

Position and Possessions: Stratification Economics and Intergroup Inequality[†]

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This article provides an overview of the origins and development of stratification economics as a subfield that centers the importance of identity, social ranking, and relative group position. Stratification economics developed in response to explanations for interracial/ethnic/gender inequality that invoked group-based dysfunction on the part of the subordinate community. Influences, detailed here, include the works of W. E. B. DuBois, Thorstein Veblen, Karl Marx, Eric Williams, Herbert Blumer, Claude Steele, Cecilia Ridgeway, Thomas Pettigrew, and Linda Tropp. The article concludes with an exploration of unique insights and extensions stratification economics affords a variety of themes: the impact of multiple identities, the determinants of individual productivity, variation in intensity of group identification, “passing,” sources of intergroup differences in wealth, and social mobility and immigration. (JEL D31, D63, I31, J15, J16, Z13)

We encourage all economists to seek out existing scholarship on race, stratification economics, and related topics.

American Economic Association Executive Committee (2020)

A formidable alternative [approach to conventional economic analyses of group-based inequality], stratification economics [has been] pioneered by black economists and other economists of colour (Darity et al. 2015). This field is characterized by at least three features. First, the acknowledgement of the existence—indeed persistence—of income, but especially wealth, inequalities between and within groups whether subnationally, nationally, or across the world system as the central problem. Second, the rejection of cultural and scarcity-of-capital (physical and human) explanations of stratification or structural inequalities. Third, investigating alternative explanations that take seriously the structural and institutional relationships between the privileged and the underprivileged, and probing the dialectical relationship between the

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conditions of the affluent and the afflicted....stratification economics is a distinct field in itself. So, neither development nor underdevelopment is taken as given. So-called habits of cultures of poverty, often seen as embedded within complex and dynamic social structures (Wilson 1987), must also be related to wider global processes. Clearly, in stratification economics, so-called "culture" is irrelevant as explanation (Haila 2016). Not only is the emphasis on culture inadequate, it also deflects attention from social realities that are unpalatable for privileged groups.

Franklin Obeng-Odoom (2020b, p. 40)

Stratification economics investigates the processes that determine which group an individual sees as her own and which group (or groups) she sees as her rival.

Significantly, it has evolved to provide a frame for understanding intergroup inequality without resort to explanations that invoke cultural differences. Instead, it emphasizes the struggle over relative position and control over real resources as the cornerstone of group formation, development, and continuity....

William A. Darity Jr. et al. (2017, p. 38)

1. Introduction

On February 11, 2005, my presentation, in Charleston, South Carolina, of the Academy of Economics and Finance's J. Anderson Davis lecture launched the subfield of stratification economics (Darity 2005). The objective was to perform bypass surgery on the argument that groups in a subordinate position are so ranked because of their own deficiencies or self-defeating behaviors. The idea that group-based inequalities are due to defective cultural habits and practices on the part of the subaltern (or subordinated) community poses a conceptual occlusion that requires circumvention.¹ Stratification economics proposes to avoid the obstacle

¹It has been difficult to gain formal professional recognition of stratification economics as a subfield. When Gregory Price and I sought an American Economic Association JEL code for the subfield, we were not rebuffed completely. However, stratification economics was relegated to the final catchall area of the JEL classification scheme, "Z. Other Special Topics." Next, it was buried under "Z1. Cultural Economics, Economic Sociology, and Economic Anthropology," despite the fact that stratification economics rejects cultural determinism and despite the fact that stratification economics is not a subdivision of either sociology or anthropology, although influenced by both. Further, under Z1, it was assigned the following specific category: "Z13. Economic Sociology,

by explaining intergroup disparity as driven by uneven intergenerational transmission of resources and advantage across social groups.²

The starting point for analysis in stratification economics is disparity and inequity. While an emphasis on internal dysfunction as the basis for intergroup inequality

Economic Anthropology, Language, Social and Economic Stratification."

The use of the terminology "economic stratification," rather than stratification economics, signals the subfield belongs properly to disciplines outside of economics. In short, the JEL classification system treats stratification economics as an appendage spilling over from other disciplines, especially sociology and anthropology. This contrasts sharply with the classification of other subfields like behavioral economics, industrial organization, history of economic thought, economic history, law and economics, and international economics under the JEL coding system.

A positive response did come from the editorial team at the *Journal of Economic Perspectives* (JEP) who, circa 2012, accepted a proposal for a paper on stratification economics. Unfortunately, it took the team preparing the paper upwards of four years to complete the article, at which point, the editors at JEP had changed to a group that did not want to publish it. Fortunately, the article found a happy home in the Roosevelt Institute's volume, *The Hidden Rules of Race* (Darity et al. 2017), but without the same visibility among economists as a paper in the JEP would have.

²Gregory Price (2018) argues, implicitly, stratification economics embraces the "human homogeneity postulate" in its rejection of *essentialization* of social groups.

suggests that inequality will decline, markedly, if subaltern group members simply “do the right thing.” stratification economics propels the study of intergroup inequality onto the path of understanding the intimate correspondence between bigotry and power. Members of a subordinate group can do all “the right things”—attain higher education and be highly motivated, hardworking, and frugal—and still not receive the level of rewards received by similarly accomplished members of a dominant group.

