Social Exclusion and Ethnic Groups: The Challenge to Economics

Glenn C. Loury
Boston University

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Introduction

This paper discusses the concept of social exclusion, which has gained such wide currency in recent years. The discussion is primarily undertaken with an eye to assessing the utility of this concept in the study of ethnic and racial group inequality in the modern nation state. Social division between groups defined in terms of race and ethnicity—along economic, cultural, and political lines—is a central feature of public life in nations throughout the world. I am of the view that important features of this problem span geographic and political boundaries, and reflect universal social dynamics. Accordingly, I believe that much can be learned from the comparative study of such tensions and conflicts across national boundaries. It also seems clear that inequality and conflict between social groups entails not only economic, but also, and centrally, sociological and political factors.

Something worth emphasizing from the outset is the essential role played by moral/ethical considerations in this area. Indeed, a cursory review of what has been written under the rubric "social exclusion" over the past five years reveals that normative matters are the primary concern of those invoking this concept. What we have in "social exclusion" is a loaded term. How could "social exclusion" possibly be considered a good thing? Doesn't everyone want to see less of it? Indeed, using the term can be, in itself, a political move – a bid to define the debate in such a way as to privilege more progressive, "inclusive," and socially democratic policy. Concerns about the status of ethnic minority groups, immigrant populations, unemployed workers, women, and indigenous peoples fit nicely into this paradigm of thought. This observation is in no way intended to signal a lack of sympathy for such political programs. I merely seek to point out that, if one undertakes to provide a thorough analysis of the concept of "social exclusion," then one must attend to its rhetorical as well as its social scientific dimension.

Use of the term "social exclusion" arose in Europe, in the wake of prolonged and large scale unemployment difficulties. These difficulties gave rise to criticisms of the welfare systems for failing to prevent poverty, and for hindering economic development. Silver [1994] stresses that economic restructuring in the North American and European economies since the mid-1970s has given rise to terms such as "social exclusion," "new poverty," and "the underclass" to describe the consequent negative effects on the more

vulnerable populations in these countries. Such phenomena also elevated the importance of debate over the adequacy of universal social policies and fueled a growing concern about the distributive fairness of employment and income patterns. Used first in France [Yepez-del-Castillo, 1994], the concept of "social exclusion" spread quickly to Britain and throughout the European Union.

Social exclusion theorists have been concerned with the dissolution of social bonds, the incomplete extension of social rights and protections to all of the population, and linkages between the exclusion idea and more conventional understandings of the problem of inequality. In this context, the policy focus has been on employment and wage subsidies, housing provision, and responses to urbanization At base, "social exclusion" draws on theories relating to poverty, inequality, and disadvantage. Its value added in discussion of these matters seems to derive from its ability to focus attention on the multifaceted character of deprivation, and to bring to the center-stage of analysis those mechanisms and institutions that function so as to exclude people. [De-Haan; 1998] As Bhalla and Lapeyre [1997] note, approvingly, use of the social exclusion concept encouraged scholars to consider simultaneously the economic, social and political dimensions of deprivation problems. They write that the concept "overlaps with poverty broadly defined, but goes beyond it by explicitly embracing the *relational* as well as *distributional* aspects of poverty" (emphasis added). This focus on more sociological and institutional aspects of the poverty problem among "social exclusion" scholars is clear in the work on Europe.

Evans [1998] explores the institutional basis of social exclusion in Europe, drawing on a comparison of policy in France and Britain, and emphasizing the differences in theoretical approaches to social exclusion in those countries. Buck and Harloe [1998] explore processes underlying exclusion in London, criticizing its narrow focus on labor market exclusion. They argue that social exclusion in London is best seen in terms of the functioning of the labor market, access to state redistribution, and, access to communal resources of reciprocity and mutual support. Relatedly, Amartya Sen [1997] discusses the impact of various inequalities on individuals, focusing on the effect of unemployment on social exclusion, family crises, and lower skills, motivation, and political activity. He also discusses how massive unemployment may result in racial and gender inequality,

and emphasizes that these costs of unemployment will not be adequately reflected in market prices. Garcia and Oberti [1998], in a study of 14 cities in six European countries, focus on the role of local political institutions in defining the "deserving" status as welfare recipients of the various poor.

Although the theory and concept originated in the developed countries, they have been applied extensively to the developing country context. (The International Institution of Labor Studies appears to have played a key role in introducing the idea of social exclusion into the developing country debate.) Of course, properly done, such a diffusion of conceptual apparatus ought to attend closely to the context-dependent definitions and meanings involved with an idea like "social exclusion." It certainly will not mean the same thing in every cultural situation. [De-Haan, 1998] By now, fairly large number of studies have emerged making use of the concept. Rodgers, Gore, and Figueiredo [1995] is a representative collection, with papers looking at both conceptual and empirical issues, and including the study of such topics as social change in Africa, exclusion of poor and indigenous peoples in Latin America, and patterns of inequality in Russia, Mexico, India, and elsewhere. Also worthy of mention is [Burki, et al., 1998], the proceedings of a 1996 World Bank conference on development in Latin America and the Caribbean in 1996. These papers concentrated on poverty and inequality and social exclusion in that region. Topics discussed included the uneven coverage of social services in Latin American; urban violence and the role of "social capital" in its amelioration; rural poverty; the conditions of poor children; labor reform and job creation; and, the impoverishment of indigenous peoples in Ecuador. Guhan, Hema, Majumdar, and Vaidyanathan [1996] investigates the extent and nature of exclusion in India, focusing on the fulfillment of basic needs, and identifying groups that are denied access. The role played by caste disabilities in the enjoyment of welfare rights by different caste groups is considered. Thorne [1999] explores the "social exclusion" of indigenous peoples in Brazil, and the impact upon their physical and social environments of World Bank-sponsored development projects.

The concept of social exclusion also calls attention to the social psychological process by which groups of people are perceived as alien. An interesting example is the article on Rwanda by De-Swaan [1997]. Here the processes of identification with and

disidentification of foreigners are viewed as cognitive and affective phenomena that are the result of global mobility, making contact with formerly unknown population groups more common. In the context of Rwanda, the author argues that the genocide there in 1994 resulted from hate propaganda that emphasized social exclusion and affective disidentification. Both national and international political and social factors are said to have inspired the disidentification campaign that led to genocide.

II. Limits of Social Science in the Face of this Problem

A. Is "Good Science" Good Enough?

That "good science" might prove to be an antidote to the problem of group hatred has been a hope of progressive social observers throughout the modern age. The story goes something like this: Antagonism toward a particular "race" may entail objective claims about the nature of those persons – about their moral deficiencies or intellectual inferiority, for example. These claims can be subjected to scientific scrutiny. Examination of the evidence by specialists might lead to their refutation. Rational persons confronted with these scientific arguments might then be disabused of the beliefs on which their racial enmity rests. In this way the doing of sound science, in itself a value-neutral enterprise, can produce the ethically desirable result of undermining racial antagonisms, by dispelling false beliefs, replacing prejudice and stereotypes with data and rigorous analysis.

Certainly, this story on behalf of the benefits from "good science" is a plausible one with ample historical precedent. It is only made more compelling when one recalls how totalitarian political regimes – particularly the Nazis – used "bad science" to justify their racist political program. If science ceases to be an autonomous intellectual activity, and falls under the influence of a political agenda –if, that is, it becomes "bad science" – then history teaches that it can serve to abet the spread of racial hatred. In this sense, proper scientific argument can indeed foster racial tolerance, while the abuse of science can lead to more disturbing results.

