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Lecture 1: Relations before Transactions: Toward a New Paradigm for Discrimination Theory, Nov. 6, 2003

Consider this imaginary dialogue between distinguished social scientists – an economist and a sociologist.

Ec: (*chanting, but otherwise sitting very still*) "Relations before transactions. Relations before transactions. Relations before transactions. Relations before transactions…"

Soc: (*enters with a start – alarmed*) "What's wrong, my friend? Why are you saying that? You must be the culprit who lifted my copy of Bourdieu last week.

Ec: No, I'm not. And, who's Bourdieu, anyway? One of those airy French sociologists you're always fawning over, I'll bet. It's my *mantra;* I'm meditating. It's very calming. You ought to try it sometime.

Soc: (*Ignoring the dig*.) I mediate all the time. Remember: I'm the one who belongs to a profession fraught with anxiety. But what's your excuse?

Ec: Well, I've been having a recurrent nightmare lately. I want it to stop. My shrink thinks meditation might help.

Soc: Who's your shrink?

Ec: Oh, this guy who was my roommate at Swarthmore. Brilliant dude; works a lot with gunshot victims; inner-city types involved in the drug trade, and so forth; he thinks they're making passive suicide attempts. Writes books about that stuff – full of all this talk about fear, self-loathing, hopelessness, existential abyss, Freud, Nietzsche, de Sade. Strange guy, but brilliant. He gave me the mantra and promised it would help. Said I should repeat it slowly while taking deep breaths.

Soc: Perhaps. But, remember what I told you about those pizzas – not a good idea after midnight… Did you say, de Sade?? Anyway, what's the dream?

Ec: Oh, it's awful. I'm back in grad school. I'm sitting in my usual place right at the front of the class. The professor has posed what he says is an important question. He's invited one of us to the board to work out an answer. I get there first, and proceed to fill the board with equations. Finally, I arrive at what must be the solution. My derivation is far too elegant not to be true. I turn to explain myself to the rest of the class. Just then, I realize that I've forgotten the original question! I rack my (very large) brain, but for the life of me, I can't recall it. The class begins to snicker. They're a ruthless bunch when they smell blood. The guffaws and catcalls grow louder. It's humiliating, just humiliating. (Economist begins to tremble uncontrollably.)

Soc: (*Comforting his friend*) Yeah, I can see that. It's got to be tough – being the smartest person in the room, but without a clue as to what's the point. You ought to stick with this shrink. Dreams can be very revealing, you know. But, I'm not sure I get the mantra. And, what was the professor's question, anyway?

Ec: He asks us to explain how durable racial inequality in the US can be squared with the premises of modern economic theory, without making any assumption of innate racial inferiority, and without postulating any unexplained preferences for own-group associations.

Soc: That's a damned good question! It's a tough one, too. You're telling me you *ran* to the board to take that one on? Brave man. (Fools jump in where angels fear to tread, he thinks.)

Ec: Well, to be honest, in the dream I always start to the board before he finishes posing the question. Happens the same way every time. I can't stop myself... (The trembling returns.)

Soc: (In a bright tone, hoping to shift to a happier subject.) So, what was your elegant solution?

Ec: I'd tell you, but you'd never understand it. (*At this, the sociologist takes offense and storms off angrily. The economist yells after him*…)

Ec: Besides, I'm not sure I believe it anymore, myself. Anyway, my shrink gave me this mantra and it seems to be helping. (He returns to his chanting… "Relations before transactions. Relations before transactions. Relations before transactions. Relations before transactions…")

I. Introduction

In this lecture I will discuss my ongoing theoretical work on the problem of racial inequality in the US, focusing on the case of African Americans. (See Glenn C. Loury, *The Anatomy of Racial Inequality*, Harvard Univ. Press, 2002). This work has three broad aims: to outline a theory of "race" applicable to the social and historical circumstances of the United States; to sketch a speculative account of why racial inequality in our society is so stubbornly persistent; and, to offer a conceptual framework for thinking about the problem of social justice as it relates to matters of race. These objectives were subsumed, respectively, in successive chapters of my book entitled "Racial Stereotypes," "Racial Stigma," and "Racial Justice." Today I will concentrate on the second of these themes. Tomorrow I will take-up the third.

Fundamental to my approach is the distinction between *racial discrimination* and *racial stigma*. Racial discrimination has to do with how blacks are treated, while racial stigma is concerned with how black people are perceived. I begin from the premise that what I call *reward bias* is now a less significant barrier than is *development bias* to the full participation of African-Americans in US society. *Reward bias* refers to the unfair treatment of persons based on race in formal economic and bureaucratic transactions, limiting the rewards they can receive for the skills and talents they present to the market. *Development bias* refers to blocked access for persons in a subordinate racial group to resources that are essential for the development of human skills and the refinement of talents, due to the fact that resources of this kind often become available to persons as a byproduct of informal, non-market-mediated but race-influenced social relations.

I do not claim that these two kinds of bias are mutually exclusive: the acquisition of skills can be blocked by market discrimination; and, the maintenance of a regime of discrimination against the pressures of market competition may require the use of various instruments of informal social control. Still, I think this distinction is useful. For, whereas the reward bias emerging from market discrimination presents a straightforward moral problem, and calls forth the rather obvious and nearly universally embraced remedy of the anti-discrimination laws, development bias is a subtler, more insidious moral problem – one, I will argue, that may be difficult to remedy in any manner likely to garner a majority's support. This difficulty has both a cognitive and an ethical dimension. From a cognitive point of view, many observers may find it difficult to distinguish between blocked developmental opportunities and limited innate capacities when seeking an explanation for a group's poor social performance. From an ethical point of view, many citizens who find overt racial discrimination associated with reward bias to be noxious may be less offended by the covert social discrimination that underlies development bias.

