Relations before Transactions:
A New Paradigm for Racial Discrimination Theory

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Georgia State University College of Law
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Contact Vickie Dye at (404) 651-4360 or vdye@gsu.edu

Glenn C. Loury, the Merton P. Stoltz Professor of Social Sciences at Brown University, will present this fall's 39th Henry J. Miller Distinguished Lecture Series. Professor Loury is both an influential academic economist and a widely read author on issues of race and equality. After earning his PhD at MIT, he became a tenured economics professor at Harvard at the age of 33, where he pioneered the theory of "social capital." During the 1980s he was considered a leading black conservative intellectual, but by the mid 1990s it became clear that the originality of his approach to racial dynamics defied ideological classification. His 1995 book, ***One by One, From the Inside Out: Essays and Reviews on Race and Responsibility in America***, won both the American Book Award and the Christianity Today Book Award in 1996.

In 2000 Professor Loury was invited to deliver the annual W.E.B. DuBois Lectures at Harvard University. Those lectures became the basis of his 2002 book, ***The Anatomy of Racial Inequality***, which garnered such rave reviews as the following:

"This fact-filled, impossible-to-pigeonhole, impressively interdisciplinary book should inaugurate a new and better discussion of racial equality in America--and with any luck, new and better policies as well." Cass Sunstein, Karl N. Llewellyn Distinguished Service Professor of Jurisprudence, University of Chicago Law School

"This strikingly original book will likely emerge as one of the most important analyses in recent times of America's unyielding problem of "race". Powerfully argued, relentlessly honest, and morally engaged, it lifts and transforms the discourse on "race" and racial justice to an entirely new level and may just be the breakthrough text we have long been waiting for." Orlando Patterson, John Cowles Professor of Sociology, Harvard University

"This is a brilliant book. With an original conceptual framework, Glenn Loury breaks new ground in the study of racial inequality in the United States. " William Julius Wilson, Lewis P. and Linda L. Geyser University Professor, Harvard University

In 2005 Professor Loury was named the recipient of the John von Neumann Award, given annually by the Budapest University of Economic Science and Public Administration to "an outstanding economist whose research has exerted a major influence over an extended period of time." He has agreed to adapt the lecture he gave in Budapest when he accepted this award into an article for the GSU Law Review and the following draft is largely based on his Budapest lecture.

Professor Loury says that the key theme for his Miller Lecture is: "What I call "discrimination in contact" and "development bias" -- as distinct from "discrimination in contract" and "reward bias" -- are now critical aspects of the racial inequality problem. But these informal, relational barriers are not reached by remedies at law flowing from the anti-discrimination principle, which has a formal, transactional focus. I believe there is a natural link between this argument of mine and the legal discourse over affirmative action policies. My intention, then, is to try to exploit this connection by using my "relations before transactions" insights to assess the debate over affirmative action. In doing this, I plan to draw on other research I've undertaken -- e.g., my work on color-blind affirmative action, and on affirmative action and its mythology."

Draft

Relations before Transactions: A New Paradigm for Racial Discrimination Theory

Glenn C. Loury
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My lecture today will be about race and racial inequality in the United States. I will try to give you some idea of what I think I'm contributing to the study of this subject in my work. In order to do that I need to give some background, to create something of an intellectual context into which my work will fit. I will begin by describing some aspects of the work of the renowned economist Gary S. Becker of the University of Chicago, who has addressed himself over the past few decades to related questions. Then I will try to convince you that my ideas extend and amplify and deepen Becker's work.

But I don't think it will be enough just to talk about my ideas. I think one also has to talk about what might be done about this situation – about the politics and the morality, the social morality, the social ethics that are raised by this question of social division, of "race," within a society.

In order to set the stage for a discussion of my work, I need to talk a little bit about *human* capital and *social* capital. In my 1976 dissertation I used the phrase "social capital." In his important treatise, *Foundations of Social Theory*, James Coleman credits me with having been among the first to do so. I'll be contrasting "social" with "human" capital. I begin with reference to Gary Becker, who is very closely connected with the development of human capital theory in economics. 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)? Prof. Gary Becker has addressed these and other similar questions in his work.

And, they are all, in one way or another, expressions of this view – this approach to explaining how people come to get whatever reward they get in the labor market – that is human capital theory. This theory builds on an analogy with between the 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 trying to do in some of my work is to explore

the implications of the fact that this 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. I'm saying that it's only an analogy, it's not a perfect fit. They're not the same things. Important things are missing in the human capital framework -- with due respect to Professor Becker, and with no irony here intended. With due respect to the great Professor Gary Becker, the theory is not complete as it applies to human investment. I will no explain briefly and informally just how I see this theory as being incomplete.

There are really two points about this theory, about the incompleteness of this theory, about the imperfectness of the analogy between investment and human development.

