African Americans in the U.S. Economy

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The Black Political Economy Paradigm and the Dynamics of Racial Economic Inequality

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This chapter uses a black political economy (BPE) paradigm to examine the economic implications of racial stratification and the forces that perpetuate racial disparities. In the BPE paradigm, racial identity is treated as a produced form of individual and group property that has income and wealth-generating characteristics. Collective identity is shown to have economic value, and as a consequence, groups forego income and wealth to protect identity production. As a consequence, reductions in intergroup income and wealth differentials will not automatically lead to the erosion of traditional patterns of collective identification. The BPE paradigm is used to interpret contemporary trends in employment, residential segregation, and incarceration rates. Fundamental issues likely to affect the success of long-term efforts to combat racial stratification and intergroup conflict are discussed.

This chapter presents the core elements of a distinctive black political economy (BPE) paradigm that illuminates key aspects of the contemporary and prospective economic status of African Americans. The two major foci of the BPE paradigm are, first, the role of economic forces in intensifying or mitigating conflicts between "racial" groups; and, second, the extent to which economic institutions can be viably organized and operated while accommodating sustained patterns of racial stratification. While other theoretical frameworks explore one or both of these issues, the BPE paradigm not only addresses both simultaneously in a logically consistent manner, but it also offers credible interpretations of contemporary stylized facts about racial economic inequality.

As traditional racial classifications as well as their role in public policy come under increasing attack, it is important that economic studies of racial disparities reflect emerging conceptions of racial identity. The growing number of persons of mixed "racial" ancestry has prompted a significant expansion in the number of racial-ethnic designations included in the 2000 population census. Some who have championed this official reworking of previously used racial categories have seen it as signaling the beginning of the end for governmental use of traditional racial categorizations in developing and assessing public policies. However, analysis of the 2000 census data seems to suggest that DuBois's "color line" (1903) remains almost as indelible at the dawn of the twenty-first century as it was a century ago. In the 2000 census, 216,537,642 persons chose white as one of their racial classifications, whereas only 2.3 percent of this group chose any other racial classification. Similarly, 34,557,034 chose black or African American as one of their
racial classifications, whereas only 5.4 percent of this group chose any other racial classification. The continuing attachment of many individuals to traditional racial classifications suggests that collective identity is a potentially important dimension of economic behavior. The importance of collective economic interests among African Americans originates in the communal traditions of traditional African societies. The pursuit of potential gains from collective action has been reinforced by the common patterns of oppression experienced by individuals during historical periods from the era of slavery until the present. Conversely, the collective economic interests of whites derive from the ideology of white racial superiority and wide access to economic rents generated at the expense of African Americans and other nonwhite groups. The BPE paradigm presented in this chapter facilitates the examination of the conflicts surrounding racial identity and how they contribute to inter racial disparities in economic outcomes.

The next section outlines the treatment of racial identity in the BPE paradigm, using comparisons to other approaches to clarify critical distinctions. The third section presents theoretical perspectives on the dynamics of identity-influenced economic conflicts, followed by case study interpretations of selected current patterns of racial economic inequality. The concluding section suggests directions for further inquiry.

KEY DISTINGUISHING FEATURES OF THE BPE PARADIGM

The BPE paradigm treats racial identity as a form of individual and group property having income and wealth-generating characteristics. Race is conceptualized as a produced form of personal identity whose supply and demand are responsive to changes in production costs and budget constraints. However, individual choice does not guarantee social recognition or acceptance. Others' ascriptions of racial identity may differ from that desired by an individual, and those ascriptions can influence economic opportunities and outcomes.

