

Persistent Racial Inequality in the US: An Economic Theorist's Account

The Kenneth Arrow Lecture
Department of Economics, Columbia University

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[Some words of thanks for the invitation and of appreciation for the great Kenneth Arrow.]

As Prologue to my lecture this afternoon I ask you to consider the following imaginary dialogue between two African American social scientists – one a theoretically oriented economist, like myself; and the other, an ethnographically oriented sociologist with radical political leanings:

Ec: (Chanting, but otherwise sitting very still) “Relations before Transactions. Relations before Transactions. Relations before Transactions. Relations before Transactions...”

Soc: (Entering with a start – alarmed) “What’s wrong, my friend? Why are you saying that? Are you the culprit who pilfered my copy of Bourdieu last week?”

Ec: No, I’m not. And who’s Bourdieu, anyway--one of those airy French sociologists you always fawn over? It’s my mantra; I’m meditating. It’s very calming. You ought to try it sometime.

Soc: (Ignoring the dig.) I meditate all the time. I’m the one who belongs to a profession fraught with anxiety, remember? But what’s your excuse?

Ec: Well, I’ve been having a recurrent nightmare lately, and I want it to stop. My shrink thinks that meditation could help.

Soc: Who’s your shrink?

Ec: Oh, this brother was my roommate at Swarthmore. Brilliant dude; works a lot with gunshot victims; inner-city types involved in gangs and the drug trade, and so

on; thinks they're making passive suicide attempts; he writes books about self-loathing, hopelessness, fear of falling into an existential abyss, citing Freud, Nietzsche and de Sade. Strange guy, but brilliant. He gave me the mantra; promised it would help; said I should repeat it slowly while sitting very still and taking deep breaths.

Soc: Perhaps. But, remember what I told you about those pizzas – not a good idea after midnight. And, did you say, de Sade?? Anyway, tell me, 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 though. 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 had asked 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: Oh, I'd like to tell you, but it's hopeless. You'd never understand the mathematics!

(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...")

Thus endeth the dialogue.

Introduction

Over these last 40 years I have expended considerable effort trying to explain – to myself and to the world -- why the subordinate status of African Americans persists in the United States. Some of this thinking was summed-up in my monograph "The Anatomy of Racial Inequality", which was published by Harvard University Press. The book sketched a theory of "race" applicable to the social and historical circumstances of the United States speculating on why racial inequalities persist. It advanced a conceptual framework for thinking about social justice in matters of race. It was one part social science, one part social criticism and one part social philosophy – themes that were pursued in successive chapters entitled "Racial Stereotypes," "Racial Stigma," and "Racial Justice" – deriving from a synonymous series of lectures I had given at the DuBois Institute. I wish to fix ideas for today's presentation by briefly reviewing some of those arguments,

because I believe – along with UCLA sociologist, Rogers Brubaker, whose book, “Ethnicity without Groups” has much impressed me – that one ought not to invoke racial aggregates as the subjects of social analysis unreflectively. So, please bear with me. I assure you, the relevance of this introductory conceptual excursion will be clear soon enough.

A theoretical discussion of this kind properly starts with an account of the phenomenon of “race” itself. Why do people take note of and assign significance to the skin color, hair texture and bone structure of other human beings? How have the superficial markings on human bodies taken-on social significance, to the extent that people routinely partition the field of human subjects whom they encounter into groups, with this sorting convention based on these subjects possessing some observable bodily marks. This is a universal feature of human societies. But, why should this be so? I proposed (acknowledging in advance that there was no great originality in this) to conceive of “race” as a social construct – a conventional, not a natural, category. For me the term “race” refers to indelible and heritable marks on human bodies of no intrinsic significance in themselves which, nevertheless, have through time been invested with social expectations that are more or less reasonable, and social meanings that are more or less durable. Of particular interest to me is the possibility that powerful and derogatory social

meanings can even be internalized by persons identifying with a stigmatized racial group – even people like me, who might hope to study such matters more or less scientifically. How does one achieve the objective observer’s stance while enmeshed in the tangled web of identities, fealties and conflicting narratives which is the nature of racial discourse in America?

Note: we are dealing here with two processes – categorization and signification. Categorization involves sorting people into cognitively manageable subsets on the basis of bodily marks, while differentiating one’s dealings with such persons accordingly. Signification is an interpretative act that associates certain connotations or social meanings with those categories. Both informational and symbolic issues are at play. Or, as I like to put it, when speaking of “race,” what we’re really talking about is “embodied social signification.” A self-conscious awareness that the marks one bears on one’s body convey profound significations to those one encounters in society can be an impediment to one’s psychological health – particularly in a country like mine where, because of the need to justify chattel slavery in a nation which self-consciously defined itself as the land of the free, the mark of “blackness” has been infused with long-enduring derogatory significations.

