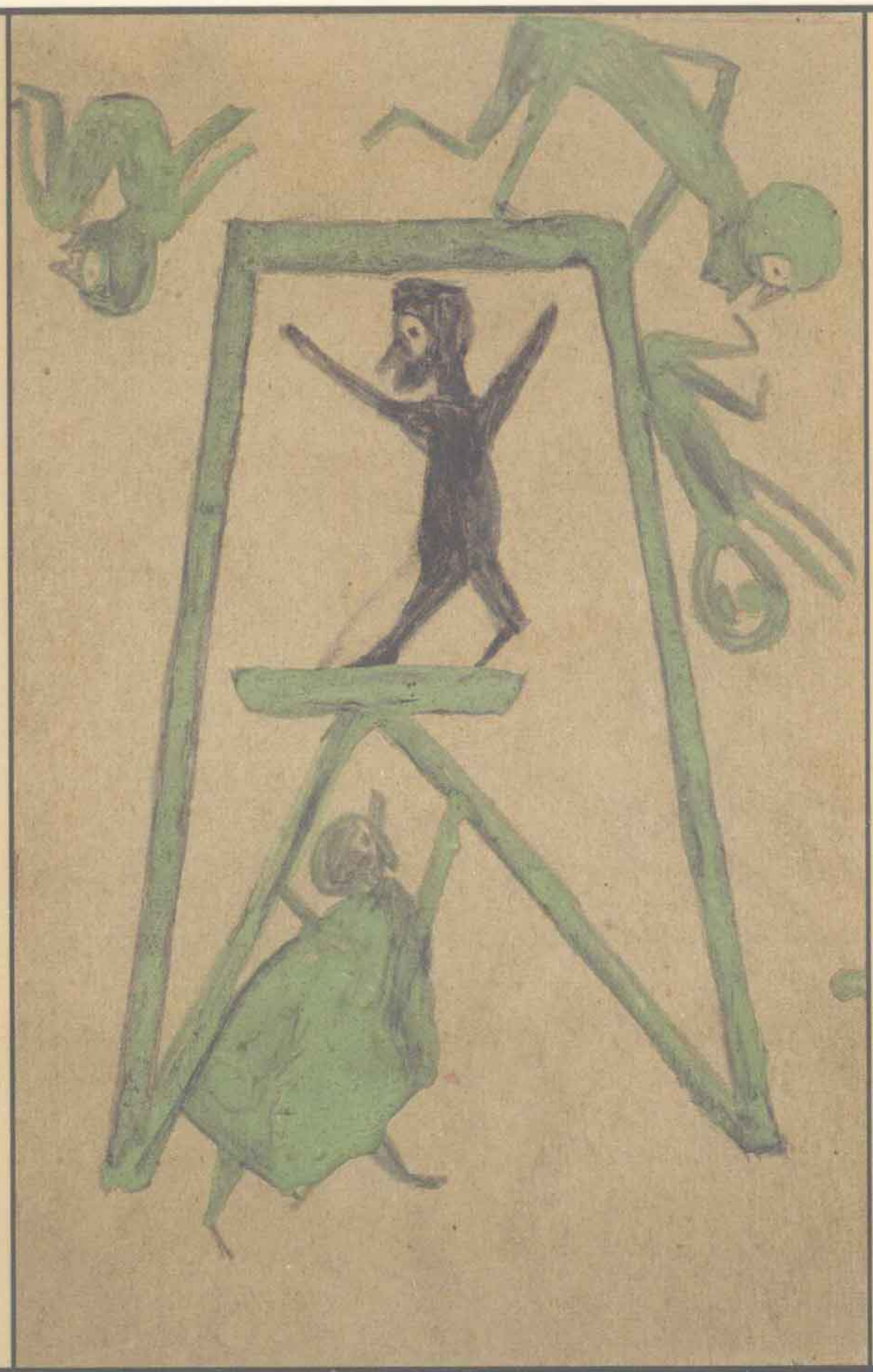
The Anatomy of Racial Inequality



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To Thomas C. Schelling—
mentor, colleague, and friend—
whose example I strive to emulate

PREFACE

This book emerges from the W. E. B. Du Bois Lectures which I delivered at Harvard University in April 2000. I wish to thank Professor Henry Louis Gates Jr., Director of the Du Bois Institute for Afro-American Research at Harvard, and his colleagues, for the invitation to give those lectures.