Yet, of course, there is no necessity in any of this. What makes the science "good" or "bad" is a matter of its conformity with particular disciplines and methods that practitioners see as meeting their standards of evidence and argument. This essentially technical matter has, in itself, relatively little moral content. In any event, scientific

argument is a specialized form of discourse that takes place within a narrow community of investigators, and is governed by strict norms and disciplines. Indeed, it is an indication that a field has matured as a science when its discourse takes-on what might be called the quality of socio-linguistic closure. Thomas Kuhn stressed just this point in his influential work, *The Structure of Scientific Revolutions*.

On the other hand, hatred, enmity, antagonism and conflicts among racial groups are universal cultural phenomena, observable down through the ages and still prevalent in the contemporary world. This is so, despite the fact that the authority of science is greater now than ever before in human history. In fact, although population geneticists declare that there are no "races" in an objective, biological sense, within many societies the social and political construct of race continues to reproduce itself across the generations. *Racial identity* is a stubborn reality in the modern world, one that has survived the demise of the 19th century anthropology out of which it arose. So, as a cultural and historical matter, it seems safe to say that race hatred will not be vanquished by the steady march forward of scientific discovery.

One way to develop this point is to notice that, for the purpose of dispelling racial hatred, what matters most is not what scientists say to each other, but rather, what they are understood to have said by the general public. That is, to gain insight into the relations between scientific argument on the one hand, and persistent racial conflict on the other, one needs to focus on the broad cultural appropriations of scientific understanding. Ultimately, the hope that science can help to dispel racial enmity is grounded upon the belief that the authority of science can be adopted to do a particular kind of cultural work. It is the hope that "good science" can make people more tolerant of human difference, more open-minded, less parochial, less nationalistic, less chauvinistic, less certain about inherited cultural verities. That being the case, gauging the potential for scientific argument to influence what we Americans call "race relations" requires attending to the interpretive discourses through which the results of scientific work are diffused into the larger culture. *My point is that, unlike arguments within scientific communities, this latter, cross-boundary discourse is inherently, inevitably political*. As such, whatever the quality of the scientific work informing it, one cannot be

confident that preexisting racist ideology will not "contaminate" this interpretive discourse.

This leads one to question whether the core of the problem of inter-group hatred can be reached at all by scientific argument. Is not the age-old conundrum of inter-group conflict, at base, a problem for the humanities, and not the sciences? Of course, such humanistic inquiries are constrained by facts about the world that structured scientific inquiry can uncover. One cannot simply make-up the quantitative magnitudes to be anything one would like. But, in the end, when we take-up the challenge of finding ways to dispel racial hatred, we are engaged in an enterprise of narration, interpretation, and moral justification**.**

In this connection it is crucial to note that what we say about "the way society works" is itself a social datum, powerfully influencing the workings of society. For example, "capitalism is superior to socialism" may be true about a world inhabited by the kinds of people produced by late 20th century capitalism, but it need not be a law of nature, true for all time and place. And, the narrative rationalizations constructed by and for the inhabitant of our liberal democratic capitalist states in part serve to make that statement true. I am reminded here of Karl Marx's dictum, "It is not the consciousness of man that determines his existence – rather, it is his social existence that determines his consciousness." One needn't be a doctrinaire Marxist to appreciate the insight in that observation. When our formal methods in the social sciences seduce us into believing that we are engaged in a value-neutral enterprise–one with a clear separation between subject and object, in a manner similar to the physicist or chemist—to that extent, I believe, we social scientists are gravely mistaken. Formal rigor can not substitute for taking of responsibility for the inescapable normative dimensions of our work.

This methodological point can be illustrated with an example from my own discipline, economics, in which the central metaphor is, of course, that one associated with Adam Smith of the Unseen or Invisible Hand. The preeminent modern exponent of this idea was Friedrich von Hayek, who introduced the notion of *spontaneous order* to refer to those social products that emerge from human interaction but not from human design – the order which knows no author. As Hayek puts it, "The unconscious collaboration of individuals in the market leads to the solution of problems which,

although no individual mind has even formulated these problems in a market economy, would have to be consciously solved on the same principle in a planned system."

One of Hayek's fundamental points, however, was that such a consciously planned solution is impossible in practice. Our best course is to rely upon "spontaneous order." This is obviously a deeply political claim, and one that can be profoundly persuasive as a description of many economic situations. Yet, as the legal scholar Cass Sunstein has observed recently, for Hayek the economic argument was less important than the moral one: spontaneous order promotes his ultimate value – *freedom*. One need not go far to see the significance of these ideas in our day to day lives. Are these scientific, philosophical, or religious claims? Are they amenable to refutation on the basis of evidence? When we hear debates about the limits of the welfare state, we can discern this Hayekian metaphor of spontaneous order being invoked, often unthinkably, by advocates who see this as a "truth" about society established through the scientific study of history. Which is to say that it is not only Marxists who fall prey to what Karl Popper called the historicists' fallacy.

B. Limits of Economics

All of this goes to support the point that economic science without serious political reflection is a conceptually impoverished framework with which to debate the question of social policy. When it comes to the particulars of governing in the modern world, the economist's view of the world can be narrow and reductive. Policy making is not simply the providing of technical solutions to the problems of governance. It involves as well the taking of symbolic actions that express a people's values and beliefs. And, it is about doing justice. A policy's cost-benefit effect may pale next to this communicative role, as any good politician instinctively knows. Yet, what might be called the expressive content of public action – the message to the political community conveyed by the letter of a law, the behavior of a bureaucracy, or the public utterances of a political leader – has no place in the conventional economic model.

For example, criminals are punished not simply to deter crime, but also to signal a polity's collective abhorrence of the offending act. And, conversely, we sometimes mitigate or forego punishment – even though it might blunt the deterrent effect – in order

to show mercy or to do justice. There is no jurisdiction in the world where the political viability of capital punishment turns on whether, in fact, it deters murder. The more compelling argument over the state-sanctioned killing of criminal offenders begins by asking, "What manner of people are we, who destroy human life in public rituals of revenge?" This most decidedly is not a question about incentives.

Or, to take another example, the rightward drift of social welfare policy in the US in recent years was driven primarily by the desire of many Americans to state, in unequivocal terms, what they can rightly require of public assistance recipients. Whether we like it or not, it is the case that for most people, such beliefs – about who deserves to be helped, and how we should separate public from private responsibilities – have very little to do with analytical judgments. Indeed, even with experienced analysts, one often finds the influence running in exactly the opposite direction – from basic value commitments to conclusions about cause and effect. I am not endorsing this state of affairs, merely calling it to our collective attention.

My main point, though, is that conventional economic analysis has little to say about this kind of thing, starting as it does from the assumption that the preferences of individual's among alternative courses of action are given and lie beyond the scope of respectable intellectual discussion. There is an alternative view, however, which takes as the principle objective of policy to alter individuals' views about how to live their lives. That is, the expressive content of public action can also serve a pedagogic function – by showing citizens how better to lead their lives, as individuals and together within the political community. This, too, is a consideration that is missing from the economist's conceptual tool kit.

But, not only is there a conceptual poverty, there is a moral impoverishment of economic discourse–and much other social science—as well. This seems an important point to raise in the context of a discussion of "social exclusion" which, as I have emphasized, unavoidably entails moral concerns. The fact is that the accounts of human behavior on which we social scientists rely are clinical and abstract accounts. The human beings in these accounts are soulless creatures – utility maximizing buyers and sellers, behaviorally conditioned violators of the law, genetically predisposed substance abusers, and the like. This brand of social science propounds theories about the mechanisms of human action

that omit any consideration of what most makes us human – our awareness of our own mortality; and, the fitful, uncertain, often unsuccessful attempts we undertake to give our lives some meaning that just might transcend our pitifully brief existences. My sense of the matter is that this omission has left social scientists less well equipped to prescribe remedies for the most serious problems that our societies now confront.