[Now, just as an aside before I give you the two points, I want to declare that I have no ideological ax to grind here. For instance, I'm not against human capital theory because it's "markets applied to people," or some such nonsense. That would be unscientific. As the old aphorism goes, "the proof of the pudding should be found in the eating." That is, the theory is only so good as it is useful and productive in helping us understand the data. I'm not against human capital theory because someone has said "there's a shadow price on babies." There IS such an implicit price, most definitely. (No, wait a minute. Wait, wait, this is just basic economics. Opportunity cost. There are alternatives forgone. There is no free lunch. There is a shadow price on babies. There can be no doubt about that. There's a willingness to pay for babies. We may not permit it to be expressed in explicit and enforceable contracts. We may make laws against it. But a decision-maker's options are what they are. People are trading them off. There is a shadow price on babies. There's a shadow price on wives -- or, perhaps I should have said, on husbands.

But this is a digression. I'm just saying that I'm not against human capital theory because we're applying prices to people. I'm not one of those who think it is impossible to value a human life. I don't know the answer to the ultimate existential questions, but I do know that people make choices and that in those choices they reveal their willingness to pay for one thing or another. And some of those things pose a greater risk to human life than do other of those things. And, by systematically analyzing people's choices in this regard, we can learn something about how THEY value human life. This turns out not to be a trivial question, because if billions of dollars are going to be invested in cancer research, we might as well know what the value of the fruit of that advancement is going to be to society (cite K. Murphy's recent work, e.g..) And, one can't get there from here without, in effect, putting a price on human life. So I'm not one who says economics can’t be applied to this or ought not be used to think about that.]

Human capital theory is incomplete however, because human beings are not machines. There are two senses in which I want to emphasize this incompleteness.

(1) My first observation is that ***all human development is socially situated and mediated. I.e., the development of human beings occurs 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*. This is a fundamental point, even a Marxian point. 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. It may have a shadow price, but that doesn't mean there's a market. Do you see what I mean? 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.

I can make this point in a small way and in a large way. This is point number one: human investments are socially situated, and so the analogy on which Professor Becker and his colleagues have built a great edifice, the analogy that would take the insights from the economics of investment and apply them to the development of human beings -- that operation is incomplete to the extent that it does not attend to the social structures and the institutions within which the human development takes place. 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., the 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 or not the mother comes from a family with resources, whether or not there's a husband present, whether she's 16 or 26 years old, whether or not there are good social services provided -- like professional nurses who visit the home early in the post-delivery period, 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 ***what we call "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 resources 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. (Again, it's important to me that I am understood, if not agreed with, here.) My argument to this point is that human capital theory is 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 one does not attend to the interaction between those social processes which ensure the reproduction of racial difference in the society, on the one hand, and those processes facilitating human development, on the other hand.

Let me give you an example by referring to a point that I made in an early paper that was published in Econometrica in 1981 (which had nothing to do with race; it dealt with class.) There I observed that the capital market for human investments is not perfect. Let my child be very talented. Suppose I've seen him at the keyboard and noticed that he could be a great pianist one day if only he had a teacher, but suppose 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.? We all know that such a contract won't be written. That contract is not enforceable. What happens? That talented kid never gets the lesson. OK? The capital market is incomplete. So, even if we were to accept the idea that physical and human investment are a perfect analogy, a firm might be able to gain access to borrowing against future profits while an individual might have a much harder time doing so, because it's hard to enforce the hypothetical contract *ex post*, when the individual, now a great pianist, decides she wants to become a housewife instead, or simply decides that she doesn't want to give-up her royalties. She's not a slave after all.

Now, that's 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 doesn’t practice -- because the others with whom the child interacts in the neighborhood, or the child’s social location more generally, disdain practice of the piano,

saying: "Oh, you're so bourgeois. You must think you're so much better than us. What are you doing playing the piano? Don't you know that 'our people' don't do that? You should be out here with us playing basketball, instead."

Now, you may think this is idle speculation on my part. But, much evidence supports the view that, in the US today, some non-trivial portion of the difference in the intellectual preparedness of youngsters across racial lines turns on the fact that racial minority (i.e., black) peer groups discourage youngsters from doing what is necessary to fully develop their intellectual talents -- seeing it as a betrayal of their 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 prevent a talented youngster with the resources at hand from taking the actions needed to develop that talent.