However, this book has been gestating for many years. It grows out of my efforts over nearly three decades to understand the causes of black Americans' social and economic marginality, and to find possible remedies for this situation. The first chapter of my doctoral dissertation (submitted in 1976 to the Economics Department at the Massachusetts Institute of Technology, and written under the inspiring supervision of Prof. Robert M. Solow) was called "A Dynamic Theory of Racial Income Differences." Ideas from this early work underlie many of the arguments to be found in Chapters 3 and 4. More recently, in 1993, I collaborated with Stephen Coate of Cornell University on a paper entitled

"Will Affirmative Action Policies Eliminate Negative Stereotypes?" which appeared in the *American Economic Review*. Much of the analysis in Chapter 2 derives from this collaborative research.

Then, in 1997 (with the full support of my university's administration, for which I am grateful), I founded the Institute on Race and Social Division at Boston University (IRSD), in order to encourage the exchange of ideas on these themes among scholars working in the humanities and the social sciences. It has been both my privilege and a source of great pleasure to observe an outstanding interdisciplinary community of researchers coalesce around IRSD over these past four years. Exposure to these creative and learned colleagues has broadened and deepened my understanding of the subject and has contributed to my own thinking in ways too many and too subtle to enumerate. I should say, however, that my theory of "racial stigma" sketched in Chapter 3 and my critique offered in Chapter 4 of "race-blindness" as a moral ideal would never have come to fruition without the constant encouragement and periodic provocations of this extraordinary group of scholars.

I am also grateful to the many individuals who read and commented upon earlier drafts of this book. It has certainly benefited from their criticism—especially that of Henry Aaron, Marcellus Andrews, William Bowen, Samuel Bowles, Kerwin Charles, Jorge Garcia, Nathan Glazer, Mark Kleiman, Linda Datcher Loury, Jane Mansbridge, Deirdre McCloskey, Robert Nozick, Orlando Patterson, Steven Pinker, John Skrentny,

Steven Teles, Ajume Wingo, and Christopher Winship. I would also like to express my appreciation for the financial support of the work reflected here that has been provided by the Ford Foundation, the Andrew W. Mellon Foundation, the W. K. Kellogg Foundation, the John Templeton Foundation, and the Lynde and Harry Bradley Foundation.

Finally, I must acknowledge my intellectual indebtedness to a great economist, Thomas C. Schelling, to whom this book is dedicated. Shortly after arriving at Harvard in 1982 as a newly appointed Professor of Economics and of Afro-American Studies, I began to despair of the possibility that I could successfully integrate my love of economic science with my passion for thinking broadly and writing usefully about the issue of race in contemporary America. How, I wondered, could one do *rigorous* theoretical work in economics while remaining relevant to an issue that seemed so fraught with political, cultural, and psychological dimensions? Tom Schelling not only convinced me that this was possible; he took me by the hand and showed the way. The intellectual style reflected in this book developed under his tutelage. My first insights into the problem of "racial classification" emerged in lecture halls at Harvard's Kennedy School of Government, where, for several years in the 1980s, Tom and I co-taught a course we called "Public Policies in Divided Societies." Tom Schelling's creative and playful mind, his incredible breadth of interests, and his unparalleled mastery of strategic analysis opened up a new world of intellectual possibilities for me. I will always be grateful to him.

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INTRODUCTION

THIS BOOK is a meditation on the problem of racial inequality in the United States, focusing specifically on the case of African Americans. The argument to come will be abstract, theoretical, offering causal accounts and normative judgments. In making it I rely on, but am not confined by, my background in economics. I also draw on relevant scholarly literatures in sociology, political science, and history. Though no new evidence is presented, this treatment points to a novel conceptual framework for assimilating the evidence at hand. I will convey that framework with the aid of simple, stylized "models"—that is, thought experiments which illustrate the workings of hypothetical but plausible causal mechanisms. My goal with this exposition is to clarify how the phenomenon called "race"[1] operates so as to perpetuate the inter-group status disparities that are so readily observed in American social life.

One overriding reality motivates this reflection: Nearly a century and a half after the destruction of the institution of

slavery, and a half-century past the dawn of the civil rights movement, social life in the United States continues to be characterized by significant racial stratification. Numerous indices of well-being—wages, unemployment rates, income and wealth levels, ability test scores, prison enrollment and crime victimization rates, health and mortality statistics—all reveal substantial racial disparities. Indeed, over the past quarter-century the disadvantage of blacks[2] along many of these dimensions has remained unchanged, or, in some instances, has even worsened. There has, of course, been noteworthy progress in reversing historical patterns of racial subordination. Still, there is no scientific basis upon which to rest the prediction that a rough parity of socioeconomic status for African Americans will be realized in the foreseeable future.[3] So we have a problem; it will be with us for a while; and it behooves us to think hard about what can and should be done.

THREE AXIOMS

As a starting point for the analysis I adopt three postulates, or axioms, about "race" and inequality in the United States. I use the term "axiom" here in the mathematical sense: an assumption embraced for the sake of argument, the implications of which may be of interest. I do not claim that these axioms are self-evident, merely that they are not implausible and are worthy of exploration. My goal in this book is to

uncover the conclusions regarding "race" and social justice in the United States that are entailed by these assumptions.