This, in essence, is the meaning of my mantra, "relations before transactions": the subordinate position of blacks in the economy derives from the stigmatized status of blacks in the society, and not the other way around. Racial stigma (about which more momentarily) inhibits African Americans from gaining access to those networks of social affiliation where developmental resources are most readily appropriated. The main problem today is not a race-influenced marketplace refusing to reward black talent. Rather, it is a race-influenced pattern of social intercourse that refuses many black people a chance to reach their full human potential; and a race-tinged psychology of valuation –

which blacks, themselves, often share – that denies to African Americans the tacit presumption of equal human worth. My key point is that blacks' stigmatized status in the social imagination is reinforced, reproduced and justified by their subordinate position in the economic order, creating a vicious circle. Blacks' "underperformance" is rooted in their social isolation and tacit devaluation, while this isolation and devaluation is legitimated and normalized by widely held perceptions about black underperformance. By making these points in the specific cultural and historical context of the African American experience, I hope to contribute to a deeper conceptualization of the problem of race and economic marginality as it presents itself in many societies around the world.

II. Racial Classifications

A theory of racial economic disparity should begin with some account of the phenomenon of "race" itself. We need to explain why people take note of and assign significance to the skin color, hair texture, and bone structure of other human beings. That superficial markings on human bodies are socially significant – that agents routinely partition the field of human subjects whom they encounter into groups, with this sorting convention based on the subjects' possession of some cluster of observable bodily marks – is a universal feature of human societies. But, why should this be so?

To begin (and I acknowledge in advance that there is no great originality in this idea,) I propose that we conceive of "race" as a *social* construct – i.e., as a conventional, not a natural, category. So, I will use the term "race" to refer to marks on human bodies that are of no intrinsic significance in themselves, but that nevertheless have through time become invested with social expectations that are more or less reasonable, and with social meanings that are more or less powerful. Both *informational* and *symbolic* issues are at play in the phenomenon of "race": people form beliefs about others based on their bodily marks; and people "read" the race-markings of those they encounter in society, seeing in these markings social signs that bear interpretation. In terms of human cognition, we are dealing here with two processes – *categorization* and *signification* – and we need to think carefully about both of these processes if we are to understand the remarkable durability of racial inequality in a society like the United States. Categorization involves the sorting of persons into a cognitively manageable number of subgroups, based on bodily marks, so as to differentiate one's dealings with such persons (see Roland Fryer and Matt Jackson, 2003). Signification is an interpretative activity wherein one associates certain connotations or "meanings" with these categories. Succinctly stated, my position is that "race" is all about "embodied social signification."

Let us call this the *social-cognitive* approach to thinking about "race." It may be usefully contrasted with an approach derived from the science/art of *biological taxonomy*. There one endeavors to classify human beings on the basis of natural variation in genetic endowments across geographically isolated sub-populations. Such isolation was a feature of the human condition until quite recently, on an evolutionary time scale. This permitted some independence of biological development within human sub-populations that can be thought to have led to the emergence of distinct races. As we all know, the use of "race" in this way is controversial. When scientists (like the noted population geneticist, Luigi Cavalli-Sforza of Stanford) or social critics (like the noted philosopher, Anthony Appiah, of Princeton) deny that the term "race" refers to anything real, they have in mind this biological-taxonomic notion, and what they deny is that meaningful distinctions among

contemporary human subgroups can be derived in this way. I do not wish to argue this point.[i] Still, it is important to understand that my use of "race" as a category of *social-cognition* is conceptually distinct from the discredited, 19th century use of "race" for the purposes of *biological taxonomy*. To establish the scientific invalidity of "race" is to demonstrate neither the *irrationality* nor the *immorality* of using racial classifications.

Thus, despite the claims of those analytic philosophers who busy themselves by searching for an *a priori* refutation of the "race" idea, I am *not* uttering nonsense or confessing a belief in the mystical when I enunciate a sentence like, "person A belongs to race X." Rather, I take those words to mean that, "person A possesses physical traits that (in a given society, at a point in history, under the conventions of racial classification extant there and then) cause him to be classified (by a preponderance of those he encounters in society and/or by himself) as belonging to race X." The logical coherence of the foregoing sentence does not depend on the validity of a biological racial taxonomy.

I belabor this point because some people writing on race relations in American life (for instance, Paul Gilroy (2000)) have taken to arguing that, since no exact biological taxonomy vindicates the "race" idea, any use of this category to distinguish among persons is, ipso facto, morally dubious. But, that superficial moral argument cannot be correct. For, both a racist employer (bent on holding blacks down), and a diligent public servant (intent on enforcing the anti-discrimination laws), will alike and necessarily be "guilty" of using race to classify human subjects, as they carry forward their respective, diametrically opposed projects. As such, the cognitive act of so classifying can hardly be sufficient, by itself, to allow a normative judgment. Thus, for students of the history and political economy of the modern multi-racial nation state like me, attempts to deconstruct racial categories by showing nothing "real" lies behind them are largely beside the point.

I can illustrate this idea with an example. Let people believe that fluctuations of the stock market can be predicted by changes in sunspot activity. This may be because, as an objective meteorological matter, sunspots correlate with rainfall, which influences crop yields, thus affecting the economy. Or, solar radiation might somehow influence the human psyche so as to alter how people behave in securities markets. These are objective causal links between sunspots and stock prices. They can be likened to grounding one's cognizance of "race" on the validity of a race-based biological taxonomy. But, suppose that no objective links of this kind between sunspots and stock prices exist. Still, if enough people believe in the connection, monitor conditions on the sun's surface, and act based on how they anticipate security prices will be affected, then a *real* link between these evidently disparate phenomena will have been forged out of the subjective perceptions of stock market participants. But now, belief in the financial relevance of sunspot activity will have been rendered entirely rational.