Given such a situation, what, I ask Professor Becker, do we say now? Do the kids in those dysfunctional peer groups simply have the wrong utility functions? Is that the end of our analysis? Again, I mean no ridicule here. I ask this with all due respect. What I'm saying is that Becker's theory is incomplete. ***It is not an adequate account to say that dysfunctional behavior in an oppressed group simply shows that "those people" have the wrong utility functions, when their utility functions have emerged from a set of social formations that have been historically generated by our own structures and activities***. But I don't want to ramble. I want to get my two points across about the incompleteness of human capital theory. And one of them is that investments take 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. OK. Rather, these are all complex, morally ambiguous and difficult-to-regulate social phenomena that embody and reflect what people take as the *meanings* which give significance to their lives.

So, I've always been dissatisfied with Becker's "Economics of Discrimination" when applied to the case of racial inequality in the US, because the actual significance of racial categories had no operational role in that theory. This struck me -- and continues to strike even me to this day -- as massively a-historical.

Now, as a theoretical exercise, of course, 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 Gary Becker does in that 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. We'd not have finished our work. 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. I could still turn on my television in 1969 and see the buffoonish images of grotesquely distorted features of some kind of silly black who's a symbol of idiocy that had been commonplace in the America of the 1890s,

1900, 1910, 1930s -- you could still see some of those images in the late 1960s. This was, after all, America, I thought. Race is certainly not just 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 has many negative connotations associated with it. It 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. These negative connotations have developed over years in US society, I thought, sitting in my library carrel reading "The Economics of Discrimination" in 1969. (Of course, there are positive connotations, too – associating “blackness” with “hip-ness,” finding “the black body” alluring, etc. But, these are minor counterpoints against the opposite, dominant theme of ‘otherness.’) How else, I thought, 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 those whom they took to be “better” well might not be so.

What I'm talking about here, in a word, is "racial stigma." Even in 1969 I had the vague sense that Becker's theory was incomplete, with this incompleteness becoming stark and graphic when one turns to the question of race. I thought this because I saw the context for human development and human investment as racially tinges and unequal, since structures of social connectedness were -- and still are – so racially disparate. But, I also thought this because I thought 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 is fundamental for me. Because without this insight one may do something that, though not illogical, is nevertheless wrong: 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 structure 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. 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're very low. Whereas an American-born woman of Asian ancestry under 35 years old in 1990, if she was married, had a probability .7 of being married to a

non-Asian white American. That was .7. A native-born black American under 35 years old who was married, a woman in 1990, had a .02 probability of being married to a white man. OK, now I cast no aspersions. It might be that the women are getting propositions from the men and are turning them down. I don't know. I don't have the data. But, I do know that in the equilibrium there's a different rate of cross-boundary mating between the two groups and I strongly suspect that this fact must has implications for human development, for resources available to children, for the generation and transmission of wealth. And it also has implications for the mating market amongst African Americans because we're a small minority of a population, we're fewer than one in eight Americans. 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. My point is a higher level observation. My point is that to observe in the equilibrium different rates of out of wedlock birth across black and white populations, and then to impute that to something about 'black culture' would be to fail to understand that the marriage market is situated in a larger context where a different rate of cross-boundary matings would substantially affect intra-boundary behavior. Right, so what one might take to be 'culture' just might turn out to be 'structure' after all. You see, 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 turns 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. The War on Drugs in the United States. The fact that the number of people locked up in prisons and jails in the US has gone from 500,000 in 1980 to 2 million by the year 2000. It has quadrupled in 20 years. I'm not making that up. I've got the numbers here. Blacks are one in eight, or so, Americans, but we are 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. I could continue to produce statistics for a long time about that. The war on drugs very clearly is a policy choice. It is an expression of public sentiment. Political campaigns are run on these issues – on the death penalty, on a law that's called "three strikes and you're out", which means if you commit three felony crimes you'll be locked up for the rest of your life, 25 years to life if you commit three crimes, (Actually, there are tens of thousands of people in California's prison system – in that one state, alone – tens of thousands incarcerated in the state of California, for life, under that law – to the extent that the state's fiscal integrity is to some degree compromised. (They now talk about rolling-back the severity of punishment because they've done a present value calculation about what it's going to cost to house and feed these people in perpetuity. After all you have to give them health care too!) That growth in imprisonment is partly due to the explicit policies of making our penalties more severe that have been connected up with this metaphorical idea about having a "war" on things. And so there's a war on drugs.

You do not have to be Pierre Bourdieu to see the drama that's being 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 largely a black 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 – engendering and drawing upon social meanings that are harmful to the developmental prospects of blacks.

But, that's all an aside. What I really want to say about the War on Drugs is this: everybody does drugs. The data on consumption, on drug consumption, the data on admissions to hospitals for emergencies from overdose consumption, the data on treatment facilities and who goes and seeks medical care for drug addiction at them, all reveal a kind of ecumenicism, all classes, all races, all regions are in the game. Illegal drugs are a $100 billion a year industry. The drug market is so hot in America that suppliers can buy airplanes, fill them with substances, land them, and walk away from the aircraft, because the profit that they're going to make on the transaction relative to the risk of trying to get the plane back up again doesn't make it worthwhile to take the plane with them. Now that's a massive consumer market that involves everybody. Everybody. Small wonder that a "black" commerce will disproportionately enlist into its employ those people who are at the margin of society, that's not a surprise.

