

PART I

FOUNDATIONS

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## I

# Introduction

### 1.1 STRUCTURAL RACISM AND STRATIFICATION ECONOMICS

African American family income is 63 percent of White family income. African American family wealth is 4–14 percent of White family wealth. African American women and men earn 84 percent and 68 percent, respectively, of the weekly wages earned by White women and men; both ratios are lower than during the mid-1970s. It is a multi-decade truism that the African American unemployment rate is twice the White unemployment rate.

Structural racism is undervalued within the dominant US economic narrative and its derivative public policies related to persistent racial disparity. The dominant narrative instead offers an individualist perspective on racial disparity. Individualist reasoning is committed to explaining racial disparities in economic well-being as primarily the outcomes of individual decisions by workers regarding skill acquisition, labor force participation, employment, hours, occupational selection, and risk-taking. Therefore, racial differences in earnings and other labor market outcomes are explicated as the result of differences in the individuals' marketable skills, behaviors, and culture.

Individualist scholars de-emphasize racial discrimination as a substantial force in the labor market (Heckman, 2011). Within this framework, "race" is confined to non-market activities and racial identity is not often distinguished from values, behaviors, or culture. When it comes to persistent racial disparity, the individualist framework is supported by a largely Libertarian frame: competition creates a level playing field, persons with identical skills and market-functional values and behaviors will receive identical treatment in the market. By extension, this view holds that individuals or racial groups who achieve superior economic well-being are endowed with higher-quality market-functional values, behaviors, and culture. Groups that have lower levels of economic well-being have inferior market-functional attributes. Despite the

popularity of the individualist framework, the empirical evidence has not provided strong support for this perspective (Mason, 1997, 2007; Darity and Mason, 1998; Bertrand and Mullainathan, 2004; Neumark, 2012).

Stratification economics offers an alternative to individualist economics. Stratification economics takes the idea that people with identical skills and market-functional behaviors will *not* necessarily receive identical treatment in the labor market seriously. Within this framework, race is a strategically determined economic norm that facilitates differential access to resources and opportunities (Darity, Mason, and Stewart, 2006). Persistent racial discrimination is consistent with market competition and the accumulation of capital. Rather than a level playing field, the competitive pursuit of profit creates differentiation and inequality. Historically, slavery and Jim Crow formalized both racial identities and enormous racial inequalities in wealth. The privileges of wealth sustain and reinforce both wealth inequalities and racial identities, so that racialized competition within markets and persistent wealth inequalities continue to combine to reproduce structural racism.

Structural racism has been a permanent feature of the US political economy, culture, and society. Structural racism is the result of an interconnected collection of social norms, policies, institutions, identity strategies, and ideologies designed to preserve White supremacy. It is possible to have a future without racism: we have to choose to abolish racism, which requires fundamental structural transformation. Historically, we have chosen to preserve racism – or, at least, the multigenerational struggle seeking to make the fundamental structural changes necessary to permanently rid America of racism has not yet succeeded.

Permanent structural racism is instrumental, but it is not immutable. Racism under chattel capitalism (1619–1865) was different from racism under servitude capitalism (1865–1965), which was different from racism under racialized managerial capitalism (1933–present). Racism “is a critically important stabilizing force that enables Whites to bind across a wide socio-economic chasm. Without the deflecting power of racism, masses of Whites would likely wake up and revolt against the severe disadvantage they suffer in income and opportunity when compared with those Whites at the top of our socio-economic heap” (Bell, 1992: 571).

Bell is hardly the first scholar to understand the instrumental nature of racism. Benjamin Franklin, a major architect of American democracy and economy, stated that English colonization of the American continent provided a great economic opportunity for common Whites to achieve a high measure of economic well-being. To protect this opportunity, Franklin (1751) wanted American immigration to be limited to “purely white people,” which for Franklin meant only English and German Saxons. Groups to be excluded from America included: Africans, because they are either Black or tawny; Asians, because they are tawny; Indigenous Americans, because they are tawny; and, swarthy complexion Europeans such as *Spaniards*, *Italians*, *French*, *Russians*, *Swedes*, and all Germans except Saxons.