Similarly, no *objective* racial taxonomy need be valid for the *subjective* use of racial classifications to become warranted. It is enough that influential social actors hold schemes of racial classification in their minds, and act on those schemes. Their respective methods of classification may be mutually inconsistent, one with another, and they may be unable to give cogent reasons for adopting their schemes. Still, once a person knows that others will classify him on the basis of certain markers, and should these acts of classification affect his material or psychological well being, then it will be a rational cognitive stance – not a belief in magic and certainly not a *moral* error – for him to think

of himself as being "raced." In turn, that he thinks of himself in this way and that his societal peers are inclined to classify him similarly can provide a compelling reason for a newcomer to the society to adopt this ongoing scheme of racial classification. Learning the extant "language" of embodied social signification is a first step toward assimilation of the foreigner, or the newborn, into any "raced" society. I conclude that "races," in the social-cognitive sense, may come to exist and to be reproduced over the generations in a society, even though there may exist no "races" in the biological-taxonomic sense.

So, my view on the ontological status of race may be summarized as follows: As one who takes "race" to be a social construction, I place great weight on the subjective and inter-subjective aspects of racial awareness. I take mainly a cognitive rather than a normative stance toward race-conscious behavior, looking to how human agents process social experience and how they organize their perceptions, examining the categories into which they sort those others whom they encounter in society. What we see in the phenomenon of "race" is that a field of human subjects characterized by morphological variability (differences in skin tone, hair texture, facial bone structure and the like) comes through concrete historical experience to be partitioned into subgroups defined by some cluster of these physical markers. Information-hungry agents then hang expectations around these markers, beliefs that can, by processes I have discussed elsewhere in some detail (see Loury 2002, Chp. 2), become self-confirming. Meaning-hungry agents invest these markers with social, psychological, and even spiritual significance. Markers become the basis of social and personal identities. Narrative accounts of descent are constructed around them.[ii] Collectivities of mutually susceptible agents -- sharing feelings of pride, honor, shame, loyalty, and hope – come into existence based to some extent on their holding these race-markers in common. This vesting of reasonable expectation and ineffable meaning in objectively arbitrary markings of the human body comes, through social and political struggles mediated by economic and institutional structures, to be reproduced over the generations. It takes on a social life of its own, seems natural not merely conventional, and ends up having profound consequences for social relations obtaining among individuals within the "raced" society.

III. Racial Signification

Now, taking "race" to be a conventional, not a natural, category does not exclude as a scientific matter the possibility that there exist innate, sizable disparities of human potential (on the average) between distinct racial groups. One cannot refute such a claim *a priori*; this is ultimately a matter that can only be decided by scientific inquiry. My view is that, so far, the evidence for the existence of such racial difference is weak. Nor do I believe that biologically mediated racial differences account for any substantial part of observed racial inequality.[iii] Still, whatever one's view on the importance of natural differences between the races, I wish to argue that the *symbolic* connotations of racial categorization in American life can be of enormous help in understanding the extent and durability of the subordinate position of black people in this society. Thus, the "new paradigm" that I envision for discrimination theory builds on the observation that, due to the history and culture peculiar to a given society, powerful negative connotations have come to be associated with particular bodily marks carried by some persons in that society. I claim that this is decidedly the case with respect to the marks that connote "blackness" in U.S. society. (This claim is defended at length in Loury 2002, chp.3)

And, I propose that scholars should begin to place greater emphasis on how observers perceive and interpret social data bearing on the status of disadvantaged racial groups – an approach that is to be distinguished from the traditional focus on some racial dislike or antipathy that members of the dominant group are said to harbor against members of the subordinate racial group.

My argument begins with the broad observation that we humans have the innate tendency to impute an ineffable significance to the artifacts that furnish our lives. That is, we look for and derive *meaning* from the material substratum in which we are embedded. Accordingly, human behavior is determined not only by material structures "out there" in the world, but also by what those structures are understood to signify "in here," inside our minds. The bodily markings associated with racial categories are among those material structures in the American social environment to which meanings about the identity, capability, and worthiness of their bearers have been imputed.

But this line of thought raises a question: How, we might ask, do people in a "raced" society come to invest what are, after all, arbitrary physical markers – indices with no intrinsic connection to human abilities, hopes and fears, worthiness and dignity – with so much emotive power? Why do people cry, or die, because of meanings they associate with race-related experience? This is a deep question to which I cannot provide a comprehensive answer here. But an analogy may be helpful: What could be more arbitrary than the coordinating convention, stop on "red" and go on "green"? It would surely work just as well the other way round – stop on "green," go on "red." Still, it is not difficult to imagine that, in time, "red" might (for meaning-hungry human agents) become imbued with a sense of prohibition, and "green" with a connotation of license. Once this were so, it would then be difficult to use those symbols in any other way, despite the arbitrariness of their initial designation.

So here we have a case—admittedly artificial—in which arbitrary markers can nevertheless become vested with meanings that stubbornly resist change and that, when widely shared in society, place objective limits on the range of feasible social actions. But we need not look only to artificial cases. It is a commonplace of social life that accidents of time and geography—our dates or places of birth, for instance—become infused with an abiding significance, leaving us feeling connected in some way to other people with whom we may share little more than some happenstance of common origins. In analogous fashion, the symbols we call "race" have through time been infused with social meanings bearing on the identity, the status, and the humanity of those who carry them.