This social-cognitive conception of “race” may be contrasted with acts of biological taxonomy in which one sorts human beings based on some presumed variation of genetic endowments across geographically isolated subpopulations. Such isolation was the human condition until recently on an evolutionary time scale and it may be thought to have led to the emergence of distinct “races.” As we all know, the use of the term “race” in this way is controversial – particularly so when one aims to explain social inequalities between groups. Thus, when scientists (like noted population geneticist, Luigi Cavalli-Sforza) or social critics (like noted philosopher, Anthony Appiah) deny that the term “race” refers to anything real, what they have in mind is this biological-taxonomic notion; and what they deny is that meaningful distinctions among human subgroups pertinent to accounting for racial inequality can be derived in this way. I am not arguing this point – though it is imminently arguable, as far as I can tell. What I wish to emphasize here is that using “race” as a category of social cognition is conceptually distinct from the more dubious use of the concept for purposes of biological taxonomy: to establish the scientific invalidity of “race” demonstrates neither the irrationality nor the immorality of invoking racial classification as acts of social cognition. It is in this social constructivist spirit that I shall be using the concept here, with an emphasis on negative interpretative/symbolic connotations attaching to “blackness” in the US.

Reward Bias versus Development Bias

Fundamental to my approach in that book was the distinction between racial discrimination and racial stigma. Discrimination is about how blacks are treated; while stigma is about how blacks are perceived. I argued that what I called “reward bias” is now a less significant barrier to the full participation of African-Americans in US society than what I called “development bias.” Reward bias pointed to the differential treatment of persons based on race in formal transactions, thereby limiting the rewards blacks might receive for the skills and talents they present to the market. By contrast, development bias referenced impediments that block access of persons in a subordinate racial group to the resources that are essential to develop skill and refine talent. So, reward bias rests on a foundation of racially discriminatory transactions. But development bias, in my mind, is rooted in racially stigmatized relations, since many resources that foster human development only become available to persons as the byproduct of informal, race-influenced social relations.

Obviously, these two kinds of bias are not mutually exclusive: skill acquisition can be blocked by discriminatory transactions; and a regime of market discrimination that is under pressure due to economic competition may require for its maintenance

employing the instruments of informal social control. Still, this distinction is useful for, whereas the moral problem presented by reward bias is straightforward and calls for an uncontroversial remedy via laws against discrimination, development bias seems to present a subtler, more insidious moral problem, and may be difficult to remedy in any manner that is likely to garner majoritarian 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 capacities, or distorted values, when seeking to understand a group's poor social performance. In terms of ethics, many citizens who find the transactional discrimination associated with reward bias to be noxious, may be less offended by the often covert and subconscious relational "discrimination" that underlies development bias. That is, they may object when white police officers treat black youths unfairly, but say nothing at all when white families move away from a racially integrated residential community because of their fear of the threat they perceive from "black crime."

So now, perhaps you can see what I'm after with that mantra, Relations before Transactions: I'm pointing towards the idea that the subordinate position of blacks in the economy derives from our stigmatized status in the society, and not the other way around. Stigma inhibits blacks' access to those networks of social affiliation

where developmental resources are most readily appropriated. Today's problem is not so much a race-influenced marketplace or administrative state, refusing to reward black talent or to accord blacks an equal citizenship – as had been the case in decades past. Rather, today's problem, I claim, is mainly a race-tinged psychology of perception and of valuation – that, at some level, withholds from blacks the presumption of an equal human worth. A racial group's stigmatized status in the social imagination – and in its own self-understanding – may be reinforced, justified and socially reproduced as a result of that group's subordinate position in the economic order – thus, creating a vicious circle. Here we have a world where the notions of "racial dignity," "racial inequality," "racial subordination," "racial inferiority," "racial honor or pride or shame" resonate powerfully. Such has been my world, for those very notions about honor, dignity, equality, pride and shame have been central to my own biography. I will return briefly to this personal theme at the very close of this lecture.

First, however, let us consider some basic facts about what has happened to the relative status of African Americans in the United States over the past half-century. It is not a pretty picture...

[Review the Data on Trends in Racial Inequality since 1964]

What, I ask plaintively, is a humble African American economist to make of these unlovely facts?

I wish to begin by saying more about what I mean by the term “racial stigma.” To do so requires me to talk a bit about *human* capital and *social* capital. In my 1976 dissertation I used the phrase “social capital.” In his important treatise published in 1990, *Foundations of Social Theory*, the sociologist James S. Coleman credited me as having been among the first to do so. I’ll be contrasting “social” with “human” capital. To make what could be a very long story shorter, in human capital theory a paramount question is: How do we account for differences in the earnings capacity of persons in society? What is our theory, as economists, as to why the distribution of income and earnings looks as it does? Why are the wages paid to workers in this occupation greater than what is paid to those pursuing that occupation? What, in a market setting, is the relationship between a worker’s remuneration, on the one hand, and activities undertaken by that worker which enhance productivity – like effort on the job, formal and informal training, delayed childbearing, migration (choice of location affects proximity to complementary productive factors), health (investing in preventive care and nutrition can enhance the productivity of the human organism)?