Permit me to offer an illustration. Much has been written by American behavioral scientists over the past several decades about how parents discipline their children, and the consequences of such behavior for the later-life sociability of young people. Criminologists have argued that the regular provision to a young child of modest positive and negative reinforcements for good and bad actions lowers the risk that anti-social behavior will be manifest as the child enters adolescence. These anti-social behaviors are alleged to be difficult to change in human beings once they have been allowed to develop. So, if the character-shaping tutelage of vigilant parents is missing in early childhood, then the young adult who emerges may turn out to be incorrigible.

This is a matter of no small policy significance, since in the most disadvantaged quarters of many societies it is manifestly the case that millions of children are growing to maturity in the absence of conscientiously applied parental discipline. And yet, there are a great many people connected with civic institutions of various kind, including religious institutions, who work in the most marginal of communities so as to turn these "incorrigibles" in a different direction. These inspired activists confront young adults who did not receive proper nutrition in infancy, who were not the objects of sufficient verbal stimulation as toddlers, who never learned to internalize as second nature the difference between right and wrong, and who have committed the kinds of acts that incorrigible, undisciplined adolescents commit. Yet, despite all of that, many youngsters are substantially aided by their interventions.

Now, what is interesting to me here as a social scientist is what I will call the *anti-deterministic* character of this way of thinking. Most social science theories say, in effect, that material conditions mediated by social institutions cause us to behave in a certain way. Yet, surely it is more plausible to hold that material and institutional givens can at best establish only a fairly wide range within which behavior must lie, and that the specific actions within this range for any particular human being will depend upon factors

of motivation, will, and spirit – that is, upon factors having to do with what a person takes to be the source of meaning in his or her life, with what animates him or her at the deepest level.

If this is right, then what is crucial to grasp is the implication that the behavior of freely choosing, socially situated, spiritually endowed human beings will in some essential way be indeterminate, unpredictable, even mysterious. For, if human behavior is in substantial part a consequence of what people understand to be meaningful – of what they believe in – then the inter-subjective processes of social interaction and mutual stimulation that generate and sustain patterns of belief in human communities becomes centrally important. But these processes of persuasion, conformity, conversion, myth-construction, and the like, are open-ended. They are, at best, only weakly constrained by material conditions. That is, while what we believe about the transcendent powerfully shapes how we act in a given situation, these beliefs cannot themselves be deduced as a necessary consequence of our situation. We can always agree to believe differently, or more fervently – particularly if those with whom we are most closely connected are undergoing some similar transformation. Religious revivals and reformations can sweep through our ranks and change our collective view of the world virtually overnight. We can be moved to make enormous sacrifices on behalf of abstract goals. We are ever capable, as Vaclav Havel has said so well, of "transcending the world of existences."

I admit to being deeply moved by this fact about human experience – that we are spiritual creatures, generators of meaning, beings that must not and cannot "live by bread alone." One can readily see the power for good – and for ill – of communal organization acting through the constitution of collectivities that share understandings about the meaning of their lives. This all-too-human search for meaning and significance often results in ethnic/racial solidarity and its complement – inter-group conflict and antagonism. Any social science that does not take this aspect of the human drama with the utmost seriousness will fail to do justice to its subject of study, and to the national communities that looks to it for useful advice about a host of social ills.

III. "Race" and Social Exclusion in the United States

A. Broaden the Focus Beyond "Discrimination"

The economic literature on discrimination tends to focuses on differential treatment of individuals, based on race, gender or ethnicity, in labor, credit, and consumer goods markets. This is, of course, a serious matter and there is ample evidence in the US and elsewhere that such disparities are real and quantitatively important as a source of inter-group economic inequalities [see, eg., Modood, 1997; Wilson, 1998.] Nevertheless, when considering the topic of ethnic group inequality, economists should be willing to look beyond what happens within markets.

Of course, we economists have a professional tendency to focus on how markets work or fail. Economic theory suggests that discrimination based on gender or racial identity should be arbitraged away in markets of competitive sellers, employers, and lenders. In fact, however, such discrimination is readily observed in society, and this anomaly attracts attention. Critics of the neoclassical orthodoxy in economics seize upon it, and defenders of that orthodoxy seek to explain it away. Thus, evidence that wage differences between the races or sexes have declined, after controlling for worker productivity, is supposed to vindicate the economist's belief in market forces.

I think this way of approaching the problem is too narrow. With respect to wages, for example, the usual focus is on the demand side of the labor market—employers either have a so-called "taste for discrimination," or are thought to use race as a proxy for unobserved variables that imply lower productivity for blacks. The primary normative claim in this approach is that such discrimination is morally offensive, a legitimate object of regulatory intervention, and a significant contributor to the scourge of race and sex inequality in society. But, implicit here also is the notion that if inequality were due to supply side differences—in the skills presented to employers by blacks and whites, for example—then the resulting disparity would not raise the same moral issues, nor give a comparable warrant for intervention. With respect to housing markets, there is a comparable view—that residential segregation induced by the discriminatory behavior of realtors is a more severe problem than the segregation that comes about because of the freely chosen decisions of market participants.

I want to propose a shift of emphasis. In reference to the US context, while it is clear that market discrimination against blacks still exists, it is also clear that such discrimination not as significant an explanation for racial inequality as was the case in decades past. This calls into question the conventional wisdom regarding equal opportunity policy—the view that eliminating racial discrimination in markets will lead, eventually, to a solution for the problem of racial economic inequality. Much evidence supports the view that the substantial gap in skills between blacks and whites is a key factor in accounting for racial inequality in the labor market. Yet, this skills gap is itself the result of process of "social exclusion" that deserve to be singled-out for explicit study and for policy remediation. It is a reflection of social and cultural factors—geographic segregation, deleterious social norms and peer influences, and poor educational quality—that have a racial dimension (Cutler and Glaeser, 1997; Akerlof, 1997). In this view, group inequality such as that between blacks and whites in the US is a phenomenon that that cannot be fully understood, or remedied, with a focus on market discrimination alone.

There is, of course, a long history of justified concerned that an approach to the problem of group inequality that focuses less on employer discrimination and more on skills differences could foster dangerous stereotypes, and undermine arguments for policies to narrow the racial wage gap. In the decade after the enactment of US anti-discrimination laws, researchers like Wilson (1978) who began to find evidence of a decline in labor market discrimination were sometimes criticized for giving aid and comfort to political conservatives. However, this reaction accepts the implicit normative assumption that racial inequality based on skill disparities is not as important a moral problem, warranting as vigorous a corrective intervention, as inequality based on wage discrimination in the labor market. That assumption is not compelling. It should be challenged.

B. The Importance of Social Networks

Economic analysis begins with a depersonalized agent who acts more or less independently, seeking to make the best of the opportunities at hand. This way of thinking has been very fruitful for economics, but it cannot adequately capture the ways that racial inequality persists over time. In actuality, individuals are embedded in complex networks of affiliations: they are members of nuclear and extended families; they belong to religious and linguistic groupings; they have ethnic and racial identities; they are attached to particular localities. Each individual is socially situated, and one's location within the network of social affiliations substantially affects one's access to various resources.

Opportunity travels along the synapses of these social networks. Thus, a newborn is severely handicapped if its parents are relatively uninterested in (or incapable of) fostering the youngster's intellectual development in the first years of life. A talented adolescent whose social peer group disdains the activities that must be undertaken for that talent to flourish is at risk of not achieving his or her full potential. An unemployed person without friends or relatives already at work in a certain industry may never hear about the job opportunities available there. An individual's inherited social situation plays a major role in determining his or her ultimate economic success.