Once established, these meanings can come to be taken for granted, enduring unchallenged for generations. In a hierarchical society, a correspondence may develop between a person's social position and the physical marks taken in that society to signify race. Bodily signs that trigger in an observer's mind the sense that their bearer is ordained to be "a hewer of wood and drawer of water," or is a member of a "master race destined to rule the world," or is a "social pariah best avoided at all costs" illustrate the possibilities. When the meanings connoted by race-symbols undermine an observing agent's ability to see their bearer as a person possessing a common humanity with the observer – as "someone not unlike the rest of us" – then I say this person is "racially stigmatized," and the group to which he belongs suffers a "spoiled collective identity."

Since I discuss both concepts at length in my book, I wish to emphasize that a significant distinction ought to be drawn between racial stigma and racial stereotyping.

This distinction might be thought of as follows: Whereas stereotyping concerns an observer's anticipation of acts that are thought to be associated with, but are not necessarily coextensive with, the subject, stigma invokes the observer's (perhaps not consciously acknowledged) perception of qualities thought to be essential to the make-up of the subject. What I want to invoke with the notion of "stigma" is some kind of "meta-belief," a matter more of "specification" than of "inference," a belief by the observer about the racial subject's intrinsic nature, which conditions how other more specific pieces of evidence involving the subject will be interpreted.[iv]

Historical context is everything here, and for the matter at hand the key contextual factor is the historical institution of chattel slavery. In his 1982 treatise, *Slavery and Social Death*, historical sociologist Orlando Patterson shows that to understand slavery one must grasp the importance of *honor*. Slavery, he argues, is a great deal more than an institution allowing property-in-people. It is "the permanent, violent domination of natally alienated and generally dishonored persons," Patterson argues. By surveying this institution across five continents over two millennia, he shows that the hierarchy of social standing—masters over slaves, reinforced by ritual and culture—is what distinguishes slavery from any other system of forced labor. In the American context, obviously, the rituals and customs supporting this hierarchical order—the system of taken-for-granted meanings that made possible an adherence to high Enlightenment ideals in the midst of widespread human bondage—came to be closely intertwined in both the popular and the elite culture with ideas about race. As such, dishonor, shown so brilliantly by Patterson to be a general and defining feature of slavery, became, in the (American) case at hand, inseparable from the social meaning of race.

So my syllogism is this: In general, slaves are profoundly dishonored persons. In the American context, slavery was a thoroughly racial institution. *Ergo*, the social meaning of race emergent in American political culture at mid-nineteenth century was closely connected with the slaves' dishonorable status. Of course, that was a long time ago and it is true that many non-black Americans have ancestors who were profoundly dishonored in one way or another. Nevertheless, honest assessment of the contemporary American politic landscape – debates over welfare, crime, schools, jobs, taxes, housing, test scores, diversity, urban policy, and much more – reveals the lingering effects of this historically engendered racial dishonor. By "racial dishonor" I mean something specific: an entrenched if inchoate presumption of inferiority, of moral inadequacy, of unfitness for intimacy, of intellectual incapacity, harbored by observing agents when they regard the race-marked subjects. I assert that this specter of "social otherness," of racial dishonor that emerged with slavery and that has been shaped over the post-emancipation decades by political, economic, and cultural forces specific to American society, remains yet to be fully eradicated. So my use of the term "racial stigma" alludes to this lingering residue in post-slavery American political culture of the dishonor engendered by racial slavery.

It is crucial to understand that this is not mainly an issue of the personal attitudes of individual Americans. To reject my argument here with the claim that "stigma cannot be so important because attitude surveys show a continued decline in expressed racism among Americans over the decades" is to thoroughly misunderstand me. I am discussing social meanings, not attitudes—specifically the meanings conveyed by race-related public actions and events. I am talking about the "etiquette of public discourse" and the "boundaries of legitimacy" that constrain politicians when they formulate and justify the

policies they advocate. I have in mind the unexamined beliefs that influence how citizens understand and interpret the images they glean from the larger social world. I claim that the meaning of a policy – job preferences, say – can be is quite sensitive to the race of those affected: Veterans are acceptable beneficiaries but blacks violate meritocratic principles. I assert that public responses to a social malady—drug involvement, say—depend on the race of those suffering the problem: The youthful city-dwelling drug sellers elicit a punitive response, while the youthful suburban-dwelling drug buyers call forth a therapeutic one.

Nothing in these examples, I claim, turns on the racial attitudes of the typical American. Everything depends, I am arguing, on racially biased social cognitions that cause some situations to appear anomalous, disquieting, contrary to expectation, worthy of further investigation, inconsistent with the natural order of things—while other situations appear normal, about right, in keeping with what one might expect, consistent with the social world as we know it. These cognitive distinctions tend to be drawn to the detriment of millions of racially stigmatized citizens, I assert, because of the taint of dishonor that is part and parcel of the social meaning of race in the United States. Now, I may be right or I may be wrong about this, but no attitude survey can decide the issue.