This approach to explaining how people come to get whatever reward they get in the labor market is what I mean by human capital theory. The theory builds on an analogy with well-developed theories of investment in economics – assuming competitive markets, rational choice by forward-looking individuals, and analyzing human investment decisions in light of an agent’s time preference, anticipated rate of return, and available alternatives for the use of time. So, human capital theory takes this intellectual framework -- well developed in economics for understanding investment -- and imports it into the realm of studying human inequality.

Now, put simply, what I have been doing in some of my theoretical work over the years is exploring the implications of the fact that an association between business and human investment is merely an analogy, not an identity. That is, I have been questioning this tendency to equate the mechanism of investment as it pertains to machines – to firms making plant and equipment decisions – with “investment” as it refers to the development of human beings. Important things are missing in the human capital framework. There are really two points which I want to emphasize about this incompleteness:

(1) My first observation is that ***all human development is socially situated and mediated. That is, the development of human beings takes place inside social institutions.*** It takes place as between people, in the context of human interactions.

The family, the school, the peer group, the youngsters who hang with each other in the neighborhood and play basketball or whatever it is together. These institutions of human association are the places where growth and development occur. Many resources essential to human development -- the attention that a parent gives to her child, e.g. -- are not *alienable*. For the most part, human developmental resources are not “commodities.” Development is not up for sale. There are no markets on which you can trade it. What I mean is that the structure of connections between people within society creates a context within which developmental resources are allocated to human beings. The allocation of those resources may not be fully responsive to prices. As a result, it may not always be a good metaphor, or a good analogy, to reason as though this were so.

The family is one such institution. This point is absolutely fundamental, since the human development process begins before birth. And, the decisions about whether or not, e.g., a mother attends to her health and nutrition during pregnancy in order to encourage the neurological development of the fetus are decisions that will be affected by whether the mother comes from a family with resources, whether a husband is present, whether she's 16 or 26 years old, and whether supportive social services are provided -- and a myriad other thousand things that I could name, all of which come together to shape the experience of this newly born and maybe not

even yet born infant, who will develop one day to be a human being and about whom it will be said they have this much or that much productivity, as reflected in the wages that they will make in the market, or the test scores that they will manifest on some paper and pencil examination. It will be said they manifest this or that much productivity. Well, what I'm saying is they are not machines. The productivity they manifest, the capacities that they express are not merely the result of some mechanical infusion of economic resources. They are the byproduct of a social process.

(2) My second observation is that, as mentioned, *what we are calling “race,” is mainly a social, and only indirectly a biological, phenomenon.* I hope to persuade you that this point – along with my first observation regarding the inadequacy of an analogy between human development and investment in plant and equipment – is critically important when discussing racial inequality in America. Persistent racial distinction between large groups, across many generations, in an open society where diverse peoples live in close proximity one to another, is irrefutable evidence of deep-seated division, segregation and separation between racially defined networks within the social structure. Much could be said in this vein, but just to cut right to the core of it: *there would be no “races” in the steady state of the system unless, on a daily basis and in regard to*

their most intimate affairs, people paid assiduous attention to the social boundaries that separate themselves from racially distinct others. Put differently, over time "race" would cease to exist in a society unless persons in that society choose to act in such a way as to biologically reproduce the variety of phenotypic expression that constitutes the substance of racial distinction.

That was a long sentence, and it's important to me that I'm understood here. So, let me repeat: "Race" is not something simply given in nature. It is a socially produced thing. It's an equilibrium outcome. We're making it. In every society where protracted differences exist -- differences that take a physical expression and that persist over centuries (like in your society or mine), it's something that we are doing. It's not coming from on high. Rather, it's endogenous. There's a hundred ways that I could say it, but I think you get the point. And, my second point is that if the goal is to understand durable racial inequality then it's really important to attend in some detail to the processes which cause "race" to exist as a persistent fact of life in the society under study, since those processes will almost surely not be unrelated to the allocation of human developmental resources in that society. Put differently, what I'm saying is this: The creation and reproduction of "race" as a feature of society rests upon a set of beliefs and conceptions about identity held by people in that society – beliefs about who they are, and about the legitimacy of

conducting intimate relations (and, here I do not only mean sex, although I do mean that too) with racially distinct others. My key point is that beliefs of this kind are likely to also have consequences for whether or not persons enjoy equal access to the informal resources that individuals need to realize their full human potential. Because this point is so important to my argument here, I'm going to say this in yet another way. My argument to this point is that classical human capital theory can be incomplete in two ways: It's incomplete in that an analogy about investment between people and machines may not attend to the socially situated context within which the resources that promote human development become available. And, in the context of studying of racial inequality, the analogy is incomplete to the extent that it does not attend to interaction between the social processes which ensure the reproduction of racial difference in the society, on the one hand, and the processes that facilitate human development, on the other hand.