The treatment of race and racial identity in the BPE paradigm differs markedly from what is found in other economic approaches. Neoclassical economists typically think of social identities as characteristics of an individual that are not economically productive but that may have economic consequences. As a result, the scrutiny of race is relegated to a secondary status relative to other forces deemed to be more important for economic decision making. As an illustration, economist Kenneth Arrow, a Nobel laureate, captures the essence of the standard neoclassical approach to examining race as follows:

The black steel worker may be thought of as producing blackness as well as steel, both evaluated in the market. We are singling out the former as a special subject for analysis because somehow we think it is appropriate for the steel industry to produce steel and not for it to produce a black or white workforce. (Arrow 1974, 4)

The decentering of race in traditional economic analysis has shaped how neoclassical economists approach the study of racial inequality. The neoclassical approach is encapsulated into what can be characterized as the subfield of the "economics of discrimination." This subfield has its origins in the notion of a "taste for discrimination," introduced by another Nobel economic laureate, Gary Becker (1957).

Becker's well-known "taste," or preference, theory of discrimination asks a rather simple question: if there is a subset of individuals within society who regard economic association with other racially distinct individuals as an economic good, will these tastes for discrimination have a sustained impact on economic outcomes? The individuals with a preference for discrimination may be consumers, employers, or employees. Becker argues that, although this form of bigotry may produce a certain degree of segregation, such preferences do not produce sustained inter racial differences in wages, employment, or occupational attainment when the general conditions
for a competitive economy are met. The key conclusion flowing from Becker’s model is that the competitive forces of the market undermine the economic impact of irrational preferences. For Becker, bigotry is an irrational preference; it is exogenously given and can only be maintained at a prohibitive cost to the employer, employee, or consumer because non-discriminating owners of capital will choose profits over racism in making resource-allocation decisions. Presumably, discriminating owners either will be forced out of business or will modify their behavior to be competitive, although the period over which such market adjustments could be expected to occur is never formally specified.

At least two major issues raise serious questions about the operational usefulness of the neoclassical approach for interpreting the forces that produce racial economic inequality in the real world and for offering viable recommendations for reducing such inequality. The first issue is the extent to which market imperfections limit the type of antidiscriminatory responses predicted by the competitive model. Many studies continue to find evidence of labor market discrimination as well as discrimination in other economic activities, including human capital investment options and choice of residence. In response, proponents of the BPE paradigm ask the following questions:

1. Does the persistence of discrimination simply imply that markets are not sufficiently competitive to achieve the predicted outcome?
2. If noncompetitive markets are the norm in the United States, have discriminating agents developed ways to adapt institutions to accommodate discriminatory preferences such that losses in efficiency are minimized?
3. Have discriminating agents found strategies to shift the burden of economic losses resulting from discriminatory practices onto the victims?
4. If structural adaptations are possible that allow relatively costless discrimination to operate (from the vantage point of discriminators), do members of a dominant group have any incentive either to seek information about the social costs of discrimination and racial stratification or to undertake actions to mitigate them?

Mason (1995, 1999), Williams (1991), and Darity and Williams (1985) have demonstrated convincingly that competition is not only consistent with discrimination but that competition creates material incentives to persistently reproduce discriminatory behavior. The BPE paradigm builds on these important findings.

A second issue treated inadequately in the neoclassical paradigm is the presumed irrationality of so-called tastes for discrimination. Becker does not treat the origin of a taste for discrimination, or bigotry, as an economic question. However, as will be demonstrated, when racial identity is conceptualized in economic terms, the presumed power of competitive markets to punish decisions based solely on racial preferences is diminished considerably. Whites who benefit directly or indirectly from discrimination that victimizes other groups have few incentives to oppose systems of racial domination and in fact can easily become avid supporters. Darity and Williams argue, for example, that “workers can . . . concentrate and consolidate, particularly by ethnicity or race . . . via control of training, evaluation, information, and the definition of jobs,” which allows “winners in early rounds of labor market competition . . . [to] insulate themselves from the most recent recruits to the wage labor force” (1985, 259–260).

In the BPE paradigm the norms of collective racial identity emerge as a critical mass of persons engaged in own-group altruism and other-group antagonism. Once a sufficiently large number of persons begins to engage in racialized behavior, there are increasing economic incentives for all persons to engage in racialized behavior. Racialized behavior spreads throughout society because individuals observe that own-group altruism and other-group antagonism is an income-increasing strategy relative to individualist behavior, where neither altruism nor antagonism is involved in exchange with other persons. Moreover, each agent’s payoff to racialized behavior increases with the mean wealth of the agent’s group. Income and wealth
inequality increase the incentives for racialized behavior.