To illustrate, consider the debate over race and intelligence that has raged in recent years thanks in large part to the best-selling 1994 book, *The Bell Curve* by Richard Herrnstein and Charles Murray. What, I ask, does the typical well-educated American know about IQ differences among people from Tennessee, Texas, and Massachusetts? I venture that most Americans know next to nothing about such disparities, if any exist. Moreover, and this the key point, it would be illegitimate to make a factual claim about such differences in a public argument over policy – to object to the redistribution of resources between geographic regions within the county, for example, on the grounds that people in the less advantaged areas are already receiving their IQ-adjusted deserts.[v] Or I can put the point somewhat differently. The American population is aging. It is known that intelligence declines as a person ages, after some point in the life cycle. And, laws against age discrimination have invalidated mandatory retirement policies. These things taken together imply that the American workforce could become "dumber" if we baby boomers insist on staying in the workforce beyond our prime years. Where can one read about the dire consequences of this development for our future economic productivity? Nowhere. Why not? The reason, I suggest, is that those older, soon-to-be-less-intelligent workers are our mothers and fathers (or, in some cases, ourselves!) We are not about to set those people to one side so as to conduct an elaborate discourse about their fitness. And if they are "dumb," then they are our "dumb" moms and dads. Like those living in different regions, we who belong to different generations will not permit ourselves to be sundered by any civic boundary. We will sink or swim together.

The point here, once again, is that some social disparities are salient and others not. The salience of social facts is not determined in an entirely rational, deductively confirmed manner. It involves a mode of cognition that depends on some prior patterning or orientation that is not, itself, the product of conscious reflection.

IV. Self-Fulfilling Prophecies

My argument is an effort to move toward developing a deeper theory of racial difference – a deeper theory, that is, than the received view in economics, due largely to

the early work of Gary Becker on this subject. In that view, people have preferences for association with, or for doing business with, one versus another kind of person. The origin of such preferences remains unexplained within the theory, but if one belongs to a group about which most people have negative views then one could end-up faring poorly in market equilibrium. Whether, and the extent to which, that may be so can be teased out in an economic model. So the objective of the Becker-style analysis becomes to identify the implications of certain race-based preferences in the economy, and to isolate conditions under which those preferences lead in market equilibrium to substantial differences in economic outcomes for distinct racial groups. I wanted to deepen this theory for a couple of reasons.

First, this theory is a-historical. It speaks of discrimination in terms so abstract that the same formulaic argument can be used to discuss social division by gender, age, sexual orientation, immigrant status or physical disability. This theory therefore neglects much of what we know about the specific historical trajectory of *racial* bias in the United States. It was not only that employers refused to hire blacks, or than bankers would not make loans to them. It was also that "blackness" came to signify exoticism, deviance, and immorality in the public mind – so much so that immigrants would gauge their assimilation into the American mainstream by measuring their social distance from the black masses. That is, the problem was (and is) not only, or even mainly, one of *mistreatment*; it was (and remains) a problem of *misperception and misconception*.

Secondly, I want to deepen the received theory of racial discrimination because, in the case at hand (namely, racial inequality in the US) the disadvantaged racial group is often objectively less productive (i.e., has fewer useful skills on average than the dominant population according to conventional measures, or commits more crimes, or whatever.) And yet, this "objective" productivity gap is, I maintain, the outgrowth of a social process that is racially biased. This kind of thinking led me, in my doctoral thesis of 25 years ago (oh, my!), to coin the phrase "social capital." (And what a stroke of good luck that was for me! My writing down those two words has led the late sociologist, James Coleman, in his treatise *The Foundations of Social Theory* to credit me with being one of the progenitors of the idea of social capital. And, given the way that the idea has taken-off, that's proven to be a real windfall!) I was moved to use the phrase in my dissertation because it seemed to me then that the "human capital" account of individual variation in labor market earnings gave insufficient attention to the socially conditioned processes through which people come to "invest" in human capital, ignoring what is often the most interesting and morally problematic aspects of the inequality-generating processes. I argued that we should look not only to the rational calculation of the anticipated return on investment, but also to the factors which promote or impede an individuals' access to resources critical to human development. This access, this "social capital," depends upon a persons inherited social position – who their parents are, who their neighbors are, what kind of community they grew up in, whom they were connected to, where they got their life-altering inspiration – things of this kind. So, if we want to understand inequality in this society, especially racial inequality, must understand how such differences of social situation are produced and have been sustained over time. But the orthodox approach in economics didn't invite us to think about that.

With this framework in mind, I wish to suggest that durable racial inequality can best be understood as the outgrowth of a series of what Gunnar Myrdal (1944) referred to

as "vicious circles of cumulative causation." I am particularly interested in how "race" can bias processes of social cognition. That is, I am trying to move from the fact that people take note of racial classification in the course of their social interactions, to some understanding of how this affects their *perceptions* of the phenomena they observe in the social world around them, and how it shapes their *explanations* of those phenomena. I am asking, when does the race of those subject to some problematic social circumstance affect whether powerful observers perceive there to be a problem, and if so, what follows from this. I am suggesting that the tacit social meanings associated with "blackness" in the public's imagination biases the social cognitions of observing agents, inducing them to make detrimental causal misattributions. Confronted by the facts of objective racial disparity of performance, observers must adopt some "model" of what has generated their data. Their processes of social cognition and discernment, their awareness of anomaly and their capacity for empathy will be influenced by widely held beliefs in this regard. Because observers will have difficulty identifying with the plight of a group of people whom they (mistakenly) assume simply to be "reaping what they have sown," there will be little public support for egalitarian policies benefiting a stigmatized racial group. This, in turn, encourages the reproduction through time of racial inequality because, absent some policies of this sort, the low social conditions of many blacks (say) persist, the negative social meanings ascribed to blackness are thereby reinforced, and so the racially biased social-cognitive processes are reproduced, completing the circle.