For example, let my child be musically talented. I've seen her at the keyboard and noticed that she could be a great pianist one day if only she had a teacher, but I have no money for a teacher. Suppose I go to the banker with the following narrative: "My daughter here is very talented. She could be a great pianist one day. Invest in 15 years of lessons and I'll give you 10% of her royalties for the first 25 years of her performance career? Such a contract is unlikely to be written, because

it is not enforceable. As a result, that talented kid never gets the lesson. The capital market is incomplete. So, even if we were to accept the idea that physical and human investment are a good analogy, a firm might be able to borrow against future earnings while an individual might have a harder time doing so.

Now that's, of course, a simplistic illustration of the much more general point that I'm trying to make. What if we change the hypothetical so that the child may have talent, and may get lessons, but won't practice -- because those others with whom the child interacts in the neighborhood disdain practice of the piano, and the good opinion of these peers is important to the child? (Some evidence supports the view that, in the US today, some part of the difference in intellectual preparedness of youngsters across racial lines turns on the fact that racial minority (i.e., black) peer groups discourage the doing of what is necessary to fully develop intellectual talents -- seeing it as a betrayal of their racial identities to do so -- thereby fostering a so-called "oppositional identity." Historically oppressed groups, time and again, have evolved notions of identity that cut against the grain of their society's mainstream. As a result, youngsters can be discouraged from the out-migration which is, after all, the full expression of our humanity. We're all leaving some community if we grow as human beings. We're always moving out to broader horizons. We're always redefining ourselves. That can be threatening to an insular

group that has been suppressed over many years. And a culture of repression can develop around that threat. And that culture can inhibit a talented youngster with resources at hand from taking actions needed to develop that talent.

Now, given such a situation, I wish to ask: Do the kids in those dysfunctional peer groups simply have the wrong utility functions? Can that possibly be the end of our analysis? Here's my point: *It is not an adequate account to say dysfunctional behavior in an oppressed group simply shows "those people" to have the wrong utility functions, when their utility functions have emerged from a set of social formations that have been historically generated as a result of our the larger society's social structures and activities.* Again, my point here is that human development takes place in a social context. We must attend to the relevant social contexts. These are not markets. Ethnic communities, local cultures seeing themselves in opposition to the majority, families that are not integrated across the boundaries of race in a society -- these are not markets. Rather, these are all complex, morally ambiguous and difficult-to-regulate phenomena embodying and reflecting what people see as the *meanings* that give significance to their lives.

So, I've always been dissatisfied with economic approaches to understanding racial discrimination in the US, where the social significance of racial categories play no

operational role in that theory. This struck me -- and continues to strike even me to this day -- as massively a-historical. Of course, as a theoretical exercise, one can elaborate a price theory for markets where traders are averse to doing business with some group marked with an "X", and where it won't matter what the "X" signifies -- of the sort that the great Gary Becker did in his classic book from the 1950's. I'm not against that program. I'm just saying that to do so would leave the analysis incomplete. When I first read that book, I was thinking -- from the South Side of Chicago in 1969 -- THIS IS AMERICA!! A neighborhood across town had just been burned to the ground. There had once been an institution called slavery, etc. This was, after all, America, I thought. "Blackness" was certainly not merely a cipher, not simply an "X", not merely a mark. It meant (and still means) something, and those distorted meanings must have some part in the perpetuation of racial disparities.

And, actually, what blackness means in America often has negative connotations. It often means "uncivil," and "backward." It means "licentious." Its aura is morally compromised. A dark exoticism, an otherness, hovers around the actual meaning of "blackness" in America. Such negative connotations have developed over the years in America I thought, sitting in my library carrel reading Becker's "The Economics of Discrimination" in 1969. How else could one explain why some racially

defined people in our society are not marrying 'the other'? They're not marrying them, don't want to live next to them, are not so happy sending children to the schools they attend. And, even when they are prepared to accept "the better of them," they nevertheless remain ever vigilant to the possibility that the ones they took to be "better" well might not be so after all.

What I'm talking about here, in a word, is "racial stigma." Even in 1969 I had the vague sense that the theory was incomplete, and that this incompleteness was stark and graphic when one considers the question of race. I thought this because I saw the context for human development and human investment as racially tinged and unequal, since structures of social connectedness were -- and still are -- so racially disparate. But, I also thought this because I could see that "race" (i.e., "blackness") was not (and is not) an arbitrary marker. Rather, this symbol is laden with historically generated meanings particular to our society -- meanings that, in the case at hand, have a stigmatizing, negative, degrading, subordinating connotation.