The aggregate constellation of behaviors and values of individuals who actively identify with a particular racial classification constitutes what can be described as collective racial identity. The existence of this type of quasi-kinship-based affiliation emerges from innate human instincts. However, it is social institutions that codify definitions of, and the boundaries between, racial groups. In the United States, the record of governmental specification of rules of racial classification associated with peoples of African descent is well known. Such classifications were established through legislation and through court decisions. The categories mulatto, quadroon, and octaroo were purported to designate an individual's degree of African ancestry. These were given official status not only to distinguish patterns of descent but also to assign differential opportunities.

Collective racial identity, as conceptualized in the BPE paradigm, is not easily categorized using traditional economic terminology. Collective racial identity has some characteristics similar to what economists term externalities—that is, output created by other productive activities. This collective identity has a positive value for those who identify with it or benefit unconsciously from its existence, but it can have negative effects on those who identify with a different racial-cultural identity. However, collective racial identity also has dimensions that are like "public goods," which are nonexcludable and nonrival in consumption. Once public goods exist, they are there for all to enjoy. So it is often the most rational strategy for private actors to let others go first and seek to enjoy the good without contributing to its production. This is the dilemma of public goods. Without some sort of collective-action mechanism, such goods risk being underproduced. Conversely, without collective action, public bads—pollution, noise, street crime, risky bank lending, and so on—will be overproduced. In the BPE paradigm, efforts to neutralize the negative effects of externalities associated with the reproduction of racial identities constitute a major source of interracial conflicts in the United States. Economic discrimination and other forms of disparate treatment serve as means to reduce negative externalities perceived by the more-powerful groups as emanating from the cultural identity reproduction of less-powerful groups (Stewart 1995).

INDIVIDUAL Racial IDENTITY, COLLECTIVE IDENTITY, AND INDIVIDUAL DECISION MAKING

One of the critical issues addressed by the BPE paradigm is how economic competition among racial groups affects the distribution of goods and opportunities among people. When traditional economists think about how members characterized as belonging to the same racial group behave, they often have in mind a form of affiliation similar to voluntary membership in an organization. This perspective has led some commentators to suggest that the historical exploitation of blacks has produced short-term collective efforts to overcome oppression but no persisting solidarity capable of influencing economic activity. In this view, collective efforts erode once barriers facing individuals are removed.

Stewart (1976, 1995) and Darity, Mason, and Stewart (2003) have developed models that demonstrate how individual decisions regarding economic well-being are influenced by considerations related to racial identity. In these models the economic opportunities available to an individual agent vary depending on the extent to which active group identification influences that agent’s economic decisions. Such choices are, of course, constrained by social custom, history, and other factors. Notions of "white privilege" and "property rights in whiteness" convey the reality that persons socially identified as white have an economic safety net or a group insurance unavailable to nonwhites even if they choose to identify with nonwhites as their primary reference group. Conversely, institutional phenotypic discrimination potentially imposes a type of "tax" on the economic opportunities and outcomes of nonwhites even if their economic behavior and other characteristics mirror those of similarly situated whites. Governmental ac-
tion establishes the upper and lower bounds of such taxes. Governmental action can, for example, protect the interests of whites by creating quasi-separate jurisdictions that allow the availability of high-value public goods to be restricted. To illustrate, within some large urban school districts, it is not unusual to find well-endowed public schools populated principally by white students while the majority of schools are resource poor.

As noted, collective racial identity is partly an "externality" that has a positive value for those who identify with it or derive its benefits unconsciously; but such an identity is assessed negatively by those who identify with a different racial-cultural identity or find the cultural production process distasteful. The magnitude of the negative effects generally increases with the frequency and duration of contacts with members of other racial-cultural groups and the degree of overlap in identity characteristics between groups. Some elements of another culture's racial-cultural group identity can be experienced through commodities as opposed to direct contact. Thus, well-designed consumption technologies allow the positive characteristics of other groups' cultural products to be consumed or experienced without experiencing the negative external effects associated with direct interaction with the products' originators. The clearest example of this phenomenon is the attraction of hip hop music to suburban white youth who reside in largely segregated enclaves.