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The instrumental racial division that Franklin helped to build was a sufficiently prominent feature of the American political economic architecture that led W. E. B. Du Bois to conclude, “The problem of the twentieth century is the problem of the color-line, – the relation of the darker to the lighter races of men in Asia and Africa, in America and the islands of the sea. It was a phase of this problem that caused the Civil War” (Du Bois, 1903: 15). The color-line does not separate individuals; it separates groups. It is a social norm that regulates the relationship between Whites and Non-Whites. For Du Bois, the color-line was supported by a permanent White racial contract – White workers willingly tradeoff racial disparity in labor market outcomes and higher profit for capital in order to obtain a racially advantageous social wage for White workers (Du Bois, 1935: 700). Racially discriminatory practices to preserve privilege are likely to persist rather than fade since racial discrimination within the labor market is consistent with the competitive process. Du Bois addressed the question of why lower class Whites stayed in the White racial coalition rather than joining with Blacks to challenge the White elite. His answer begins with the suggestion that, in the immediate aftermath of Reconstruction, lower class Whites received a “public and psychic benefit” from their racial status: “. . . the white laborers, while they received a low wage, were compensated in part by a sort of public and psychological wage . . .” His discussion of the specifics of the “public and psychological wage” delineates tangible relative benefits that can be assigned monetary values:

They were given public deference and titles of courtesy because they were white. They were admitted freely with all classes of white people to public functions, parks, and the best schools. The police were drawn from their ranks, and the courts, dependent upon their votes, treated them with such leniency as to encourage lawlessness. Their vote selected public officials, and while this had small effect upon the economic situation, it had great effect on their personal treatment and the deference shown them. White schoolhouses were the best in the community, and conspicuously placed and they cost anywhere from twice to ten times as much per capita as the colored schools. The newspapers specialized on news that flattered the poor whites and almost entirely ignored the Negro except for crime and ridicule.

On the other hand, in the same way, the Negro was subject to public insult; was afraid of mobs; was liable to the jibes of children and the unreasoning fears of white women; and was compelled almost continuously to submit to various badges of inferiority. (Du Bois, 1935: 700)

Persistent joblessness and unequal labor market treatment create anxiety for working class persons and their families. Workers seek protection from these severe risks to their families’ current and future well-being. Per Du Bois, racial identity norms are outcomes of instrumentally strategic behavior. Even if White workers do not get the highest possible wages, they get other valuable outcomes: better schools and therefore higher quality and quantity of skills for their children, lower probability of joblessness, better public parks for collective

entertainment and higher home values, greater access to public functions and greater quality and quantity of social capital, better treatment by the police and the courts, and greater access to public officials responsible for providing valuable public services, as well as a host of psychological benefits. On the other hand, Black workers receive lower pay than White workers within the labor market and less favorable outcomes than White workers outside the labor market.

Nobel laureate Dr. Martin Luther King, Jr. famously argued that “Racism, economic exploitation, and militarism” are the “triple evils” of American capitalism (Washington, 1986: 250). In America, “profit motives and property rights are considered more important than people” (Washington, 1986: 629). Social justice for the oppressed is a non-issue. Reverend King explained,

A nation that will keep people in slavery for 244 years will “thingify” them, make them things. Therefore they will exploit them, and poor people generally, economically. And a nation that will exploit economically will have to have foreign investments . . . will have to use its military might to protect them. (Washington, 1986: 251)

Continuing, King stated, “For years I labored with the idea of reforming the existing institutions of the society, a little change here, a little change there. Now I feel quite differently. I think you’ve got to have a reconstruction of the entire society.” Further, “Something is wrong with capitalism as it now stands in the United States. *We are not interested in being integrated into this value structure . . . a radical redistribution of power must take place*” (Fairclough, 1983: 122–123, emphasis added).

Using more colorful language, Malik Shabazz (Malcolm X) described capitalism as a “bloodsucking” system. Shabazz argued that, “It’s impossible for a white person to believe in capitalism and not believe in racism. You can’t have capitalism without racism (Breitman, 1965: 69).” He further stated that

This is the *worst* racist society on this earth. There is no country on earth in which you can live and racism be brought out in you – whether you’re white or black – more so than this country that poses as a democracy. This is a country where the social, economic, political atmosphere creates a sort of psychological atmosphere that makes it almost impossible, if you’re in your right mind, to walk down the street with a *white* person and not be self-conscious. It almost can’t be done, and it makes you *feel* this racist tendency that pops up. But it’s the society itself. (Breitman, 1965: 214)

Thus, both the supposed “integrationist” King and the alleged “Black separatist” Shabazz agreed that Black identity is separate from White identity. Both were hostile to capitalism. However, neither King nor Shabazz saw Black identity as behaviorally or otherwise inferior to White identity and neither suggested that acculturation into Whiteness is something Blacks should aspire to. Rather, both saw capitalism as inherently racist. Simultaneously, both encouraged African Americans to have a positive attitude toward hard work and achievement, strong family values, a moral and ethical lifestyle, and to continue the struggle to reconstruct America’s political economy.