In earlier work, I have suggested an extension of human capital theory designed to provide a richer context within which to analyze group inequality (Loury, 1977, 1981, 1987). This theory builds upon observations concerning the importance of family and community background in determining individual achievement. In this theory, one's investment in productive skills depends on one's position in the social structure, due to imperfect capital markets for educational loans that necessitate reliance on finance through personal ties, social externalities mediated by residential location and peer associations, and psychological processes that shape a person's outlook on life. As a result, familial and communal resources—that is, social and cultural capital—explicitly influence a person's acquisition of human capital. Some important part of racial inequality, in this view, is seen to arise from the way that geographic and social

segregation along racial lines makes an individual's opportunities to acquire skills depend on skill attainments by others in the same social group.

There is fairly strong support for this view of the lagging economic position of blacks in the literature. Akerlof (1997) provides a theoretical argument, supported by a wealth of evidence form social anthropology, for the notion that concerns for status and conformity are primary determinants of individuals' educational attainment, childbearing, and law-breaking behavior. Anderson (1990) provides an ethnographic account of life in inner city Philadelphia in which peer influences significantly constrain the acquisition of skills by adolescents in those neighborhoods. Waldinger (1996), in a study of immigrant labor in New York City, concludes that poor blacks suffer less from the racism of employers than from the fact that they do not have access to the ethnic networks through which workers are recruited for jobs in construction and service industries. Glaeser and Cutler (1997), comparing U.S. cities with varying degrees of racial population concentration, find blacks to be significantly disadvantaged by residential segregation; they estimate that a 13 percent reduction in segregation would eliminate about one-third of the black-white gap in schooling, employment, earnings, and unwed pregnancy rates. Mills and Lubuele (1997) argue that a central problem for students of urban poverty is to explain why "low income black residents actually or potentially eligible for jobs that have moved to suburbs (have) not followed such jobs to the suburbs."

All of this suggests the inadequacy of seeing discrimination or anti-discrimination efforts only within a market framework when discussing racial inequality. Conventional economic discrimination against minority groups is rarely the primary source of group disparities. Moreover, available methods for fighting such discrimination have little power to reduce the economic gap between the groups. Given the informational asymmetry between employers and enforcement agents, there are limits to how aggressive anti-discrimination policy can be before one encounters significant efficiency costs (Coate and Loury, 1993. If the concern is economic inequality between the groups, then looking mainly through the lens of wage and price discrimination is unlikely to shed much light on the problem.

There is, in the US context, another, more fundamental, reason to broaden the discussion of group inequality beyond the context of market discrimination. In cities across the

country, and in rural areas of the Old South, the situation of the black underclass and, increasingly, of the black lower-working classes, is bad and getting worse. This is certainly a race-related problem. The plight of the underclass is not rightly seen as another (albeit severe) instance of economic inequality, American-style. But conventional market discrimination is only one small part of it. These black ghetto dwellers are a people apart, susceptible to stereotyping, ridiculed for their cultural styles, isolated socially, experiencing an internalized sense of helplessness and despair, with limited access to communal networks of mutual assistance (Anderson, 1990; Wilson, 1996). Their purported criminality, sexual profligacy, and intellectual inadequacy are the frequent objects of public derision. They suffer a stigmatized pariah status (Goffman, 1963). This is "social exclusion" with a vengeance. It should not require enormous powers of perception to see how this degradation relates to the history of black-white race relations in this country.

Here is where the implicit normative model that accompanies the emphasis on market discrimination is most seriously flawed. Given social segregation along race lines, the effects of past discrimination can persist over time by adversely affecting the skills acquired by the offspring of those discriminated against. Moreover, discrimination in one market can leave its victim less well prepared to compete in another market. The cumulative impact of an act of discrimination—over time and across markets—should be no less problematic, as an ethical matter, than was the original offense.

The civil rights struggle, which succeeded brilliantly in winning for blacks the right to be free of discrimination, failed for the most part to secure a national commitment toward eradicating the effects of that discrimination which had already occurred. When those effects manifest themselves in patterns of behavior among poor blacks which lead to seemingly self-imposed limits on their acquisition of skills, the tendency of many who think only in terms of market discrimination is to argue that society is not at fault. This is the grain of truth in the insistence of some observers that, while overt racism was implicated in the past, it is behavioral differences that lie at the root of racial inequality in contemporary America (Thernstrom and Thernstrom, 1997). But the deeper truth is that, for quite some time now, the communal experience of the descendants of the African slaves has been shaped by political, social and economic institutions that, by any

measure, must be seen as oppressive. When we look at "underclass culture" in the American cities of today we are seeing a product of that oppressive history. In the face of the despair, violence, and self-destructive behavior of these people, it is morally obtuse and scientifically naïve to argue, as some conservatives now do, that if "those people" would just get their acts together then we would not have such a horrific problem. Yet for the same reason, it is also a mistake to argue, as some liberals do, that the primary causes of continuing racial inequality are based on ongoing market discrimination.

There are significant market failures, having little to do with economic discrimination as conventionally understood, that play a powerful role in perpetuating racial inequality. Consider the problem of residential segregation (Massey and Denton, 1993). Compelling theoretical arguments (Schelling, 1978, ch. 4), and recent computer simulations (Wayner, 1998) suffice to show that even a mild desire for people to live near members of their own race can lead to a strikingly severe degree of segregation in the aggregate. Adding class concerns to these models only strengthens their predictions of geographic clustering. Moreover, residential location is not the only venue in which segregation occurs. Linguists studying speech patterns in urban centers have uncovered quite strong evidence of race and class separation (Labov, 1982). There is reason to suspect that ethnic group differences in communicative styles could play an important role in accounting for the adverse labor market outcomes of low income blacks (Lang, 1986; Cornell and Welch, 1996; Charles, 1997; Wilson, 1996).

Even though social segregation and exclusion based on race and ethnicity may be the natural result of non-discriminatory market interactions, it could still have morally disturbing consequences. Even if those consequences manifest themselves mainly on the supply side of the labor market, a strong case could still be made for doing something about them. That case need not be based solely on equity grounds. Indeed, once it is admitted that preferences and investment in skills of market participants are influenced by social and psychological externalities, the conventional results in welfare economics concerning the efficiency of market outcomes are no longer generally valid.

As an example of a social externality, consider the dissonance associated with holding values at some distance from one's peers. If groups help sustain norms, with each individual looking to the apparent preferences of his or her peers to infer the appropriate

behavior, then there is a possibility of multiple self-sustaining norms (Akerlof, 1997). Generalizations about differences between groups in attitudes toward work, family life, criminal participation, and the like may thus be empirically correct, but morally irrelevant. Moreover, with multiple self-sustaining norms, acting to shift the norm can lead to Pareto-improvements in welfare (Sunstein, 1996).

A psychological externality can occur when individuals draw upon their own encounters with the market, and the encounters of others to whom they are socially connected, to reach conclusions about, say, the extent to which effort accounts for market rewards—as opposed to ability or luck. In this scenario, the degree to which an individual believes that bad personal outcomes are due to inadequate personal "effort" can depend on the aggregate experience of other members of the group. Self-fulfilling pessimism about the returns to effort for certain activities, like academic pursuits, are possible in a model like this (Steele, 1992).

I am not suggesting that these social and psychological externalities are the primary explanation of racial inequality. But they are not implausible accounts of how social segregation might support behavior patterns that lead to a skills gap between racial groups. Furthermore, these scenarios (and others that could be sketched) suggest that policies directed at reducing the skills gap might be just as morally required, and even more efficacious, than policies directed against such market discrimination as may still exist.