Another way of describing these dynamics has been suggested by Okonkwo (1973), who argues that the presence of whites in a particular area who discriminate against blacks inflicts an external diseconomy on a community of "aware" blacks. The term aware can be interpreted to mean those for whom the production of cultural identity has explicit value. From this vantage point, discriminatory behavior by groups in conflict becomes one manifestation of efforts to adjust the social environment to reduce the impact of perceived externalities associated with cultural production by other groups. In fact, Okonkwo suggests such an interpretation: "The assumption that discrimination is an externality will in general cut both ways, so that Blacks will appear as a public bad."

Individuals with similar cultural production functions have an incentive to engage in collective behavior to reduce the negative externalities associated with other groups' cultural production. Such intergroup competition can lead to tensions even in the absence of competition for, or maldistribution of, economic resources. It is important to recognize, however, that persisting resource maldistributions will inevitably exacerbate intergroup tensions.

Albert Breton (1974) has shown how people will commit resources to political efforts to reduce what he describes as "economic coercion." Such coercion involves the discomfort or reduced sense of economic well-being experienced by a person when one's expectations of gains resulting from economic policies deviate from the actual flow of goods and services received. Breton argues that when people experience a sufficiently high level of discomfort, they will commit time and resources to political activities in an effort to alter the policy that is perceived to be the source of their discomfort. In a similar vein, the BPE paradigm suggests that individuals and groups will commit economic and noneconomic resources to political activities of various sorts to configure their environments so that cultural identity production can occur without undesired external influences.

The effect of another group's cultural production activities on a person's own-group cultural production thus constitutes a type of quasi-economic coercion that engenders responses similar to those described by Breton. Differences in wealth, or more broadly resource endowments, as well as different traditions of political behavior lead to differences in the types of political activities undertaken by different groups. African Americans often exhibit a preference for political activities such as demonstrations because these are relatively lower-cost options than paying political lobbyists and because they allow the intensity of concern to be expressed. In addition, numerical minority status reduces the effectiveness of bloc voting. In contrast, voting is an effective political instrument for whites because of their numerical majority status (until the mid-twentieth century) and because the objectives of racial domination and subordination guaran-
The Black Political Economy Paradigm 123

te alignment between actions of elected officials and their individual and collective well-being.

Competition for economic resources is typically layered on top of competition for social space. Thus, when so-called middle-class blacks seek to escape the cultural production environment in central cities, they often wind up residing in racially segregated suburban enclaves. In the initial stages of suburban residential demographic transformation, the cultural production of the first black residents is likely to have little effect on white residents. The income levels and socialization of the initial cohort of black residents is often more like that of their white counterparts than those blacks who subsequently relocate to the neighborhood. As cultural production competition intensifies, some whites will choose to relocate and more will exercise this option as the demographic transition proceeds.

The BPE paradigm also suggests why school desegregation efforts typically entailed relocation of black students in relatively small numbers to predominantly white districts. This pattern minimized the negative externalities associated with the activities of the relocated students on white students, while allowing the existing cultural production process to proceed with minimal disruptions. Of course, this policy disrupted the cultural production processes of the relocated black students.

In general, concentrations of people with similar cultural production functions create opportunities to take advantage of economies of scale. As an example, if there are enough residents in a given area, a black church can be established or an independent black school. Thus the size of the local black population and its characteristics become important parameters in the location decisions of highly mobile black professionals. This phenomenon helps explain the high level of black return migration to the South and the especially magnetic attraction of the Atlanta metropolitan area. In addition, black middle-class parents are increasingly selecting historically black institutions of higher education for their offspring, although their class status would presumably allow so-called integrated options. The goal seems to be to ensure that some minimal level of group identity is produced with the acquisition of general human capital. Further, parents seek to avoid their children’s exposure to the negative externalities and derivative intergroup conflicts associated with cultural production processes operative in many traditionally white institutions.