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Much has changed about America and the world since the mid-to-late 1960s heyday of King and Shabazz, when the Civil Rights and Black Power movements succeeded in destroying servitude capitalism (Jim Crow). Nevertheless, popular African American political economic thought and culture continue to be characterized by an unyielding ambivalence toward American political and economic institutions and great skepticism regarding Whites' willingness to aggressively pursue actions that will make America a racially just society.<sup>1</sup>

Donald Harris made the important point that joblessness is one of the causal factors of racial discrimination (Harris, 1972). Most workers have no or few financial assets. Their sole source of income is wages and salaries. Unemployment and involuntary part time employment are major risks to the security of families. The intensity of racial discrimination is correlated with the interracial competition for employment. Further, racial discrimination is correlated with the wages and compensation of jobs: African Americans are pushed into jobs with lower pay.

This text examines African American social and economic outcomes, with an emphasis on the American labor market. The statistical analysis focuses on the years after the high point of the Civil Rights movement. Post-1965, for the first time in the twentieth century but for the second time in American history, African Americans had formal equality before the law. After the Civil War ended chattel capitalism, African Americans had a brief but highly contested period of formal equality before the law, that is, the Reconstruction years 1865–1877. Similarly, after the Civil Rights movement ended servitude capitalism associated with Jim Crow, African Americans once again experienced a period of formal equality before the law. But, just as freedmen found themselves trying to integrate into a totally racialized political economy during Reconstruction, African Americans emerging from under Jim Crow found themselves trying to integrate into a totally racialized political economy during 1965–1974. Chattel capitalism and servitude capitalism were political economies designed to transfer wealth from Blacks to Whites. The systems worked as planned. After the elimination of both chattel capitalism and servitude capitalism, there were vast disparities in wealth, family income, and individual earnings between (and among) Americans of African descent and Americans of European descent.

Total racialization implies that, in addition to persons selecting economic strategies as specific individuals and members of particular families, they also select economic strategies as members embedded in mutually exclusive racial

<sup>1</sup> In a nationally representative survey of African American political economic ideologies, Dawson (2001: table 2.8, p. 83) shows that 37 percent of African Americans subscribe to the basic tenets of Black nationalism; 34 percent are comfortable with the core ideas of Black Marxism; 40 percent of African Americans are disillusioned liberals; 19 percent of African Americans accept feminist ideology; and, only 1 percent of African Americans accept the ideological beliefs of Black conservatism.

groups. Groups are more than summations of individuals; the group acts within the individual. Deviations from social norms, whether by persons acting alone or within small clusters, are punished by the group. Racial identities are social norms and actions that reinforce racial identity norms and relative well-being are supported by own-group members, while actions that challenge racial identity norms and relative well-being are punished by own-group members. Understanding persistent structural racism requires understanding the actions of groups and persons.

African Americans represent 14.2 percent (47.6 million) of America's total population of 335 million persons. Similarly, the census of 1860 shows that Blacks were 14.1 percent of the national population, numbering 4,441,790 persons out of a total population of 31,443,790. From the end of chattel capitalism in 1865 to the eve of World War I in 1910, 90 percent of African Americans resided in the Southern states of the United States of America. Blacks constituted about 37 percent of the Southern population in 1860.<sup>2</sup> In 1870, the percentages for the individual Southern states were: Alabama (48 percent), Arkansas (25 percent), Delaware (18 percent), District of Columbia (33 percent), Florida (49 percent), Georgia (46 percent), Kentucky (17 percent), Louisiana (50 percent), Maryland (23 percent), Mississippi (54 percent), North Carolina (37 percent), Oklahoma (8 percent in 1890), South Carolina (59 percent), Tennessee (26 percent), Texas (31 percent), and Virginia (42 percent).<sup>3</sup> From 1910 to the mid-1960s the percentage of African Americans residing in the South declined; nevertheless, the majority of African Americans have continued to reside in the South. About 58 percent of African Americans currently reside in the South.

## 1.2 REGIMES OF STRUCTURAL RACISM

The evolution of Black economic status is the product of complex political economic interactions among permanent racism, aggressive self-help among people of African descent, public policy, capitalist competition and the pursuit of profit, egalitarian social movements, and the social construction of racial identities. Intertemporal and intergenerational changes in racial disparities in income and wealth vary according to regimes of structural racism (see Table 1.1).

### 1.2.1 Chattel Capitalism

*Chattel capitalism* in America was characterized by the transatlantic slave trade and by White enslavement of Africans. Enslavement in America existed from

<sup>2</sup> [www2.census.gov/library/publications/decennial/1870/population/1870a-04.pdf](http://www2.census.gov/library/publications/decennial/1870/population/1870a-04.pdf). Last accessed December 12, 2022.