C. "Exclusion" in the Context of the American Inner City

Most social analysis of "race" in American life goes on at a macroscopic level, citing the changing population composition, the loss of jobs in core industries in central cities, and the incidence among blacks and whites of various indicia of disadvantage. The perspective of these analyses is aggregative, systemic, generalizing from broad patterns. Univ. of Pennsylvania sociologist Elijah Anderson takes a different approach, and his work is worthy of close attention. His research method involves the careful and extensive observation of the face-to-face interactions of the inhabitants of inner city neighborhoods, with due attention given to the larger economic and political context within which these encounters occur. His work provides a participant-observer's account of social life in an urban community in the US mixed along racial and class lines. This is

ethnographic work in the fine tradition of William Whyte's *Street Corner Society*, and Elliot Liebow's *Tally's Corner*. Surpassing these other works, however, Anderson's great achievement is to weave together the data of ethnographic observation with a coherent theory of how people encounter each other in public places.

In *Streetwise* [Anderson 1990], Anderson builds on the work of the great sociologist, Erving Goffman's (*The Presentation of Self in Everyday Life*, 1957). He presents a theory revolving around the problem of "decoding" that all social actors must solve when meeting others in public. (See, for example, the related work in economics of Cornell and Welch [1996].) One cannot be entirely certain of the character or intent of "the other"; it is necessary to process such information as may be gleaned from an examination of the external self-presentation of those being encountered. The context of the meeting—time of day, physical setting, whether the individual is alone or in a group, etc.—will affect how these external clues are read. As an encounter unfolds communication between the parties, ranging from a meeting of eyes (or the avoidance of same) to an exchange of greetings, permits further inferences to be drawn. Race and ethnic identity—often easily and instantly ascertainable characteristics—can be expected to play a large role in this game of inference. Social class—as conveyed by dress, manner, occupation, speech—will also be important. An individual's experience of the social environment will be governed by how he and those he encounters in public negotiate these meetings.

Anderson describes in elegant detail the rules of public etiquette, norms of mutual expectation, conventions of deference, methods of self-protection, strategies of turf-claiming, signals of intention, deciphering of cues, mistakes, biases, bluffs, threats, and self-fulfilling prophecies which are implicit in the interactions he observes. He identifies social roles, public routines and behavioral devices common to the encounters he chronicles. All of these routines are key features of the way in which racial groups interact in the modern American city.

More recently [Anderson, 1999], his work has focused on the nature of face-to-face social interactions in a low income, racially segregated African American community. His forthcoming book, *The Code of the Streets*, presents the results of this investigation. The analysis relies heavily on the concept of "the streets," the social

environment in which people are interacting where they live. These are poor communities. The fiscal environment is dilapidated, dirty, noisy, and unsafe. But, there is a high degree of sociability: all the neighbors know each other; people are often in the street—they spend a lot of time there-s usually at menial jobs at low wages. Drugs are important—a major source of income; and welfare, aid from the state, is also important. Men, especially in the roles of husbands and fathers, are scarce.

These are tough places. Money is scarce. The games and scams that people play can lure and ensnare those who are not street-wise. One boy may try to take another's sneakers or his jacket. Or another boy may flaunt his gold chain, wearing it openly, daring someone to try to take it as a way of signaling his toughness. There's an air of incivility, especially at night. Some of the older residents are distressed by that, more committed to values of "decency," as they would put it, than many of the young.. But, their influence of setting the tone of the community seems to be waning.

There is what one might call, and this is my word, but I think it apt, a "moral ecology" of the streets. One of the most important insights from Anderson's work is that ghetto neighborhoods are highly heterogeneous places. (For further evidence in this regard, see the work of Newman, 1999.) There are people of different generations, different family structures, differing degrees of economic stability. There are clashes of values that result from this heterogeneity. "Street" versus "decent" values is the way that Anderson poses the opposition. There is a complex interaction or tension between these value system, especially for the young. Young men and women, boys and girls, want not to be seen as socially "lame." They want to be thought of as "hip." And yet, being "hip" may mean, to some degree, compromising with "street values."

Adolescent peer groups are critically important in Anderson's account. Children sometimes raise themselves. There are many single parents, and even when parents are married, they are working and away from home. Children spend a lot of time on the street. They may be more influenced by their peer group than they are by what goes on within the family, especially within so-called "street families" that is, families driven mainly by so called "street values." Nevertheless, there is a culture of decency, closely connected with close, extended families: families where the work ethic is important, where getting ahead, having something is important, where religious influences may

remain. Parents are seen struggling, as it were, for the hearts and minds of their children as the "decent" and "street" tensions exert claims on the children.

Role models of "decency" are in short supply. The "old heads" that Anderson wrote about in *Streetwise* are not as important in these communities as they once may have been. The new role models – young drug dealers — are increasingly influential. "Given that persistent poverty is so widespread in the neighborhood," Anderson writes, "for many residents, particularly the young, values of decency and law-abidingness are more easily compromised."

The lack of employment is seen as very important here. In the absence of work for a man, family relations cannot be a credible source for his own sense of self esteem. This leads the young men to emphasize sexual prowess and conquest in reference to their peer group as the place from which they get their own sense of worth. They gain respect from their peers by conquering the women. Young men congregating on street corners boasting about their exploits, trading tales with one another and building each other up in their respective eyes as they describe what it is that they have managed to gain in their interactions with young women: "Casual sex with as many women as possible, impregnating one or more and getting them to have your baby brings a boy the ultimate in esteem from his peers and makes him a man. Casual sex, therefore, is fraught with social significance for the boy who has little or no hope of achieving financial stability and, hence, cannot see himself taking care of a family." As a result, a "game" comes to be played – a game in which girls are lured by older boys who promise love and marriage. Boys want prestige among their peers. They want lots of sex. They want lots of women. Girls want what Anderson calls "The Dream," so he writes about the "game" and the "dream." Girls dream of a husband, of security, of the middle-class life.

Sex often results in pregnancy in this world. Girls may not actively be trying to prevent it. "With the dream of a mate, a girl may be indifferent to the possibility of pregnancy, even if it is not likely that pregnancy will lead to marriage. The pregnant girl can look forward to a certain amount of affirmation, particularly after the baby arrives, if not from the father then from her peer group, from her family, from the Lord, and, ultimately from Aid," that is welfare from the outside society.

A large part of the girl's identity is provided by the baby and the peer groups among the girls in these communities. Becoming a mother can, as the author say, be a "strong play for authority, maturity, and respect" in these communities. The argument here, then, is that the girl's outlook is crucial to describing what her behavior will be. Important factors include her education, her sense of self-respect, her wisdom, whether or not she has had mentoring from "decent" role models within so-called "decent" families, where there may be a husband and wife present, or a strong single mother who may be getting support from her extended family. The parents may be able to instill some sense of hope, a positive sense of the future, a healthy self-respect. Or, siblings who have succeeded may also help to achieve this. Ministers, teachers, can play this kind of role by communicating the expectation that girls do something with their lives. However, where such communicated expectations do not take place, where some sense of hope or possibility about the future is not present, the prospect of having a baby outside of marriage, far from being regarded as a negative, may well be seen as a positive. And that can be reinforced, not only by the financial benefits that might come from the state, meager as they are, for support for the child; but, perhaps even more importantly in the world which these authors describe, by the status that one gains with one's peers, by the extent to which one is now seen as coming of age, the extent to which one is affirmed in the peer group for the having of the child.