Cultural production externalities are obviously more important in some activities than they are in others. These externalities are particularly important in the marriage market, although interracial relationships and marriages are increasing. They are also important in competition for positions with high levels of prestige and power and in the case of religious observances. There is an old adage that the most segregated hour in the week is eleven o’clock on Sunday morning. Cultural production externalities appear to be least problematic in professional athletics, although racial stratification appears to be present in playing positions in some sports and even more so in the ownership, management, and coaching ranks.

The importance of cultural production externalities in the workplace depends on the degree of workers’ identification with the profession, organization, and occupation relative to the intensity of their racial group identification. As in athletics, high potential returns from cooperative behavior may overwhelm the effects of negative cultural production externalities. In general, employers attempt to create a quasi-artisanal enterprise identity that serves as an alternative to the principal reference groups with which workers identify, such as race or religious affiliation. Similar to the process described earlier, this identity is a joint product—that is, an externality generated with the firm’s income-generating activities. Within a bureaucratic organization, individuals are expected to monitor their cultural production to minimize the generation of negative externalities that adversely affect productivity and worker solidarity. These expectations create a disproportionate hardship on those whose cultural production functions are more dissimilar from the cultural norms. This problem can cut both ways; as an example, a white employee in a black-owned firm with a majority black workforce may have to adapt his or her typical cultural production in uncomfortable ways. However, the converse is more typical—that is, black employees feel pressure to modify cultural identity production to reduce variation from white norms.
The work environment can be structured to minimize the effects of cultural production conflicts on income-generating activities. Various techniques are used to accomplish this end. As noted, racial segregation and occupational crowding were popular strategies during the pre–civil rights movement era. More recently, diversity training has become the principal technique for avoiding intergroup conflicts. Those who are unable to modify cultural production functions run the risk of termination, and blacks may well face the most difficult problems in making acceptable adaptations.

Outside the world of work, friendship across racial-cultural groups is feasible to the extent that overt differences in racial identity production are small compared to the collective positive externalities resulting from other sources of affinity. At the same time, it is possible that racial-cultural identity production strategies may be bifurcated. Individuals may employ one strategy when dealing face-to-face with members of another group, while making investments in their identity of origin when interacting with family members and others. One method to avoid cognitive dissonance when employing a bifurcated production strategy is to discount cultural production by someone with a different racial background. One example is the "you are not like the others" syndrome. To some extent, interracial marriages constitute an extreme case of this adaptation strategy. It is important to recognize, however, that distinctive phenotypic characteristics and unique cultural attributes are likely to be always with us. However, the transformation of these attributes into economic property and competing racial identities is not a law of nature; but a close examination of some contemporary patterns of racial inequality suggests that the underlying processes will be difficult to transform.

THE BPE PARADIGM AND THE DYNAMICS OF CONTEMPORARY RACIAL ECONOMIC INEQUALITY

As noted, the second major area of concern for the BPE paradigm is how institutions are organized and operated to achieve acceptable levels of efficiency while accommodating patterns of racial domination that are critical to the normal functioning of the U.S. political economy. In the United States, this accommodation involves, among other adaptations, minimizing the degree to which whites are exposed to undesirable identity production externalities produced by other groups, especially those by blacks. Racial disparities and racial discrimination are endemic features of the U.S. economy and social systems. Discrimination based on race, per se, is infused into a myriad of institutional practices in ways that are virtually impossible to totally neutralize or eradicate.

The term racial stratification is used in the BPE paradigm to describe the general process by which race is used as a criterion to assign roles and positions in organizations and institutions. Racial stratification in economic institutions leads to the disproportionate assignment of high-status positions—those associated with control over allocation of resources, distribution of economic benefits, and high incomes—to members of the dominant group. The collective outcome of the operation of stratification processes across organizations is the institutionalization of a hierarchy of dominant and subordinate statuses among racial groups.

