Stratification Economics: Economics and Social Identity
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Stratification economics as a subfield of the wider discipline of economics crystallized in a keynote address given by one of the coauthors of this article before the Academy of Economics and Finance's Annual Meeting in Savannah, Georgia in 2005 subsequently published in the organization's periodical, the Journal of Economics and Finance (Darity 2005). Not long afterward, the second coauthor (Stewart 2008b) prepared an entry on the subfield for the most recent edition of the International Encyclopedia of the Social Sciences while extending the scope of the subfield in his own research contributions (e.g. Stewart 2008a, 2009). Then, in 2009, Gregory Price who had already prepared a major study on racial patterns in mortality from Hurricane Katrina from the perspective of stratification economics (Price 2009) submitted a formal request to Steven Husted who chairs the Journal of Economic Literature's (JEL) committee on economics subfield classifications to provide a category code for stratification economics. The committee responded diplomatically, albeit without the full degree of enthusiasm those of us laboring in the stratification economics vintages had hoped. The committee informed us that they would expand the final JEL category, Z13, to include not only "Economic Sociology, Economic Anthropology" but also " Social and Economic Stratification". Furthermore, the category would be cross listed with D31, "Personal Income, Wealth and Their Distributions", and the committee indicated that as publications expanded in this area the prospect lies open for the establishment of a separate category for stratification economics. We anticipate that published work in this subfield will grow -- in fact, it already is growing -- because stratification economics provides a vital and intellectually rich approach to improving our understanding of intergroup disparity.

The specific focus of stratification economics is on group based inequality or inequalities between ethnic and racial groups. Ethnic or racial disparities long have been treated as relatively peripheral  objects of study in economics, largely relegated to the domain of the labor economists despite the fact that at least one of the major types of group based inequalities, wealth, bears a weak relationship to employment and earnings outcomes. Even existing indicators of national well-being, ranging from narrow measures like per capita income to more comprehensive measures like the Human Development Index -- while sometimes modified to address gender inequality -- do not incorporate intergroup disparity as a dimension of social welfare. Stratification economics, in contrast points directly at intergroup inequality without limiting the analysis of sources of such inequalities to the labor market.

Stratification economics integrates sociology and economics. It takes the emphasis on processes of group  and identity formation from sociology, inclusive of both self and social classification. It takes the emphasis on self-interested behavior and substantive rationality from economics. Thus, stratification economics conceives of a world where there is continuous interplay, often competitive and sometimes collaborative, between groups animated by the collective self-interest of their respective members. Indeed, stratification economics takes as its frame central messages drawn from Blumer's side of the classic Allport-Blumer debate over the causes of prejudice from the 1950s.

In 1954 Gordon Allport published The Nature of Prejudice, a study that treated the existence of stereotypical beliefs primarily as a consequence of misinformation. The persistence of such beliefs was attributed to the imperviousness of some individuals to contrary evidence, either due to cognitive dissonance of personality defects or both. Indeed, Allport characterized persons most susceptible to maintaining a prejudiced outlook as those with traits closely related to the "authoritarian personality" type being popularized in the field of social psychology at the time. Insofar as different individuals would have different degrees of susceptibility to stereotypical beliefs, for Allport prejudice became a matter resembling a personal neurosis requiring therapy. De facto, Allport did recommend a form of therapy -- group therapy -- as a means of reducing prejudice via his embrace of the value of structured interaction between dominant and subordinate group members under the aegis of his now famous "contact hypothesis." Prejudice as a personal problem closely resembles the reductionism to the individual evident in Gary Becker's (1957) construction of the "taste for discrimination" approach to prejudice.