IV. Positive Discrimination: Group-Based Remedies for Social Exclusion

A. Should "Color Blindness" Be the Goal?

There are two key distinctions to emphasize in the debate about whether or not distributive goals intended to reduce group inequality should be pursued by means of "positive discrimination": *instruments are not ends in themselves*; and, *the public use of group-based instruments does not determine whether citizens embrace group-based identity and consciousness*. The color blindness sought by anti-preference crusaders deals with the instrumentality in public action. (And, admittedly, there may be reasons for these instruments to be color blind in particular cases.) But, equating such a consideration with the question of whether the society is a "color blind" one entails a serious conceptual error. Accordingly, I here reserve the term "color blind" only to refer

to eschewing the use of race when implementing a policy. And, I employ a different term – "color neutral" – to indicate unconcern about race when determining the goals on behalf of which policy action may be undertaken. For example, if a school admissions or employment selection rule depends only on traits that are identity-independent, it is a color blind policy – for it can administered in the absence of racial information.

Notice that color neutrality is morally the more fundamental notion, for it assesses a policy in terms of its consequences for the members of racial groups. In the US, the so-called "War on Drugs" has been "color neutral" with a vengeance. But, has it been just? I cannot pursue this important question here, but in his book, *Malign Neglect* [Tonry, 1995], the University of Minnesota criminologist Michael Tonry suggests not. In fact, Tonry denounces the blatant "color neutrality" of this national drug policy – a policy adopted without any apparent concern having been given to its racial impact. His point, expressed by means of an analogy, is something that everybody knows: prostitution takes place "by the docks." One does not look for prostitutes on the streets of the wealthy communities, though certainly many of their patrons live there. One looks by the docks. Likewise, where else but in the bombed-out, abandoned buildings of the under socialized and disconnected communities of despair, where else but among the brutalized and oppressed, where else but amongst the "underclass," would one expect the illicit drug traffic to take place? Therefore, if the government undertakes as a matter of policy to incarcerate everyone who can be found on the streets trafficking in drugs, it is a predictable consequence that the results will be racially disparate – massively so. Given that this is knowable, should the government decide not to attend to it, Tonry argues, it will have practiced a form of *malign neglect*. But, in so doing, no color blind norms have been violated. The policy can be administered without racial information.

This example shows that the key moral issue is often about *color neutrality*, not *color blindness*. The deepest ethical questions bearing on the matter of racial group inequality are not about whether the instruments of public action make use of racial information, but rather, about whether an appropriate concern has been taken for the disparate racial consequences of what, in fact, may be color blind actions. Yet, those who insist on color neutrality (as a corollary of their commitment to color blindness) avoid the need to make the most relevant arguments, when the question is framed entirely in terms of whether

administrative procedures are color blind. They escape having to explain why society should be indifferent if, among inner city blacks, a third of the young men are locked-up. They forego the necessity of defending a regime in which the hedonism of a privileged middle class engenders a public response that imposes most of its costs on a vulnerable and weak minority population – "balancing the cultural budget, on the backs of the poor," so to speak. They avoid the need to justify racial stigmata associated historically in US society with a status bordering on *untermenschen*, should be reproduced in our own enlightened time through race neutral public action.

B. Reasons to Care Explicitly about Group Inequality

Racial Identities Matter

In the summer of 1996, the conservative US federal judge Richard Posner (in *Wittmer v. Peters*, Nos. 95-3729, 95-4034 (7th Cir. July 2, 1996)) upheld the preferential hiring of a black prison guard in an Illinois boot camp for young offenders. He argued that, with an inmate population that was three-quarters black, and given that "aversive training" methods familiar to marine enlistees were to be employed at the boot camp, the state might have a compelling and thus constitutionally justifiable interest in providing for some racial diversity in the camp's officer corps.

Faced with such examples, supporters of color blindness invariably reply that race here simply serves as a proxy for some non-racial trait—like the ability to win the trust of black inmates. But this response is insufficient, for the crux of the matter is not the state's use of race as a proxy for some desirable characteristic in an employee, but rather the tendency of some citizens to view the world through a racially tinted lens. In the boot camp, a young inmate is bullied mercilessly by guards who either have his best interests at heart or do not. If black youths refuse to believe that this bullying is for some useful purpose when none of the guards are black, then the success of the training technique requires racial diversity on the staff. And this is true no matter how sophisticated the prison personnel office may be at discovering, without using race, whether an applicant "truly cares" about his prospective charges.

Group Identity Conveys Information

Another reason to care about racial inequality is that race is an important source of information in many situations. Race is an easily observable trait that, as an empirical

matter, is correlated with some hard-to-observe traits about which employers, lenders, police officers and others are concerned. Direct evidence from employer interviews indicates that both black and white employers are reluctant to hire black, urban young males who exhibit lower-class behavioral styles. Racial identity is also used as information in a variety of ways by police. Some evidence indicates that it shapes their law enforcement decisions. Indeed, the dramatic disparity between the races in the rates of arrest and incarceration for criminal offenses must be taken into account when discussing racial differences in the labor market experiences of males, thought the direction of causality is difficult to untangle.

Racial-statistical discrimination can be quite damaging to both the efficiency of market allocations and to equity. This is due to the very real possibility that the empirically valid statistical generalizations lying at the heart of such discrimination can be self-fulfilling prophecies. There is an informational externality present whenever decision makers take actions based on group inferences. It is not difficult to give straightforward economic accounts of how this process might work in a variety of contexts.

Suppose only a few taxi drivers will pick up young black men after a certain hour. Given that behavior by taxi drivers as a class, it is plausible through a process of adverse selection that the "types" of young black men who will attempt to hail taxis during those hours contain an especially large fraction of potential robbers. This makes it rational to avoid them. But if most drivers willingly picked up young black men, then this behavior might induce a less threatening set of black males to select taxi transportation after dark, confirming the rationality of the drivers' more tolerant behavior.

Or, suppose employers have an a-priori belief that blacks are more likely to be low effort trainees than are whites. Then, they will set a lower threshold for blacks on the number of mistakes needed to trigger dismissal, since they will be quicker to infer that black workers have not tried hard enough to learn the job. But knowing that they are more likely to be fired for making a few mistakes, more black employees may elect not to exert high effort during the training period in the first place, thus confirming the employers' initial beliefs.

Or, if car dealers believe that black buyers have higher reservation prices than whites, then dealers will be tougher when bargaining with blacks than with whites. Given this

experience of tough bargaining, a black buyer anticipates less favorable alternative opportunities and higher search costs than a white buyer, and so may rationally agree to a higher price. This behavior confirms the dealers' initial presumption that "color" predicts bargaining power.

Such stories are not difficult to produce, and at least to my ear, they have a certain ring of truth about them. The key to all of these examples is their self-reinforcing nature: they begin with racial beliefs that then bring about their own statistical confirmation. These examples are not unrelated to the historical problems of race, as they have developed in our society. Race is an easily discernable characteristic that has salience in our culture, making it operate powerfully in many venues because it is common knowledge that people are taking it into account.

A. Social Networks, Again

Yet another reason to care about racial inequality is that race influences the social networks that are open to individuals, and these networks in turn have a major effect upon individuals' opportunities. Here are two observations that illustrate the key to my argument: First, all societies exhibit significant *social segmentation*. People make choices about whom to befriend, whom to marry, where to live, to which schools to send their children and so on. Factors like race, ethnicity, social class, and religious affiliation influence these choices of association. Second, the processes through which individuals develop their productive capacities are shaped by custom, convention, and social norms, and are not fully responsive to market forces, or reflective of the innate abilities of persons. Networks of social affiliation are not usually the result of calculated economic decisions. They nevertheless help determine how resources important to the development of the productive capacities of human beings are made available to individuals.