The extent of racial stratification that exists within a given organization or in the society more generally depends on the balance of political power between dominant and subordinate groups, which may differ across organizations at a given point in time. Structural changes in the economic system, political upheavals, and other major transformative events and processes can disrupt racial stratification processes and alter the short-term balance of political power—that is, create a social disequilibrium. Recognition of the dynamic character of racial stratification processes differentiates the BPE paradigm from most other analytical approaches that explore the role of structural forces in perpetuating racial economic inequality. For example, some analysts, including many economists, point to the civil rights movement, subsequent black electoral gains, and new residential and occupational mobility to declare the formal end of the legacy of historical forms of racial domination/subordination. They claim...
that discrimination, as typically conceived, is no longer a major factor contributing to the observed racial disparities. Instead, they place the blame for the persistence of these disparities on the victims themselves; that is, individuals are failing to respond appropriately to market opportunities. The institutions that socialize individuals—such as family and friendship networks—are also criticized for encouraging and reinforcing behavior that is unresponsive to market signals and incentives.

The BPE paradigm provides a different explanation for the persistence of racial and economic disparities. The simple BPE paradigm answer is that the interventions forced by the civil rights movement were never intended to eliminate previous disparities. Rather, new formal and informal rules, policies, and procedures were instituted in response to changes in the balance of power precipitated by the civil rights movement. While opportunities were created during the early years that did indeed produce some measurable gains, the subsequent reconsolidation of the preexisting racial order reinvigorated racial stratification processes.

The efforts since the mid-1960s to reestablish the previous racial order have involved an intense and ongoing political and legal battle between proponents of equalizing opportunities and those adherents to the old racial order. Opponents of equity efforts have masked their objectives in language touting so-called color-blind policies. Relentless attacks on so-called affirmative action educational and employment policies have mobilized employee resistance to efforts to reduce stratification within organizations and a weakened commitment on the part of managers to reducing stratification.

The willingness of white workers to buy into the antistratification reduction rhetoric is driven to a large extent by the need to find a scapegoat for the declining quality of life engendered by globalization pressures. As an example, employers have responded to global competition by reducing benefits for low-income workers. Less than one-fifth of low-income workers have access to employer-sponsored pension plans.

Legal sanctions against job and occupational discrimination have enabled many blacks to move into supervisory roles. A large number of white males resent the growing presence of Blacks as authority figures and view them as interlopers illegitimately occupying these high-status positions. The term "angry white male syndrome" has been coined to describe this phenomenon. From the vantage point of the BPE paradigm, the most intriguing charge is the claim that many blacks who now occupy high-status positions are unqualified or underqualified. This rhetorical tactic clearly signals that one of the major underlying tensions in the workplace is the disruption of the traditional status hierarchy of positions with whites in high-status occupations and blacks in low-level jobs. The disruption of the traditional status hierarchy of positions and the angry-white-male syndrome are particularly prominent since the collapse of Jim Crow in the South and the relatively successful interventions to reduce job and occupational discrimination in the North.

Another illustration of how formal and informal rules, policies, and procedures have contributed to the persistence of racial disparities after the civil rights movement is the case of residential segregation. In contrast to the limited capacity to avoid racial interaction in the workplace, whites are much more able to avoid interaction with blacks in residential settings. The efforts of individual whites to avoid the negative externalities perceived to be associated with black cultural production are manifested in persistent high levels of racial residential segregation. Hypersegregation persists despite equal housing legislation and public programs designed to reduce residential segregation. Blacks living in metropolitan areas with black populations of one million people or greater are especially likely to live in segregated neighborhoods. Detroit, New York, Chicago, and Philadelphia rank, respectively, second, fourth, fifth, and eighteenth in degree of black-white segregation out of 310 metropolitan areas (Census Scope n.d.). This pattern simply suggests that high levels of black identity production increase incentives for whites to relocate to avoid negative effects on their own identity production.