(Or to give you an analogy to make the point, street prostitution is something that many women do, but they are responding to a demand for their services. Small wonder that the people who are standing on the corner selling their bodies are desperate persons, but to act as if they have infected us by their immorality with some social disease is a posture of pure hypocrisy: they're only there because men with automobiles and money come to avail themselves of their services. Street prostitution is not something that bad women have done to society. It's a social product, something that men and women are producing together. We're all in it.)

So, too, it is with drugs. So, too, with the violence that attends the traffic in drugs. Any economist will tell you that if I can't write enforceable contracts then we're 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 that fact is that institutional structure involving people of all races and classes, complex structures, together with a massive discretionary mobilization of punitive resources – have worked together to create this problem. 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.

(Forgive me, but I can't escape the lessons that I learned reading Das Kapital

thirty-five years ago. Because power in society is not only about force and control over material goods. It's also about ideas, about legitimating ideas which make the exercise of brute force, of "might", seem justified and "right." Race-subordination exists within a superstructure of symbolism that sits on top of the institutions. The fears, the suspicions, the prejudices, the symbols -- all right, the politician is tough on law and order and how does he demonstrate that, he executes a human being. That human being is more likely than not going to be a black person in the United States who's being executed. This is a country where black people actually used to be lynched in public rituals of terror -- within the last 100 years. Embodied racial traits come to have symbolic significance in a society. This is an important point. Failing to see it can lead us to attribute to qualities we take to be intrinsic to the persons as the reason for their backwardness, when in fact their backwardness and those qualities may be outcomes that we have collaborated in producing.

Now, ultimately, this point is also important for moral reasons. And, I want to conclude this lecture by asking, Who are WE in society?

The observation I'm making is that it is a very significant issue as to how a society answers the question, who are the WE. And you can bet it's a live question in the United States. 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. 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 those rooftops. That was US in the Superdome, perpetrating whatever. 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 observing that the human development process is socially contextualized, and that “race” plays an elemental part in all of this. (Those flooded wards, after all, were 100% black. This was not South Africa. It was not as if you had to show a passbook to get into or out of that neighborhood. People simply didn't want to live there. They’d shunned the “underclass.” They’d moved to some gated community – to someplace "decent" – and, in the process they took their children from the schools and their money from the tax rolls. They shunned them. And then, having shunned them, when those who had been cast aside fester in their marginal status, when social pathology shows itself, then people line-up outside of a gun store in Baton Rouge to arm their families, because THOSE PEOPLE are coming to our community, and commentators on conservative news radio tut-tut-tut about "who can blame them!" (You may not know this, but there were lines around the block outside of gun stores in Baton Rouge, Louisiana when it was announced that refugees from New Orleans would be coming to their community? You can, by the way, simply go to a store and buy a gun in the United States. It's your constitutional right, some say.) They were lined up outside of gun stores.

So, there's a moral point here. The moral point is subsumed in the question, "Who are WE." When, in the United States of America – where black people who are ten

generations natives of the soil can nevertheless be understood as an Other – something is desperately wrong, as a matter of morality.

So I want to conclude.

I guess I've basically accomplished what I hoped to accomplish here. Which was to make you aware of how the very influential theory of human capital with which I associate Professor Becker can I think be enriched and deepened by some elements of what we're going to call social capital here, and by which I mean taking seriously the social, socially situated character of human developmental investments. They're not market-mediated, at least not many of them. They're relationship-mediated. And meanings of race as they have evolved in American society have infected or influenced relationships to the detriment of the stigmatized group. And that's part of the story of inequality which has a moral implication – namely, that THEIR backwardness and their marginality is OUR problem, not just theirs, it's a reflection of US and how WE live together in the society, not simply of THEIR CULTURE and how THEY are.

I believe that the dichotomy between culture and structure is a false dichotomy -- culture ultimately is endogenous, and especially when we talk about cultural disparities within groups of people sitting cheek by jowl next to each other in an American city, when the dialect of English spoken. The people coming up out of the cellar of our society. Scrambling for their lives. And they spoke to the microphone. That's an English that is different from the English that you're used to hearing Americans speak. They're right there in the same city. You can throw a stone from where they live to where other people live. How can they be speaking different dialects of the same language? Only if their social networks are so segregated, I'm not a linguist, but you can see the point instantly.

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

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

suicide or a run of high school shooting sprees—by embracing, not demonizing, the perpetrators, who, often enough, are also among the victims.

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

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

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