Indirectly challenging Allport, Herbert Blumer (1958) argued instead that the foundation of prejudice inheres not in individual feelings and attitudes but finds its anchor in relative group status. For Blumer, stereotypical beliefs are an manifestation of the effects of the establishment and maintenance of relative group position in a hierarchical context. H.D. Forbes (1997) has proposed that the Blumer approach can take two forms: social identity theory which centers intergroup rivalry on social status and realistic conflict theory which centers intergroup rivalry on material goods. In our estimation, these two forms are not mutually exclusive. Rivalry over social status can involve competition over control over tangible resources while rivalry over material goods intrinsically involves a comparative dimension, often encompassing invidious comparisons. Blumer's (1958) discussion of "proprietary claims" associated with the privileged position of the dominant group encompasses both status and material benefits: property inclusive of land and territory, preferred occupations and professions, control over particular industrial sectors or types of business enterprises, governmental and legal positions of authority and influence, select membership in certain clubs and organizations that possess "social prestige" and the "symbols and accoutrements" associated with those memberships, and even "areas of intimacy and privacy." Prejudice becomes fully activated when members of the dominant group come to believe that the members of the subaltern group desire their privileges and are mobilizing or mobilized to threaten their proprietary claims; prejudice actually functions as a social weapon to support the dominant group's preservation of it's superior position. Darity, Mason, and Stewart (2006) and Darity (2005) provide a theoretical framework for the analysis of group membership, identification and growth compatible with this approach, and Constant, Gataullina, and Zimmerman (2009) provide empirical depth to the framework by examining patterns of ethnic identification among immigrant and non-immigrant communities in  Germany.

Relative group position as the basis for prejudice directs attention to intergroup dynamics and differentials in power and resources between racial/ethnic groups. The extent to which they can perpetuate advantage for their own and disadvantage for the other is a key factor dictating how the rivalrous dance ultimately will play out and who will outrank who along the social ladder.

Correspondingly, in exploring the very difficult and unresolved quesiton of why, in some cases, ethnic conflict devolves into the extreme instance of genocidal violence, stratification economics directs the researcher to examine the proprietary claims held by the in-group, the proprietary claims desired by the out-group, and how many and how much of them are at stake. What are the thresholds that lead significant elements of either group decide that no accomodation is desirable? What are the conditions when the group that is now bent on extermination of the other gains access to the military or armament advantage that enables them to conduct an externination?

When examining the basic question of why intergroup disparities exist, the stratification economist will look to structural-cum-contextual factors that constrain the quality of outcomes for the subaltern group. They will not seek to explain the gaps on the basis of collective dysfunction on the part of the group burdened by comparatively negative outcomes. Thus, the stratification economist eschews explanations for group-linked variations in life outcomes that champion genetic or cultural-behavioral differences across groups. For good reason there is minimal scope for understanding racial or ethnic gaps in wealth, health, educational attainment, family structure, or neighborhood quality on the basis of internal deficiencies on the part of the subordinate community. The good reason is the rich body of careful empirical research that consistently undermines both genetic and cultural-behavioral theories of racial/ethnic inequality (e.g. Goldsmith et al. 2006, Mason 2007, Senik and Verdier 2010).

Underrepresentation of a subaltern group in high status occupations and professions frequently is characterized by economists as primarily a "pipeline" problem, an inadequate supply of individuals from the relevant group with the appropriate credentials. But the persistent relevance of discrimination is evidenced by the fact that, even after taking into account the distribution of educational credentials pertinent to particular job categories, 90 percent of jobs remain segregated in the United States with blacks grossly underrepresented in the best paid occupations (Hamilton et al. forthcoming). Moreover, the potential endogeneity of the selection criteria for eligibility for particular jobs -- conditions of merit can be constructed to include members of the dominant group and exclude members of the subordinate group (Uhlmann and Cohen 2005) -- suggest that even the pipeline side of underrepresentation can be a consequence of systematic design.

Economists typically are inclined to view underrepresentation as largely a pipeline problem because they are brought up to believe that discrimination cannot persist in the face of market competition. Stratification economics proceeds on the assumption that discrimination matters and can endure because there is negligible empirical evidence that discrimination invariably falls under the pressure of market forces. A review of the available time series evidence across the handful of market-based economies where estimates are available (Darity 2001) did not identify a pattern of declining discrimination. A cross section interindustry study conducted by Agesa and Hamilton ( 2004) using US data found  that neither domestic nor foreign competition is associated with lower discrimination at the sectoral level. Discrimination functions as a turf maintenance instrument for the dominant or in-group. Therefore, a major task of stratification economics is to identify and understand all of those instruments, establish their full effects in creating and sustaining intergroup inequality, and craft innovative routes to move society in a direction that will reverse and close the gaps.

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