Residential segregation contributes to the problem of spatial mismatch, a term first introduced by economist John Kain in 1968. Spatial mismatch describes the phenomenon where the suburbanization of jobs coupled with restric-
tions on the residential options open to blacks creates a surplus of workers relative to the available jobs in inner-city neighborhoods, resulting in joblessness, low wages, and long commutes for black workers. Raphael and Stoll (2002) observe that metropolitan areas with high levels of black–white residential segregation exhibit a high degree of spatial mismatch between blacks and jobs. Krovi and Barnes (2000) find that African Americans generally have the longest travel times to work in all regions of the country where public housing is available and that low-income minorities have longer travel times than low-income whites do.

It is important to recognize that spatial mismatch patterns are more complex than the historical pattern of inner-city residents' having difficulty traveling to suburban job sites. Downward pressure on incomes and on the status of all workers induced by global competition has trickled down in ways that are intensifying conflicts over valuable commercial and residential space in urban areas. Intense political battles have been, and are being, waged for control of city government by globalization-friendly constituents who want to make cities more attractive to global corporations.

Compounding the problem of spatial mismatch is the growing presence of new sources of easily controllable sources of labor to fill low-paying, low-status jobs, especially those in the services sector. The representation of foreign-born workers in the labor force has been growing faster than their population representation has, and immigrants are disproportionately employed in business services, construction, nondurable and durable manufacturing, health care, and personal services. The proportion of foreign-born workers is higher than that of native-born workers in service occupations (19.2 percent versus 13.2 percent); in operating, fabricating, and laboring occupations (18.7 percent versus 12.7 percent); precision production, craft, and repair occupations (12.1 percent versus 10.5 percent); and farming, forestry, and fishing occupations (4.5 percent versus 2.1 percent; U.S. Census Bureau, 2001). From the vantage point of the BPE paradigm, there are several reasons why immigrants are preferred over domestic black workers. Immigrants present much less potential status competition than blacks do. The cultural identity production of immigrants is perceived to generate fewer negative externalities for whites than that of blacks. Finally, it is easier to maintain social control (racial stratification) through immigration laws and manipulation of residency status.

Black males are drastically overrepresented in all state prison populations compared to whites and Hispanics. Many traditional analysts attribute this pattern to disproportionate criminal tendencies among blacks deriving from the failure of the socializing institutions to cultivate a respect for law and order. However, the BPE paradigm raises the issue of whether this pattern is itself part and parcel of the system of social control. Cohen and Canelo-Cacho (1994) estimate that the reduction in violent crime due to increases in imprisonment of violent offenders since 1975 has been no more than 10 percent. Spelman (1994) finds that current incarceration rates aret perhaps no more than 8 percent of crimes. One alternative explanation for high incarceration rates among black males is the transformation of this population into economic commodities that are fueling the growth of the prison-industrial complex. Many of the new prisons warehousing blacks are located in rural, predominantly white areas that have lost much of their mining and manufacturing employment bases to industrial shifts. Prisons provide new sources of revenue, and the presence of large numbers of black inmates is acceptable to local white residents because black cultural production is stringently controlled and status differences between inmates and the local population are sharply defined. In fact, the presence of large populations of black inmates constitutes a positive input into white cultural identity production as other sources of status have been diminished. More generally, the images of black criminality in the media, including the infamous "Willie Horton" presidential campaign ad, fuel white perceptions about the extent of negative externalities associated with black cultural identity production and reinforce segregation and stratification processes.

Some of the more-revealing data suggesting the underlying racial stratification motives associated with incarceration policies are embedded in data on police hiring policies. Together with data on segregation rates, Miller, Clower, and Beramendi (1984) analyze data from the Multinational Monitoring Study of Crime and Law Enforcement in the United States in 1988. They create a variable that reflects the percent of the criminal conviction list that contains blacks. They find that jurisdictions with higher percentages of blacks in the population have a lower percent of convictions that contain blacks.