One can say that an adult worker with a given degree of personal efficacy has been "produced" from the "inputs" of education, parenting skills, acculturation, nutrition, and socialization to which he was exposed in his formative years. While some of these "inputs" can be bought and sold, some of the most crucial "factors of production" are only available as by-products from activities of social affiliation. Parenting services are not to be had for purchase on the market, but accrue as the consequence of the social relations between the custodial parents and the child. The allocation of parenting services

among a prospective generation of adults is thus the indirect consequence of social activities undertaken by members of the preceding generation. An adolescent's peer group is similarly a derivative consequence of processes of social networking.

I concede that this is an artificial way of thinking about human development, but the artifice is quite useful. For it calls attention to the critical role played by social and cultural resources in the production and reproduction of economic inequality. The relevance of such factors, as an empirical matter, is beyond doubt. The importance of networks, contacts, social background, family connections, and informal associations of all kinds has been amply documented by students of social stratification.

I can put this somewhat less abstractly. There is one view of society in which we are atomistic individuals, all of us pursuing our own paths to the best of our ability, given the opportunities available in the marketplace. Some of us work harder, some are luckier, some are more talented than others, and so the outcomes are not equal. That is one view, but it is a false, or at least an incomplete, view of the way in which our society actually works. For the fact is that each and every one of us is embedded in a complex web of associations, networks, and contacts. We live in families, we belong in communities, and we are members of collectivities of one kind or another. We are influenced by these associations from the very first day that we draw breath. Our development—what and who we are become—is nourished by these associations.

It is a severe disadvantage to be born to parents who are not interested in your development. It is a great impediment for a talented youngster to be embedded in a social network of peers whose values do not affirm the activities the youngster must undertake to develop his talent. Children do not freely choose their peers. To a significant degree they inherit these associations as a consequence of where they live, what their parents believe, what social group they belong to, and so on. In American society, given our history, racial identity is one important component of that complex of social characteristics that define the networks in which we live. Opportunity travels along the synapses of these networks. We learn about what we can do with our talents from the conversation taking place over dinner, from the family friend who says "your kid ought to do this ," from the business owner who offers a summer job. These kinds of opportunity-enhancing associations are not just out there in the marketplace to be

purchased by the highest bidder. Nor are they allocated randomly so as to create some kind of level playing field. They are, rather, the product of a social structure that is racially conditioned. And when the work so as systematically to hold back a group of people from participating in the venues of human development in a society, that society has failed to achieve "racial justice."

C. Is "Racial Justice" a Coherent Idea? Philosophical Considerations

What do I mean by *racial justice*? Let us suppose that we have certain norms about social justice – requiring, for example, that the distribution of opportunities to develop ones talents affords some minimal threshold of possibility for all persons, and gives rise a set of economic and social arrangements that avoid unfair and exploitative relationships. Then if, because of the dynamics of race relations in society, people belonging to certain groups are disproportionately excluded from the benefits of such otherwise socially just institutions, if they do not have the chance to achieve their full human potential, if they are stigmatized and do not enjoy the dignity and social standing presumptively extended to others – if, in other words, the welfare rolls are over-subscribed by blacks, if the places of hopelessness and despair in the society are occupied predominantly by blacks, if one can put a color on the urban despair – then I will say that these social arrangements violate the standards of racial justice.

Kids develop from infancy into adulthood in a situated process of interaction with others around them. The situation and the opportunities for interaction are defined to some degree by racial identity. Begins with the facts about inter-racial adoption, continues through an observation of the racial geography of American cities. Where do people live? With whom do they come into contact? Continue through a more psychological consideration of the formation of individual identities. Who are their heroes? What do they take to be worthy projects? And, so forth. I even hold that the inclinations people present to us, when acting on their own account, ought to be included in a consideration of whether or not a regime is racially just. Because when social processes operate so as to encourage the development of self-destructive behavior amongst a (racial) group of people, questions of (racial) justice necessarily arise. This is not to say that individuals have no responsibility for the wrong choices they may make. Rather, it is to recognize a deep dilemma, one that does not leave us with any good choices. Confronted with

someone who behaves self-destructively or violently toward others, we must, of course, hold such a person accountable; his acts are judge-able. But when an entire community is overrun with such people, and they reproduce themselves over time within a society and economy and polity, one deals with matters of justice. And when those structures are substantially based on race, one deals with matters of racial justice.

So now we have a harder problem. If we tell the ghetto-dwelling kid "you're a victim of the dynamics of history, that is why you are toting around an automatic weapon," not only do we serve ourselves poorly, we also patronize this person and deny his humanity. On the other hand, if we are not cognizant of the history and the ongoing structures in society that produce such people, we have blinded ourselves to matters evidently relevant to a consideration of social justice. This is a dilemma; it is hard to know how to act morally in such a circumstance.

Here is a youngster to whom one says, "Why don't you marry the girl you got pregnant? Why don't you work in Burgher Hut instead of standing on the street corner hustling? Why don't you go to the community college and learn how to run one of these machines in the hospital? You could learn that with a couple of years at the community college instead of being a misfit." And, his answer is not, "I have done my sums and the course you suggest simply does not pay." Rather, his answer is, "Who, Me?" He cannot see himself thus. When the young man answers in this way, have we just heard an individual speaking? Or do we have a call from a corner, a margin, of the society, from a social space that can only be understood if it is seen in racial terms? And, if we refuse to heed this call, can we possibly be pursuing social justice? I think not.

Consider two twelve-year-olds, one of whom has grown up in a suburban, affluent, two-parent family, with wholesome neighbors, attending schools that work, while the other's circumstances were less felicitous. Must we compare the two, and enshrine the privileged position of the first youngster with the stamp of "M" for merit, while saying of the second one, in effect, that he has not earned the right to further develop his talents? When it comes time to allocate state-funded opportunities for the intellectual development of these two youngsters, need we pretend that these children come with numbers of their foreheads – 97 versus 89 – such that the kid with the higher number "merits" the greater developmental opportunity?

Under my conception of racial justice, such a pretense would be unacceptable. "Children do not have merit," I am almost moved to say – though that is only a rough formulation of the relevant moral claim. Children are children – a reflection in large measure of things that lie outside of themselves. This is, of course, really a shorthand formulation of a more sophisticated argument about the extent to which the application of meritorious criteria early in the stage of personal development reifies and locks-in structures exogenous to the individuals in question. If such an application of meritocratic principle is defended in the name of individualism, when in fact its an projection onto individuals of larger social structures, then one has made an ethical error.

My concern for the doing of racial justice turns on the fact that inalienable, non-marketed social and cultural resources, made available to people in part on the basis of their racial identities, play a critical role in the production and reproduction of economic inequality. In this context, it is crucial to realize, contrary to the libertarian's view, that even the values, attitudes and beliefs held by an individual—of central import for the attainment of success in life—are shaped by the cultural milieu in which that person develops. *Whom* one knows affects *what* one comes to believe, and in that way influences what one can do with one's God-given talents. Do we collectively, as a society, have any responsibility for the debilitating, even pathological cultural milieus that exist amongst the socially marginalized in our midst? This is an important component of the racial inequality of our day. Are these subcultures of despair mere reflections of the nature of "those people," toward whom the rest of us have no obligations whatsoever? Or are they products of a history in which the society as a whole is implicated?

My claim here is that the "social pathology" to be observed in some quarters of society did not come out of thin air, but is, to some considerable extent, a consequence of historical practices, including in the case of blacks the practice of racial oppression. Moreover, the ongoing racial segmentation of our society—most clearly visible in the isolation of today's urban black poor—is an important inequity that serves to perpetuate the consequences of our troubled racial history. I believe this analysis has an essential ethical implication: *Because the creation of a skilled workforce is a social process, the meritocratic ideal—that in a free society individuals should be allowed to rise to the level of their competence—should be tempered with an understanding that no one travels that*

road alone. We should not embrace the notion that individuals have "merit" entitling them to be rewarded, without some cognizance of the processes through which that "merit" is produced. Theses are social processes, with a racial dimension. It should be evident that, notwithstanding the establishment of a legal regime or equal opportunity, historically engendered economic differences between racial groups could well persist into the indefinite future, and not as some have argued, perniciously, because of the genetic inferiority of blacks. Thus, the pronounced racial disparities to be observed in American cities are, at least, in part, the product of an unjust history, propagated across the generations by segmented social structures of our race conscious society. This is what I mean by the problem of racial injustice.