Axiom 1 (Constructivism): "Race" is a socially constructed mode of human categorization. That people use marks on the bodies of others to divide the field of human subjects into the subgroups we call "races" is a social convention for which no deeper justification in biological taxonomy is to be had.

Axiom 2 (Anti-Essentialism): The enduring and pronounced social disadvantage of African Americans is not the result of any purportedly unequal innate human capacities of the "races." Rather, this disparity is a social artifact—a product of the peculiar history, culture, and political economy of American society.

Axiom 3 (Ingrained Racial Stigma): An awareness of the racial "otherness" of blacks is embedded in the social consciousness of the American nation owing to the historical fact of slavery and its aftermath. This inherited stigma even today exerts an inhibiting effect on the extent to which African Americans can realize their full human potential.

I defend Axiom 1—the claim that "race" is best viewed in social, not biological terms—in the next chapter. The position on anti-essentialism in Axiom 2 has simply been assumed, not reached as a conclusion after a review of empirical evidence. There is, of course, an ongoing debate among social scientists about the sources, extent, and significance of racial differences in intelligence. In my opinion, the evidence emerging from this debate does not support the

view that the social and economic disadvantage of blacks in America can be explained in terms of supposed innate differences in the intellectual abilities of the "races." But this book is not the place to make that case. In any event, I will in due course offer a deeper argument, to the effect that in a democratic polity devoted to civic equality the position on anti-essentialism taken here ultimately must be adopted as an a priori commitment, and not as a conclusion held tentatively or made contingent on the interpretation of evidence.

Concerning the assumption of "ingrained racial stigma," I provide a more extended justification in Chapter 3. For now, I wish merely to note that astute external observers of race relations in the United States have often stressed just this point. Thus in the early nineteenth century one finds Alexis de Tocqueville remarking that "the prejudice rejecting the Negroes seems to increase in proportion to their emancipation, and inequality cuts deep into mores as it is effaced from the laws" (Tocqueville 1848, 316). And at mid-twentieth century one finds Gunnar Myrdal pointing out the power of "vicious circles" of cumulative causation—self-sustaining processes in which the failure of blacks to make progress justified for whites the very prejudicial attitudes that, when reflected in social and political action, served to ensure that blacks would not advance (Myrdal 1944). I will suggest that subtle processes of this kind are at work among us, even today, and that a proper study of contemporary

racial inequality requires one to identify such tragic, self-perpetuating processes, and in so doing, to lay bare the deeper, structural causes of African-American disadvantage.

Thus, the descriptive and the normative analyses to be offered here are closely connected. I endeavor to fathom the deeper causes of racial inequality so that, ultimately, I can assess the public morality of American social policy on this issue. So I will be addressing the question of "racial justice." Again, my approach is theoretical and conceptual. I make an effort to specify the criteria that ought to be consulted in such reflections. This leads me naturally into the fields of social and political philosophy, where such considerations have long been at the forefront. I end up questioning whether liberal political theory, the ruling orthodoxy on such matters, is adequate to this task of assessment. My concern is that liberal theory, as it has come to be practiced, gives insufficient weight to history—especially to the enduring and deeply rooted racial disparity in life chances characteristic of American society. One implication of liberal individualism especially important in current policy debate is the notion that public agents should be "colorblind"—that is, they should pay no heed to racial identities when formulating and executing policy. This view, I am convinced, is quite wrong, and I argue strenuously against it.

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AN OVERVIEW

With these ambitions in view, the next three chapters successively address the topics Racial Stereotypes, Racial Stigma, and Racial Justice. Here is a brief overview of the argument.

The "stereotype" theme to which I will turn next deals with issues of information, incentives, and group reputation. Of the three topics, this is the one based most strictly in economics. My treatment takes as a point of departure collaborative research I published in the early 1990s with the economist Stephen Coate of Cornell University (Coate and Loury 1993a, 1993b). The key ideas can be conveyed without the burden of any technical apparatus and provide a valuable foundation for the subsequent analysis.

The main goal in Chapter 2 is to illustrate the sense in which it can be "rational" for an observer to use racial information to assess a subject's functionally relevant but nonracial traits, assuming that those traits are not directly observable. For instance, an employer concerned about a worker's productivity, a lender worried about a borrower's risk of default, or a policeman wanting to arrest a criminal may find that, on the average, their objectives are better served when they deal on different terms with the persons whom they perceive as belonging to different "races," and this despite the fact that "race" has no objective association with the underlying productivity, creditworthiness, or law-abidingness of individuals in society. Yet, this appearance of rationality notwithstanding, I go on to show how such