For the analysis, we stratify white by racial status and phase out existing mechanisms for cultural assimilation. Our focus is on the crime-producing institutions of the urban residential segregation, and in the local public policy general sense that has been the subject of much debate. The question of whether the actions of these institutions and their associated criminal justice institutions are furthering the stratification of the community is a critical one. The competition for the attention of both the purchasing power of the white community and the purchasing power of black community is a central issue here.
in comparisons of prison operating expenditures per inmate with the costs of educating disadvantaged students. Prison operating costs in 1996 ranged from $13,977 in Georgia to $37,825 in Minnesota (Stephan 1999). Now compare those numbers to $10,000, which is one estimate of the maximum cost associated with ensuring that a student residing in an environment characterized by concentrated poverty can meet the new "No Child Left Behind" standards ("Inadequate Funding Makes NCLB Worse" 2003). Between 1985 and 1996 state educational expenditure increased by 3.6 percent per year, compared to 7.3 percent for prisons, excluding costs of prison construction (U.S. Bureau of the Census n.d.). The apparent choice of incarceration over education, even given unfavorable cost–benefit ratios, suggests that separating black males from the population at large serves an important social control function.

Most traditional analysts focus on the analysis of criminal behavior and crime reduction strategies. In contrast, the BPE paradigm emphasizes how these patterns interact with various public policies in ways that disrupt black cultural identity production. Shihadeh and Ousey (1996, 649) maintain that inner-city crime is linked directly to the process of suburbanization, which "contributes to the disinvestments and decline of black communities in the city," increases social isolation, and "thereby engender[s] high crime rates." Clear (1996) argues that incarceration involves the entry and exit of adults from families, leading to a change in economic circumstances of those families—a change that may force relocation. Clear insists further, "each prisoner represents an economic asset that has been removed from that community and placed elsewhere" who is no longer spending money in the community (9). Moreover, most ex-offenders are likely to return to their neighborhoods on release, and "these ex-offenders are more likely to be unemployed or underemployed, adding to the local unemployment rate and the chronic difficulties experienced face in finding and retaining work" (9).

The preceding discussion provides only a partial overview of the range of stratification processes with which the BPE paradigm is concerned. Nevertheless, it demonstrates that the BPE provides a more comprehensive analysis of the dynamics of racial stratification than its competitors and can thus facilitate the development of more functional strategies to change the status quo.

CONCLUSION

The BPE paradigm suggests several fundamental issues that must be addressed in efforts to develop strategies to combat racial stratification and intergroup conflict. First, in a world characterized by cultural differences and inequitable distribution of economic resources, intergroup conflict in economic as well as noneconomic settings is an endogenous characteristic of the social space rather than an exogenous contaminant of market allocation processes and individual decision making. Second, collective identity has economic value, and groups will forego income and wealth to protect identity production. Third, reductions in intergroup income and wealth differentials will not automatically lead to the erosion of traditional patterns of collective identification. Fourth, as long as investments in racial identity generate differential returns for different identities, significant stratification will persist. Fifth, incentives for engaging in cooperative intergroup behavior can reduce the potentially negative dimensions of interracial contact and create alternatives to traditional racial identification. And sixth, movement toward more egalitarian inter- and intraracial distributions of wealth must be a major element in any earnest attempt to reduce racial conflict.

By specifying the mechanisms through which racial inequalities are perpetuated, the BPE paradigm lays the foundation for additional research in the subfield of stratification economics. Further analyses employing stratification paradigms have the potential to produce new insights regarding strategies to achieve significant reductions in interracial economic inequality.

NOTES

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ments that would not have been possible without a major cooperative effort.

1. Cultural production is the process by which cultural identity is created. The cultural produc-
tion function might include inputs such as modes of speech or dress, choices of entertainment and
food, and neighborhood location.

2. The idea of unqualified or underqualified black workers or students seems to be very real in
the minds of whites. Research reported by Coleman (2003) indicates that 75 percent of whites be-
lieve that it is very likely or somewhat likely that less-qualified blacks get jobs or promotions before
more qualified whites do. In addition, 78 percent of whites believe it is very likely or somewhat likely
that less-qualified blacks get admitted to colleges or universities ahead of more-qualified whites.
Regardless of what many whites may think, nearly all of the available evidence indicates that black em-
ployees are as qualified as whites and in some cases more qualified. Coleman (2003) recognizes that if
black workers are underqualified or unqualified, there should be some measurable costs at the market
level as a result of deficiency in skills, qualifications, performance, or productivity.

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