It may help to make this point with a non-racial example. So, consider gender inequality, disparity in the social outcomes for boys and girls, in two different venues – the schools and the jails. Suppose that, when compared to the girls, the boys are over-represented among those doing well in math and science in the schools, and also among those doing poorly in society at large by ending-up in jail. There is some evidence to support both suppositions, but only the first is widely perceived to be a problem for public policy. Why? My answer is that it offends our basic intuition about the propriety of underlying social processes that boys and girls do differentially well in the technical curriculum. Although we may not be able to put our fingers on exactly why this outcome occurs, we instinctively know that it is not right. In the face of the disparity we are inclined to interrogate our institutions – to search the record of our social practice and examine myriad possibilities in order to see where things might have gone wrong. Our base-line expectation is that equality should prevail here. Our moral sensibility is offended when it does not. And so, an impetus to reform is spurred thereby. We cannot easily envision a wholly legitimate sequence of events that would produce the disparity, so we set ourselves the task of solving a problem.

On the other hand, gender disparity in rates of imprisonment occasions no such disquiet. This is because, tacitly if not explicitly, we are "gender essentialists." That is, we think boys and girls are different in some ways relevant to explaining the disparity – different either in their biological natures, or in their deeply ingrained socializations. (Note well, the *essentialism* with which I am concerned need not be based solely or even mainly in biology. It can be grounded in (possibly false) beliefs about profound cultural difference as well.) As "gender essentialists," our intuitions are not offended by the fact of vastly higher rates of imprisonment among males than females. We seldom ask any deeper questions about why this disparity has come about. And so, we see no problem.

Now, we may be right or wrong to act as we do in these gender disparity matters, but my point with the example is to show that the bare facts of gender disparity do not, in themselves, suggest any course of action. To act, we must marry the facts to some model of social causation. This model need not be explicit in our minds. It can and usually will lurk beneath the surface of our conscious reflections. Still, it is the facts *plus* the model that lead us to perceive a given circumstance as indicative of some as yet undiagnosed failing in our social interactions, or not. This kind of reflection on the deeper structure of our social-cognitive processes, as they bear on the issues of racial disparity, is what I had hoped to encourage with my discussion of "biased social cognition." And, the role of "race" in such processes is what I am alluding to when I talk about "racial stigma."[vi]

I see this argument as having important political implications. Imagine that an observer (correctly) takes note of the fact that, on the average and all else equal, commercial loans to blacks pose a greater risk of default, or that black residential neighborhoods are more likely to decline. This may lead that observer to withhold credit from blacks, or to move away from any neighborhood when more than a few blacks move into it. But, what if "race" conveys this information only because, when a great number of observers expect it to do so and act on that expectation, the result (through some possibly complex chain of social causation) is to bring about the confirmation of their beliefs? Perhaps blacks default more often precisely because they have trouble getting further extensions of credit in the face of a crisis. Or, perhaps non-black residents panic at the arrival of a few blacks, selling their homes too quickly and below the market value to lower-income (black) buyers, and it is this process that ends-up promoting neighborhood decline. If under such circumstances observers were to attribute racially disparate behaviors to deeply ingrained (biological or cultural) limitations of the African Americans – thinking, say, that blacks do not repay their loans or take care of their property because, for whatever reasons, they are just less responsible people on average – then these observers might well be mistaken. Yet, since their surmise about blacks is supported by hard evidence, they might well persist in the error. Such an error, persisted in, would be of great *political* moment, because if one attributes an endogenous difference (a difference produced within a system of interactions) to an exogenous cause (a cause located outside that system), then one is unlikely to see any need for systemic reform. This distinction between *endogenous* and *exogenous* sources of social causation, I am arguing, is the key to understanding the difference in our reformist intuitions about gender inequalities in the schools and in the jails: Because we think the disparity of school outcomes stems from endogenous sources, while the disparity of jail outcomes is tacitly attributed in most of our "causal models" to exogenous sources, we are differentially moved to do something about the disparities.

So, the effect I am after when I talk about "racial stigma" and the reason I employ an apparently loaded phrase like "biased social cognition" is this: It is a politically consequential cognitive distortion to understand the observably disadvantageous position of a racially defined population subgroup as having emerged from qualities taken to be intrinsic to the group when, as a matter of actual social causation, that disadvantage is the product of a system of social interactions. I reiterate that it hardly matters whether those internal qualities *mistakenly* seen as the source of a group's observed laggardly status are biological or deeply cultural. What matters, I argue, is that something has gone wrong if observers fail to see *systemic, endogenous* interactions that lead to bad social outcomes

for blacks, and instead attribute those results to *exogenous* factors taken as internal to the group in question. My contention is that in American society, when the group in question is blacks, the risk of this kind of causal misattribution is especially great. Given the facts of racially disparate achievement, the racially disproportionate transgression of legal strictures, and racially unequal development of productive potential, observers will have difficulty identifying with the plight of a group of people whom they (mistakenly) think are simply "reaping what they have sown." So, there will be little public support for egalitarian policies benefiting a stigmatized racial group. This, in turn, encourages the reproduction through time of racial inequality because, absent some policies of this sort, the low social conditions of many blacks persist, the negative social meanings ascribed to blackness are thereby reinforced, and so the racially biased social-cognitive processes are reproduced, completing the circle.

Moreover, this argument also has implications for how we social scientists interpret our data bearing on racial inequality. As I have been suggesting, 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.

This, as mentioned above, is what I had in mind when I first used the term "social capital" to suggest a modification of the standard human capital theory in economics. My modification was intended to provide a richer context within which to analyze racial inequality, and to stress the fact that family and community backgrounds can play an important role, alongside factors like individual ability and human capital investments, in determining individual achievement. (That is, *relations* can be more important than *transactions* in accounting for protracted racial economic disparities.) Some important part of racial inequality, on this view, arises from the way geographic and social segregation along racial lines, fostered by the stigmatized status of blacks—their "social otherness"—inhibits the development of their full human potential. Because access to developmental resources is mediated though race-segregated social networks, an individual's opportunities to acquire skills depend on present and past skill attainments by others in the same racial group.