<sup>3</sup> [www2.census.gov/library/publications/decennial/1870/population/1870a-04.pdf](http://www2.census.gov/library/publications/decennial/1870/population/1870a-04.pdf). Last accessed December 12, 2022.



1.2 Regimes of Structural Racism

TABLE 1.1. *Regimes of structural racism*

	Years	Period: Governmental policy and racial regime	Race gap: Income & wealth	Governmental policy
I.	1619–1865	Chattel capitalism	Increasing	Support slavery
II.	1865–1965	Servitude capitalism	Increasing	Support equality
	1865–1877	Black codes and Reconstruction	Decreasing	
	1877–1914	The Nadir	Increasing	
	1877–1965	Jim Crow	Increasing	
III.	1941–present	Racialized managerial capitalism	Decreasing	New Deal, Fair Deal, New Frontier & the Great Society
	1914–1965	Great Migration & Urbanization	Increasing	
	1945–1973	Second Reconstruction	Decreasing	
	1973–2008	The 2nd Reversal: Stagnation and decline	Stagnation	Conservatism and libertarianism
	1981–present	Racialized managerial capitalism	Stagnation	

1619 to 1865. During this period, Africans were commodities: they were beings who were hunted, harvested, and exchanged for profit by European and American traders. African family structure and family functioning were outcomes dominated by enslavers’ concern for profit. International shipping, banking, insurance, shipbuilding, and the rise of great universities were enabled by the slave trade (Darity and Mullen, 2020). Although slavery existed in all of the states, it was in the plantation economies of the South where slavery was most extensively developed, where the racial identities required for a slave society received their most complete development, where White supremacy and animosity toward Blacks was most intense, and where 90 percent of African Americans resided.

The plantation economy was a system of production for profit, as is always the case under any capitalist system. Capital was allowed to move into and move out of plantation production. Plantation output (cotton, sugar, tobacco, rice, coffee, and sometimes the services of the enslaved) was traded nationally and internationally.

Enslavers had complete control over the labor process and complete control over the lives of their commodities. Enslaved workers on a plantation expanded (decreased) when plantation production expanded (decreased). White workers

were mobile, but Non-White workers were commoditized and not free (Africans) or free and de-humanized and threatened with extinction (Native Americans). Immigration and citizenship were totally racialized: only Whites were eligible for citizenship. Non-White immigrants were unwanted. White workers had the ability to sell their labor but very limited economic assets.

The public policy framework supporting chattel capitalism was simple: White monopoly of political power. This required a combination of political conservatism and economic libertarianism. The federal, state, and local government provided instruments of force to support private ownership of persons. Government provided laws to determine eligibility for enslavement and citizenship. However, plantations and all businesses were free to operate with minimal or no governmental regulation or oversight. On the plantation, the enslaver was the criminal legal system. Government did not provide social programs under chattel capitalism. The role of government was to help Whites extract land from Native Americans and extract uncompensated labor from Africans.

The era of chattel capitalism provided the socioeconomic and institutional context for the historical transformation of Africans in America into African Americans. This process was initiated with 20 Africans who entered indentured servitude in Jamestown, Virginia in 1619. They came to America with an African history, an African value system and psychology, an African culture and conception of the family, an African cosmology, an African understanding of economics, and – ultimately – an African way of being. They were incorporated violently into a society constructed for the enrichment of Europeans. At the very beginning of the nation, their African identity, their Non-European otherness, was subverted into the source of putative Black inferiority.

Initially, Africans in America married and co-mingled with similarly situated Europeans (Higginbotham, 1978). However, by the middle of the 1600s the foundation was set for a racialized society: a race-based slave economy through 1865 and a society constructed on de jure racial segregation for the next 100 years thereafter. As the American political economy moved forward from 1619 to 1865, African otherness was transformed into “Black.” To be Black was the antithesis of White. Whiteness was the key to crucial elements of personhood: citizenship, owning property, and voting rights, along with the protection of and service by the state and its police/military power. “Black” and “slave” became synonyms, as did “White” and “free.” Whiteness entitled a person to preferential treatment, in particular, singular access to public resources and a virtual monopoly over private resources. Affluent Whites were entitled to the special privileges of wealth and Whiteness while the least affluent Whites were entitled only to the privileges of Whiteness. Racial identity became a form of property and Whiteness was the highest yielding identity property. Among European Americans, “Blacks” were persons to be excluded; but, among persons of African descent, Blackness created a culture of self-help, protection from and resistance to racism, and affirmation of African American personhood.