For this reason I would argue that, as a matter of social ethics and social science, there should be collective public effort to mitigate the economic marginality of those blacks who languish in the ghettos of America. That is, public goals ought not to be formulated in race neutral terms – even if the instruments adopted for the pursuit of those goals are, themselves, color blind. Prevailing social affiliations, including the extent of racial segregation in our society, influence the development of the intellectual and personal skills of the young. As a result, the, patterns of inequality—among individuals and between groups—must embody, to some degree, social and economic disparities that have existed in the past. To the extent that past disparities reflect overt racial exclusion, the propriety of the contemporary order is called into question.

I stress that this is not a reparations argument. I am not saying that some individuals are due something because of what was done to their racial ancestors. Neither is this a group entitlement argument, in which racial collectivities are seen as having "rights" that take precedence over those of individuals. Indeed, my argument here is entirely consistent with individualism as a core philosophical premise. I am simply acknowledging the additional fact that in society, people are not atoms. They are, rather, situated within systems of mutual affiliation. And in our society, these systems are defined, in part, by race.

Taking note of this situatedness and understanding its historical roots leads me to some recognition of race as a legitimate factor when thinking about social justice. When the developmental prospects of individuals depend on the circumstances of those with whom

they are socially affiliated, and when social affiliation reflects a tendency toward racial segregation, even a minimal commitment to equality of opportunity for individuals can require, I am arguing, a willingness to take racial identity into account. In our divided society, given our tragic past, this implies that public efforts to counter the effects of historical disadvantage among blacks are not only consistent with, but indeed are required by widely embraced, individualistic, democratic ideals.

D. Costs of Racial Preferences

This criticism of color-blind absolutism is not meant as an unqualified defense of positive discrimination in all cases. There are many reasons to suspect that in particular contexts the costs of using racial preferences will outweigh the benefits. One such reason for questioning the wisdom of affirmative action in certain contexts is that the widespread use of preference can logically be expected to erode the perception of black competence. This point is often misunderstood, so it is worth spelling out in some detail. The argument is not a speculation about the feelings of persons who may or may not be the beneficiaries of affirmative action. Rather, it turns on the rational, statistical inferences that neutral observers are entitled to make about the unknown qualifications of persons who may have been preferred, or rejected, in a selection process.

The main insight is not difficult to grasp. Let there be two groups, A and B, and suppose that the A's are advantaged, while the B's are to be aided through affirmative action. Let some employer use a lower threshold of assessed productivity for the hiring of B's than A's. The preferential hiring policy defines three categories of individuals within each of the two racial groups which I will call "marginals," "successes," and "failures." Marginals are those whose hiring status is altered by the policy—either A's not hired who otherwise would have been, or B's hired who otherwise would not have been. Successes are those who would be hired with or without the policy, and failures are those who would be passed over with or without the preferential policy. Let us consider how an outsider who can observe the hiring decision, but not the employer's productivity assessment, would estimate the productivity of those subject to this hiring process. Notice that a lower hiring threshold for B's causes the outside market to reduce its estimate of the productivity of black successes, since, on average, less is required to achieve that status. In addition, B's who are failures, seen to have been passed over

despite a lower hiring threshold, are thereby revealed as especially unproductive. On the other hand, a hiring process favoring B's must enhance the reputations of A's who are failures, as seen by outsiders, since they may have been artificially held back. And A's who are successes, hired despite being disfavored in selection, have thereby been shown to be especially productive.

We have thus reached the result that, among B's , only marginals gain from the establishment of a preferential hiring program. Moreover, among A's, only marginals are harmed by the program. In practical terms, since marginals are typically a minority of all workers, the outside reputations of most B's will be lowered, and that of most A's enhanced, by preferential hiring. The inferential logic that leads to this arresting conclusion is particularly insidious, in that it can serve to legitimate otherwise indefensible negative stereotypes about B's.

Another reason for being skeptical about the practice of affirmative action is that it can undercut the incentives for B's to develop their competitive abilities. For instance, preferential treatment can lead to the patronization of B workers and students. By "patronization," I mean the setting of lower standards of expected accomplishment for blacks than for whites because of the belief that blacks are not as capable of meeting a higher, common standard. Coate and Loury, 1993, show how behavior of this kind can be based on a self-fulfilling prophesy. That is, observed performance among B's may be lower precisely because B's are being patronized, a policy that is undertaken because of the need for an employer or admissions officer to meet affirmative-action guidelines. Furthermore, consider a workplace in which a supervisor operating under some affirmative-action guidelines must recommend subordinate workers for promotion. Suppose further that he is keen to promote B's where possible, and that he monitors his subordinates' performance and bases his recommendations on these observations. Pressure to promote blacks might lead him to de-emphasize deficiencies in the performance of B-subordinates, recommending them for promotion when he would not have done so for whites. But his behavior could undermine the ability of B-workers to identify and correct their deficiencies. They are denied honest feedback from their supervisor on their performance and are encouraged to think that one can get ahead without attaining the same degree of proficiency as A's.

Alternatively, consider a population of students applying to professional schools for admissions. The schools, due to affirmative action concerns, are eager to admit a certain percentage of B's. They believe that to do so they must accept B-applicants with test scores and grades below those of some A's whom they reject. If most schools follow this policy, the message sent out to B-students is that the level of performance needed to gain admission is lower than that which A-students know they must attain. If B- and A-students are, at least to some extent, responsive to these differing expectations, they might, as a result, achieve grades and test scores reflective of the expectation gap. In this way, the schools' belief that different admissions standards are necessary becomes a self-fulfilling prophecy.

E. Developmental Affirmative Action

The common theme in these two examples is that the desire to see greater B-representation is pursued by using different criteria for the promotion or admission of candidates who are B's and A's. But the use of different criteria reduces the incentives that B's have for developing needed skills. This argument does not presume that B's are less capable than A's; it is based on the fact that an individual's need to make use of his abilities is undermined when that individual is patronized by the employer or the admissions committee.

This problem could be avoided if, instead of using different criteria of selection, the employers and schools in question sought to meet their desired level of B-participation through a concerted effort to enhance performance, while maintaining common standards of evaluation. Call it "developmental," as opposed to "preferential," affirmative action. Such a targeted effort as performance enhancement among B's is definitely not color-blind behavior. It presumes a direct concern about group inequality and involves allocating benefits on the basis of group identity. What distinguishes it from preferential hiring or admissions, though, is that it takes seriously the fact of differential performance and seeks to reverse it directly, rather than trying to hide from that fact by setting a different threshold of expectations for the performance of B's.

For example, in the US context, given that black students are far scarcer than white and Asian students in the fields of math and science, encouraging their entry into these areas without lowering standards – through summer workshops, support for curriculum

development at historically black colleges, or the financing of research assistantships for promising graduate students – would be consistent with my distinction between "preferential" and "developmental" affirmative action. Also consistent would be the provision of management assistance to new black-owned businesses, which would then be expected to bid competitively for government contracts, or the provisional admission of black students to the state university, conditional on their raising their academic scores to competitive levels after a year or two of study at a local community college. The key is that the racially targeted assistance be short-lived and preparatory to the entry of its recipients into an arena of competition where they would be assessed in the same way as everyone else.

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