V. RACE AND SOCIAL JUSTICE

Finally, I wish to close this lecture by stressing that this analysis has a crucial ethical implication: If a skilled workforce can be created only as a result of interactive social processes, then the celebration of meritocracy should be tempered with an understanding that no one travels the road to success alone. The fact is that generations

overlap, much of social life takes place outside the reach of public regulation, and extant social affiliations condition the development of personal and intellectual skills in the young. As a result, present inequality—among individuals and between groups—must embody to some degree the social and economic disparities that have existed in the past. If the past disparities are morally illegitimate, the propriety of the contemporary order must also be called into question. I maintain that a theory of justice meant to apply to a racially hierarchical society such as the United States that fails to recognize this moral implication is unworthy of the name.

A moral analyst of any sophistication ought to recognize that societies are not amalgams of unrelated individuals creating themselves anew—out of whole cloth, as it were—in each generation. A complex web of social connections and a long train of historical influences interact to form the opportunities and shape the outlooks of individuals. Contracts are ubiquitous, true enough. But everything of importance in social life has an informal dimension. The effort, talent, and luck of an individual are crucial, of course. But what a person achieves also results from the social background, cultural affinities, and communal associations to which he or she is heir.

Hence, while there may be a grain of truth in the insistence by conservatives that cultural differences lie at the root of racial disparity in the United States, the deeper truth is that, for some three centuries now, political, social, and economic institutions that by any measure must be seen as racially oppressive have distorted the communal experience of the slaves and their descendants. When we look at stigmatized "underclass culture" in American cities of today we are seeing a product of that oppressive history, perpetuated now via discrimination in contact, and engendering profound development bias.

Thinking in this way, I believe, helps account for the durable racial inequality with which America is still encumbered. Consider the so-called black underclass—the poor central-city dwellers who make up perhaps a quarter of the African-American population. In the face of the despair, violence, and self-destructive folly of so many of these people, it is morally superficial in the extreme to argue as many conservatives now do that "if those people would just get their acts together, like many of the poor immigrants, we would not have such a horrific problem in our cities." To the contrary, any morally astute response to the "social pathology" of American history's losers would conclude that, while we cannot change our ignoble past, we need not and must not be indifferent to the contemporary suffering issuing directly from that past, for which we bear some collective responsibility.

I can put this more pointedly: The self-limiting patterns of behavior among poor blacks in the central cities of this country are not a product of some alien cultural imposition on a pristine Euro-American canvas. Rather, the "pathological" behavior of these most marginal of Americans is deeply rooted in American history. It evolved in tandem with American political and economic institutions, and with cultural practices that supported and legitimated those institutions—practices that were often deeply biased against blacks. So, while we should not ignore the behavioral problems of this so-called underclass, we should discuss and react to them as if we were talking about our own children, neighbors, and friends. This is an American tragedy. *It is a national, not merely a communal disgrace*. And we should respond to it as we might to an epidemic of teen suicide or a run of high school shooting sprees—by embracing, not demonizing, the perpetrators, who, often enough, are also among the victims.

I apologize for what may seem to be a tendentious claim, but I am only stating the truth: Contemporary American society has inherited a racial hierarchy—the remnant of a system of racial domination that was had been supported by an array of symbols and meanings deleterious to the reputation and self-image of blacks. It can be no surprise in such a society that the web of interconnections among persons that facilitate access to opportunity and shape the outlooks of individuals would be raced, which is to say, that processes of human development would be systematically conditioned by race.

Thus, racially disparate outcomes at the end of the twentieth century can be no surprise, either. The "comparative narrative"—"structural reform is not needed; blacks may be lagging but nonwhite immigrants are progressing nicely, so America must be okay"—is sophomoric social ethics and naïve social science. Saying this in no way commits me to the view that success is independent of effort, or that victims of racism should be exempted from mandates of personal responsibility.

The problem with stigmatizing talk about "black culture," "black crime," and "black illegitimacy"—when used as explanatory categories by the morally obtuse—is that such talk becomes an exculpatory device, a way of avoiding a discussion of mutual obligation. A distressing fact about contemporary American politics is that simply to make this point is to risk being dismissed as an apologist for the inexcusably immoral behavior of the poor. In truth, the moral failing here lies with those who would wash their hands of the black poor, declaring "we've done all we can."

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ENDNOTES

[i] Though, I hasten to add that the point ***is*** arguable. A number of prominent scientists, including Steven Pinker in his most recent book, *The Blank Slate,* argue that while races are not discrete, non-overlapping categories it remains the case that what we perceive as race has a biological reality as a statistical concept.

[ii] Building on Loury (2002) and Fryer and Jackson (2003) [FJ], I posit that a theory of racial identity might be developed along the following lines. My approach is based on the ideas of "categories" and "narratives." This proposed theory is driven by cognitive considerations. The idea is that identity at its root has to do with *self-understanding*. It is a matter of what might be called "reflexive cognition" -- how a people see themselves. I propose to use the categorical approach to social cognition pioneered in FJ to consider the matter of *auto-cognition*. Thus, in this theory a person's identity is his answer to the question, "Who am I?" This answer is based, in substantial part, on a reading of the person's history -- the totality of events that that person has experienced. But, any person's history is a VERY long vector of attributes. It cannot be comprehended by agents with limited cognitive resources until it has been reduced to a relatively few summary statistics. That is, on this view settling upon an identity for oneself means making selective

generalizations about one's past that highlight and retain for future reference only the most salient aspects of the person's experience. The "categories" reflect what a person takes to be salient, and the "narrative" is what results when a particular complex individual history gets mapped onto the categories.