This point was fundamental for me. Because without this insight one may do something that, though not illogical, is nevertheless a mistake: One may say, as many more or less conservatives commentators have in fact said: "But, look at immigrants to the US from the East and the South of Europe. They, too, were

despised and yet in 50 years they have integrated into the society. The words "Slav" and "slave" have a common root, etc.” Or, one may say: "Look at recent immigrants from Asia and even from Latin America. They, too, have been despised in various ways. And yet, they have advanced in our society even as the blacks of inner city Detroit, Chicago, Philadelphia, Baltimore, New Orleans, Los Angeles, Oakland... continue to lag. What's wrong with those people?" Without appreciating that some marks on the body signify things, negative things, dark things, 'Otherness' things -- that influence the chance for people bearing those marks to develop their human capacities -- without seeing this, you may attribute the backwardness of these people who have been stigmatized to their "essence." You may, in effect, say "it must be something about 'those people,' not about us, that causes them to be so backward." You will eschew social and political and moral responsibility for their plight. You will conclude that their failure to develop their human potential either reflects the absence of such potential in the first place (and, we have books on the shelf making that argument), or you may decide that their failure is due to their backward culture which, sadly but inevitably (What more can we do?) leads them to lag behind.

So, what I want to say on the “culture vs. structure” question is, yes, there may be some tendency to backwardness in “their culture.” (The jails are full of blacks in

the United States, and they're not all political prisoners. It is a fact that two in three children born to a black woman in the US are born to a woman without a husband. etc.) So, yes I'd say, there's some stuff on the supply side. There's something, if you must – if you must – that's “in their utility functions.” But how did it get there? How did it get there? Is it merely a statement about THEM, to observe that they value something in a certain way? Or, when we understand that the way people come to value things is created via interactions in society, can it not also be a statement about US?

Let me just give you an illustration of the second point. My first point was that investments are contextualized and so the social networks within which people are located, the structures of those networks, mediating the investment are relevant to a theory of human inequality in a way that they might not be so relevant to a market idealized setting of investment in physical plant and equipment. And the second point is that the marks in question, the symbols that signify racial difference, are freighted with important connotation that then have an adverse effect on a person's opportunities to develop his or her skills. In the second point, I'm stressing that "race" symbols have meaning. Specifically, "blackness" in the US context has a meaning associated with it that is stigmatizing. This stigma inclines people to a presumption against the merits of persons bearing the mark. It causes people to

start out doubting the assumption that the stigmatized one is "like us." This causes the observer to be reticent to enter into intimacy with such a person. A social allocation of developmental resources is not like a market-mediated allocation.

People are making these judgments not on the basis of straight-forward benefit-cost calculations, but also on the basis of identity considerations: Who am I; and how, then ought I to live; and with whom, then, should I associate; and when ought I to extend to this 'other' a benefit of the doubt? Moreover, I'm extending this second point to an observation about the "culture v. structure" debate, because I'm saying there's a mistake that you can make -- a cognitive mistake. It's a mistake in the analysis of society. It's a mistake about the extent to which racial inequality is an expression of cultural differences between insular groups of people, rather than that inequality emerging out of a system of social interactions that knits us all together in a seamless web. That's the mistake that I want to warn against here. It is a significant error of social cognition to impute causation to traits that are seen as being intrinsic to a subordinate racial group, while failing to recognize the system-wide context within which dysfunctional cultural expression is produced and reproduced in society.

I need now to give you some examples, because that was all very abstract. This is about my second point: racial symbols have meaning. I want to give some examples.

Marriage and the family. I mentioned out-of-wedlock birthrates among blacks. I wanted to illustrate how we can take the cultural thing as if it were simply there, when it's in fact something that we're producing, all of us. So one example is marriage and the family and childbearing. So you look at gender relations between black people in the United States, which is to say divorce rates, out of wedlock childbearing rates, and so forth. And you comment, ah look, look at how they are. But I want you to look at intermarriage rates between blacks and whites in the United States. They remain quite low, though they have risen in recent decades. Now I cast no aspersions. It might be that black women are getting propositions from white men and are turning them down. I don't know. But, I do know that in the equilibrium there's a low rate of cross-boundary mating between these two groups, and I strongly suspect that this fact must have implications for human development, for resources available to children, and for the generation and transmission of wealth. Moreover, it has implications for the dating and mating market among African Americans, because we're a small minority of a population; we're roughly one in eight Americans. So, if white men and black women were

marrying at a higher rate, black men and black women would be interacting in a different way. How? I don't know exactly. That's not my point. That would be a study. Mine is a higher level observation. My point is that, to observe in the social equilibrium that there are different rates of out of wedlock birth across black and white subpopulations, and then to impute that difference to something about 'black culture' would be to fail to see how the marriage market is situated in a larger context where a higher rate of cross-boundary mating could substantially alter intra-boundary behavior. So, what one might take to be 'culture' just might turn out to be 'structure' after all. What you took to be a characteristic of 'those people' -- "why don't they marry?", "how can they bear their children in such disorder?", just might turn out to be questions about "US" -- why do WE avoid intimacy with THEM?", etc. THEY are segmented, despised, looked askance upon, and are generally of no interest for intimate relations. Indeed, they are of little interest altogether, except as a topic of cocktail party discussions about their 'depravity.' (Please excuse me if a little anger kicks-in here, but the current political rhetoric in the US on these questions can be unnerving.)

