I love this example that I manage a team and if I tell you my team member's name, Lee Shun [UNINTEL], you wouldn't be able to remember that for a typical westerner. But we are in a financial service industry where we're facing global clients. And that name is a small thing. But that name is inherently a disadvantage for people to advance in their career because, you know, their clients may not remember their names or may not be able to give the credit where credit's due.

So, I do think as a manager it's being aware of these cultural impediments, these small things, and provide the guidance, provide the mentoring that they might need. Provide the opportunities. And be aware that we might also have biases and stereotypes and thinking, okay, Asian Americans, they're good at execution. But they might not be the best in thinking outside the box or be [UNINTEL].

Be aware of those biases. And then give your Asian

American subordinates the opportunity. Let them shine. I think these baby steps are going to get us a long way.

And I do want to end on a hopeful note that hopefully more people are listening to the podcast and spreading the message and practice these little things, and making small changes, and we're walking towards a more inclusive environment.

Allison Nathan: Hui, Daan, so glad you could join us.

Hui Shan: Happy to be here.

Daan Struyven: Happy to be here.

Allison Nathan: Thanks so much for joining us this Friday, June 10th, 2022, for another episode of Exchanges at Goldman Sachs.

But before we go, I'd like to share news about an exciting new project we've been busy with. Every week on Exchanges I sit down with top Goldman Sachs leaders and thinkers to discuss how the most pressing macro-economic issues are moving economies and markets. But have you

ever wondered how other top investors are navigating today's market headwinds? In our new special series, Exchanges at Goldman Sachs Great Investors, Allison Mass, our chairman of the investment banking division, and Katie Koch, our chief investment officer of public equity in our asset management division will be speaking with some of the world's most respected investors about their investment strategies and views on markets and global economies. Catch this limited run series on the Exchanges feed now.

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