Thus, the reduction of the full historical experience to a salient (relatively) few factors is akin to mapping a vector of attributes into the prototypes of the "categories" in FJ. Likewise, one can consider a mapping that reduces any (possibly quite complex) personal history to one of a small number of pat stories about who a person is: "I'm an immigrant who came up the hard way;" I'm a working class white male angry at the world for not feeling my pain;" I'm a tough-minded professional woman determined not to take a back seat to any less qualified man;" "I'm a black intellectual who grew up poor, unlike the silver-spoon-fed middle class blacks who love to talk about the ghetto but have never lived there;" etc. Each of these hypothetical people -- responding to the question, "Who am I" – is inclined to tell us something selective about their personal histories -- they have chosen certain categories of self-understanding, and they "read" ("narrate") their particular historical attributes (and those of others too, I imagine) through their chosen categorical lenses. So, their "narrative" is their way of reading their own personal histories, their way of seeing themselves, their terms of self-understanding.

[iii] In my book (Loury 2002) I adopt as an axiom the position that I call "anti-essentialism" – constraining myself to give an account of racial disparity that presumes from the outset that innate biological differences between the races do not exist. I have been criticized (on anti-political correctness grounds) for taking that position, but these critics misunderstand what I am doing there, and I wish here to set the record straight. In retrospect, I need not have framed the matter that way (positing an axiom, that is.) I might just as well have said something like the following: "Some people think inherent differences on the average in racial group capacities explains the persistent racial inequality. Others disagree. I take the latter position, and argue from this point forward on that supposition. (Evidence can be found in support of both positions. This is not the place to review the voluminous evidence one way or the other on this question -- a task that, if properly done, would require a book unto itself.) Those who disagree with me about this are unlikely to be persuaded by the argument to follow, though they may find food for thought there. Those who agree with me, however, will want to explore the implications that flow from the supposition of (nearly) equal natural capacities..."

[iv] Another way of emphasizing the distinction I have in mind here is to note that by "racial stigma" I intend something quite different from "statistical discrimination." The latter notion refers to a situation in which an individual with certain (racial) characteristics is taken by an observer with no further information to be a typical or average member of the racial group to which he or she belongs. By contrast, the perceptual bias I am trying to capture with the notion of racial stigma can be described by a situation where, absent further information, the observer adopts the least favorable beliefs about a group of people consistent with the data at hand, given that the data under-determine observer beliefs. Concretely, consider two situations that often arise in economic analysis where data are insufficient to pin-down beliefs. One example, from the practice of econometrics, is where a statistical model is under-identified, so that more than one set of structural parameters is consistent with a common vector of observations. Another example arises in games of incomplete information, where a player's beliefs off the equilibrium path are not determined by Bayesian rationality. In this latter example, "stigma" functions as a identity-conditioned refinement criterion in a signaling games, suggesting that pooling equilibria could exist with different ranges of ability types in the stigmatized and non-stigmatized groups choosing to pool on a common level of effort. The speculative idea being advanced here is that, when agents in the stigmatized racial group contemplate a deviation to some effort level off the equilibrium path, they anticipate being evaluated less favorably than an agent in the non-stigmatized racial group of equal ability. Whatever the merits of this speculation, the example should serve to highlight my main point here, which is that "racial stigma" is a new and potentially fruitful approach to conceptualizing perceptual bias in the context of economic modeling.

[v] In this sense, we operate under a tacit constraint on public discourse that might be called "geographic anti-essentialism." Under this tacit constraint, no public argument about regional policy is legitimate if it posits fundamental differences in capacities (moral or intellectual, say) between inhabitants of distinct geographic regions (urban/rural, north/south, etc.) My view elaborated in Loury 2002 (chp. 3) is that some comparable restraint is warranted on public discourse invoking inherent racial differences. I hold that such restraint is a

necessary precondition to establishing a genuinely democratic order in the United States, in light of our history of racial subordination. This position of mine is to be distinguished from efforts to stifle scientific research on innate racial differences, which I do not support.

[vi] I see in the racially disparate impact of the enforcement of anti-drug laws, and in the American public's general lack of interest in this racial disparity, a telling illustration of the value in this way of thinking. There could be no drug market without sellers and buyers. (Just so, there would be no street prostitution without hookers and johns.) Typically, those on the selling side of such markets are more deeply involved in crime and disproportionately drawn from the bottom rungs of society. Yet, they are only one side of a two-sided transaction. They would not exist, but for the demand for their services. There is no sensible way in which they alone can be held to have "caused" this problem. When we entertain various responses to the social malady reflected in drug use (or in street prostitution) we, in effect, weight the costs likely to be imposed upon the people involved on either side of the elicit transactions. Our tacit models of social causation play a role in this process of evaluation. Have bad lawbreakers who sell drugs on our city streets imposed this problem on us? (Or, in the parallel situation, have bad women who sell their bodies on our streets brought this malady of prostitution into being?) Or, has a bored, spoiled middle class with too much time on its hands engendered the problem in its hedonistic pursuit of a good time? The answer for such a question is unlikely to be determined in a rational, data-driven manner, I maintain. How serious a given crime is seen to be by those who through their votes indirectly determine our policies, and how deserving of punishment for a given infraction various individuals are seen to be, will depend on the racial identities of those involved, I maintain, because the tacit causal accounts adopted by influential observers are likely to depend on the social meanings imbedded in physical traits that serve as racial identifier.