That was one example. Here's another example. Consider the War on Drugs in the United States. The fact is that the number of people locked up in prisons and jails in the US went from 500,000 in 1980 to 2 million by the year 2000. It quadrupled

in 20 years. Blacks are one in eight, or so, Americans, but we are nearly one in two prisoners in the United States. There are more black people in prison in the United States than there are people in prison in some pretty good size countries, like Germany, France, and England, e.g. The war on drugs very clearly was a policy choice that had a lot to do with this. It was an expression of public sentiment. Political campaigns were run on this issue. Growth in imprisonment in America has been partly due to explicit efforts to curtail narcotics trafficking.

You do not have to be some French social theorist full of abstractions to see the drama that has been enacted in US society around “punishment,” where a massive mobilization of resources has been undertaken, attended by the corralling and physical control over the bodies of a largely non-white and poor population. And the political rhetoric around it is: “protect our children, keep ourselves safe from the – well, the ‘scum’ or the ‘rabble’ are terms that come to mind – keep us safe from the element that threatens our civilization.” You don't have to be a Jurgen Habermas to see that something really profound is being enacted in such a society. It's not just about policy. Policies signify, and the racially disparate incidence of a massively punitive policy like the “War on Drugs’ signifies massively. In doing so it both engenders and draws upon a wealth of social meanings that are harmful to the developmental prospects of blacks.

But what I really want to say about Wars on Drugs is this: everybody does drugs. The data – on drug consumption, on admissions to hospitals for emergencies from drug overdoses, on treatment facilities and who goes and seeks medical care for drug addiction at them, on the much touted opioid epidemic – reveal that all classes, all races, all regions are in the game. Drugs are a massive consumer market involving everybody. Everybody. Small wonder that such a "black" commerce would disproportionately enlist into its employ those at the margin of society. That can be no surprise.

So, too, with the violence that attends the traffic in drugs. If one cannot write an enforceable contract then one is in a state of nature and disputes will get resolved through violence. There's nothing new in that. That's been the truth of the world since forever. So it is that there's violent trafficking in drugs in inner city communities in the United States which are heavily black, and so it is that the persons who participate in that commerce find themselves incarcerated. I am not making excuses for them. But the fact is that institutional structures – involving people of all races and classes – complex structures, together with a massive discretionary mobilization of punitive resources, have worked to promote racial disparities in the incidence of incarceration. The result has been the corralling of a

great many black bodies. And, this result reflects the symbolic degradation of blacks, even as it reinforces an interpretative pose that absolves the larger society of any responsibility to consider reforms. A super-structure of ideas –an ideology– reinforces and legitimates the status quo, and removes any lingering ethical doubts about who is to blame for this mess.

The observation I'm making is that how a society answers the question, who are WE, is a very significant issue. And you can bet it's a live question in the United States today. Who are WE? Whose country is it? When talking about crime, about violence, about school failure, about urban decay, about prisons, etc., is it a matter in the back of the mind that can be understood as US against THEM? Because, if it's US against THEM, anything is possible. It becomes possible to say about those people: "That's not my country. That's some third world thing." This was said during the flood of New Orleans after Hurricane Katrina. But it's a lie. Black people in New Orleans have been there for 250 years. They're not aliens. They're as American as you can get, as American as anybody can be. That was US down there crawling up on the rooftops. That was US huddled in the Superdome. That was US.

It was a quintessentially American affair, not simply a measure of the inadequacy of "black culture." It reflected OUR social inadequacy, I want to argue. And I buttress that argument by observing the incompleteness of human capital theory, by insisting that human developmental processes are socially contextualized, and by stressing that "race" plays an elemental part in all of this.

Thinking in this way, I believe, helps account for the durable racial inequality with which America is still encumbered. Consider 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 even 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 – by embracing, not demonizing, the perpetrators, who, often enough, are also among the victims.

Conclusion

Finally, allow me to conclude on a personal note: I believe it is very important to bear in mind something I know from first-hand experience – that disadvantaged African American families are not passive in their alienation. Rather, they construct meaningful worlds for themselves amidst the storm. Consider, for instance, those who are connected via bonds of social and psychic affiliation to the vast numbers of incarcerated black men and women in this country. Those people truck up to prisons to visit a kid, or a parent, or a partner going through a rite of

passage that is all too familiar. They bail someone out of the clink, knowing the money could be lost. To save their own hides, they may have to turn loved ones in to the cops. They live with relatives who steal from them. They are – one and the same persons and at the same time – “victims” as well as “perps.” They know that this phony political dichotomy of “us” vs “them” is morally fraught – given that anyone of “us” falls, depending on the day, or the hour of the day, to one side or another of that divide. A biographic life may be lived on both sides of the line. But, having staggered back and forth across the line many times over its course, one’s imagined life can still be seen, in retrospect, as unified in its righteousness, and justified in its condemnations.

In this regard, I know whereof I speak. As it happens, I have passed through the courtroom, and the jailhouse, on my way to this distinguished podium. I have sat in the visitor’s room at a state prison; I have known – personally and intimately – men and women who lived their entire lives with one foot to either side of the law. In my mind’s eye, I can envision voiceless and despairing people – perpetrators and victims alike – who would hope I might represent them on an occasion such as this. I know that these revelations may discredit me in some quarters. Some may assume that I am siding with the “thug” and not with the innocent “victims of senseless violence.” Truth be told, some would assume that no matter what I might

say here – so deeply entrenched is this binary opposition in the American public mind. So, I will not even bother to deny or refute the charge.

It has been a full decade now since I delivered the Tanner Lectures on Human Values at Stanford University. Those lectures marked an important moment for me on the long and ongoing trajectory that has joined my lived experience to my scholarship and my politics. "Racial Stigma, Mass Incarceration, and American Values," was the title for a pair of lectures that brimmed with moral passion and what I hope was seen to be rigorous analysis. The lectures asserted what I have implied here today – that the number of black men incarcerated in U.S. prisons and jails reflects the social dishonor to which African Americans are still subject today, a dishonor with roots in our history of slavery. I have not recounted the substance of that argument at any length here. My talk along with some commentaries was published as a small book by M.I.T. Press. What I wish to declare, here at the august gathering on this fine Monday afternoon, speaking only for myself, is that I have, indeed, committed myself to doing something about this. That is how this particular black American economic theorist has chosen to react to the spectacle of racialized mass incarceration and persistent economic inequality between the races in my native land.

In addition to teaching and writing, I have testified before Congress, have helped to launch a study of the causes and consequences of high rates of incarceration in the United States that was recently completed under the auspices of the National Academy of Sciences, and have empaneled a group of experts to explore these questions with the aid of the American Academy of Arts and Sciences. I see this work as discharging a personal responsibility. This issue has propelled me once again into a role I have flirted with throughout my career – that of public intellectual. Of course, as an economist my primary work is to crunch numbers (or, as an economic theorist, at least to be on intimately familiar terms with the labors of those who do.) But, what those numbers have revealed has triggered my moral outrage. In this, I make no apologies. Mathematical modelling is not all there is to the intellectual life. I am now determined to reach beyond science and policy analysis, and within the limits of my abilities to address deeper questions.

My journey to these issues has taken unlikely twists and turns. It has involved not just the courthouse and the jailhouse, but my many years as a conservative pundit. It has included a religious rebirth followed by a repudiation of that religion, and then, as if to prove that God has a sense of humor, a re-embrace of it again. And it has brought me, finally, further to the left of the political spectrum than I would

ever have imagined possible – although, I’m sure, this is not far enough in the view of my many liberal critics!

I will close this lecture by remembering from whence I have come. What follows is NOT economic theory. It is, however, relevant to my key theme: “Relations before Transactions.” Somehow I don’t think that Ken Arrow would mind!

I am the eldest of two children, raised after an early divorce by a single mom. I grew up on Chicago's South Side in the 1950s and 60s. Although the neighborhood was rough, my family was comfortable enough. My father was a high-level administrator with the Internal Revenue Service, and my mother a secretary with the Veterans Administration. I had cousins who became doctors and lawyers; I also had relatives who died of a drug overdose or who spent years in prison. In his book, “Code of the Streets,” ethnographer Elijah Anderson describes two broad categories of social orientation in inner cities: "decent families," who tend to be working poor (rather than unemployed) and who value self-reliance, hard work, education, and church; and "street families," who turn to lawlessness to make ends meet and violence to settle conflicts. My family had a little of both, sometimes in a single person.

I'm thinking, for instance, about my uncle Moonie. He was a legitimate small businessman – a barber and dry cleaner -- but he sold marijuana out the back of his barbershop, routinely. I'm thinking of my great Aunts Cammie and Rosetta, who fenced stolen goods as a regular course of events. They had young women who were shoplifting clothing and foodstuffs from retailers, and they would get twenty cents or thirty cents on the dollar from my aunts, who then had big freezers in the basement. So that whenever you wanted to have a family thing, you knew that you didn't go and buy your ham and your turkey from the Stop & Shop. You went to Aunt Cammie or Aunt Rosetta. These are church ladies with big hats! They were the salt of the earth, these people! But that's what they did.

The memoir that I am presently working on paints a vivid picture of my upbringing in Chicago in the 1950s and 60s, with characters like my mother, Gloria, whose nickname was Go-Go – I attended five different elementary schools before completing the 5th grade; her sister, my Aunt Eloise, who rescued my sister and I from our itinerate life by bringing all of us into her own household; their brothers, my Uncles Alfred and Adlert; Eloise's husband, my Uncle “call-me-when-they-start-integrating-the-money” Moonie; and my great aunts and uncles who initially migrated North from Mississippi after World War I. I can recall the hustling; the rent parties; the strangers to whom rooms in our home were sometimes let; jazz

music and the blues everywhere; likewise, premature death and rampant adultery; hipsters and gangsters with style; and enormous social vitality.

The bear facts of my upbringing are not without interest. There will be no need to embellish. I was born to working class African American parents early in the post-war baby boom. I was educated in public schools, graduating high school at age 16; attended the Illinois Institute of Technology (where I failed to study mathematics); studied at a community college which met in a wing of a large vocational high school, but then transferred to elite Northwestern University on the shores of Lake Michigan just north of the city, where I studied mathematics and philosophy mainly, but minored in economics and became acquainted with the German language. I became a father at ages 18, 19 and 21. I finished my formal education at the Massachusetts Institute of Technology where I earned the economics PhD at age 27, from what was the best department in the world at that time. It was a remarkable transformation: Fatherhood forced me to become a college dropout at age 18. I worked full time as a clerk in a printing plant, for five years before graduate school, and was a full time student as well for the last three of those years. This time I was serious about it. I completed my graduate studies brilliantly, and by age 33 I had become a tenured professor of economics at Harvard – indeed, the first black person to hold that position. I remarried at 34,

became an inpatient at McClean Psychiatric Hospital at age 39 and was baptized a born-again Christian at age 40!

The Chicago of my youth exuded beauty and brilliance, amidst compromised standards and awful pain: My Uncle Adlert drank himself to death. While our close family friend, Boo-Boo was a brilliant student, he saw his father fatally shot himself in the head while sitting on my mother's living room couch. A kid named "Pig," a grade school nemesis, ended-up with a life sentence for killing a cop. The quiet boy down the block, Paul Shumpter – who was a brilliant Little League shortstop – overdosed on heroin at age 18. My cousin Ronnie was also strung out. He'd stop by our house from time to time to get something to eat, and steals from my mother's purse – which she knowingly permits. The kid, Stevie, whom I'd known since I was 12 years old, died in his mother's basement after receiving an accidental gunshot wound to the gut. A gay man with whom I worked named Chuck, was found bludgeoned to death in his apartment – a place where I'd spent time shooting the breeze with him on Saturday mornings after we'd finished a grueling 3rd shift. My Uncle Alfred lived a polygamous life, with overlapping families, fathering 22 children altogether. A brilliant Uncle Adlert, who graduated at the top of his class from Northwestern University Law School in the early 1950s, was disbarred because he got caught-up in some shady family business.

And yet, I vividly recall my Uncle Adlert's stunning eloquence; my Uncle Alfred's charm, physical beauty, and absolute devotion to his children; my mother's sweetly melodic voice and giving heart; my Uncle Moonie's grit, enterprise and fierce independence; my Aunt Eloise's steadfast and sacrificial love of family, her elegance and her ambition; the impressive style of the great aunts Rosetta and Cammie – their silverware; lace table cloths; the ivory and mahogany; the crystal; Persian rugs, lace curtains; their furniture, their cars, their mink and fox and chinchilla fur stoles; their stylish shoes, hats, and precious jewels. I can recall watching my mother dress for Saturday night -- the stockings, girdles, braziers, garters, powder, painted nails, hairdos in several colors; the forest of bottled perfumes, colognes, creams, lotions and oils that covered the top of her dresser. I can recall men's conked hairdos; Sunday socials; fashion shows; teas; bid whist card games; cookouts, feasts and parties every holiday -- or no holiday at all. It was a world of close knit kinship; mutual aid; gossip; envy; betrayals; domestic violence; incest; hustling – a world where characters like the fictional pimp, Iceberg Slim, competed for my attention with the very real cadres of black Muslims devotees who hawked their newspapers to passersby at crowded intersections.

Racial identity was of primary importance in the Chicago of my youth. White flight had turned many of the city's neighborhoods into African American enclaves, and the civil rights and black power movements had fired up black young people – myself included. Even as my political approach to "the race problem" has veered sharply from left to right to center and back to the left again, my foundational belief has remained consistent: I am a black American intellectual, and I must stand with my people. Perhaps then you can understand why it is that I have spoken to you in such a manner today.

Thank you.