In the second section of this article, I discuss the theoretical framework that is the foundation for the subfield. While my 2005 lecture gave the subfield its name, earlier contributions, from various disciplines, have been consistent with and influential in the development of stratification economics. In addition, the subfield itself has grown into an unabashedly interdisciplinary body of scholarship. In the third section, I examine antecedent studies relevant to the emergence of stratification economics. Section four provides a critical analysis of research implications and extensions we can elicit from stratification economics. Concluding remarks are in the fifth and final section of the article.

2. *The Theoretical Framework of Stratification Economics*

Stratification economics conceives of a world where there is a continuous interplay, often competitive, sometimes collaborative or cooperative, between social groups animated by the collective self-interest of their respective members. Collective self-interest centers on advancing or maintaining the status of one’s social group in comparison with another or others that are situationally relevant.

The frame of stratification economics provides a general theory of intergroup inequality. In principle, it is applicable to all societies and at multiple levels of inequality,

potentially spanning differences between ethnic or racial groups, differences between social classes, and differences between regions and nations. Its fundamental premise is that individuals are concerned not only with their absolute position, but with their relative position, in two ways. They gain greater satisfaction the higher the status of the social group with whom they identify, and they gain greater satisfaction the higher their personal status within the social group with whom they identify.

Research on happiness has established, in general, that human satisfaction actually is more strongly associated with one’s relative social rank than with one’s absolute standing. (Easterlin 1973, Easterlin 1995, Clark and Oswald 1996, Solnick and Hemenway 1998). Due to the weight of this research, Clark, Frijters, and Shields (2008) have proposed reconfiguring the standard individual utility function to include an argument for relative income, wages, or wealth.

Coupled with last-place aversion (Kuziemko et al. 2014)—the strong preference to avoid being at the bottom rung of a social ladder—desire intensifies to at least maintain and, if possible, improve one’s ranking. There is a potential related asymmetry. One study conducted with data for the state of California suggests people tend to feel worse more intensely when they see themselves as below their peers in rewards than they feel better when they see themselves above their peers in rewards (Kolbert 2018). A never-ending appetite for acquisition cements, as long as an individual believes someone salient is ahead.

The key pivot stratification economics makes from happiness studies is with respect to identification of the relevant comparison group. People, in the world depicted in stratification economics, have group-based identities and allegiances to those groups, whether explicit or implicit. The affinity groups can take the form of family, tribe or

clan. The nature of allegiance takes the form of a combination of what anthropologists call “fictive kinship” (Freed 1963) and what political scientists label a sense of “shared” or “linked fate” (Dawson 1995). This is a condition where persons assign kin status to nonrelatives genealogically with whom they bond in communal destiny.

An individual makes two types of comparisons contingent upon their self-identified affinity group. The first assessment is the status of their own group vis-à-vis “the other.” The second assessment is their personal status vis-à-vis other members of their own group. The former is a between-group comparison; the latter is a within-group comparison. To illustrate, under the frame of stratification economics, in the context of the Black–White dichotomy, each Black American will be concerned simultaneously with how Blacks as a collective are doing relative to Whites and how they, personally, are doing relative to other Black Americans. Whites will have a parallel set of concerns.

The most general version of an individual utility function, motivated by stratification economics, will include variables representing the position of the individual’s own social group relative to the out-group, their personal position relative to members of their own (or in-) group, their personal position relative to members of the out-group, and their absolute position with respect to relevant “goods.” However, stratification economics goes well beyond a mere reformulation of the standard utility function. It interrogates the processes that determine which group an individual sees as their own and which group is seen as “the other.”

What is critical in motivating human behavior is the *perception* of how their group is doing and how they, individually, are doing, comparatively. Perception may be inconsistent with the facts of the situation, but it is

perception that rules the day in shaping individual behavior and group action.³

It is important to note that all identities do not have the same degree of salience in all times and places. Objectively, I might belong to the group of persons with brown eyes, but unless eye color is a distinction with material consequences, it is unimportant.⁴ In contrast, whether I am Protestant or Catholic in Ireland, whether I am *burakumin* or non-*burakumin* in Japan, has great importance.⁵

Of course, the typical person necessarily holds multiple identities. Among that array of identities, some will matter more than others in determining their relative social ranking and condition. Some individuals will possess a set of celebrated identities propelling them to the top. Others may possess a set of denigrated identities pushing them to the bottom. Still others may possess a mix of identities, some of which are celebrated and others denigrated. The full effect of the identity *potpourri* is an empirical question that should be resolved on a case-by-case (society-by-society) basis, best determined by a *quantitative*, social, intersectional

³False perceptions can be just as potent in their effects as valid perceptions. For example, the inaccurate belief that they are victims of greater degrees of discrimination than Blacks has had a negative effect on White attitudes toward affirmative action (Coleman, Darity, and Sharpe 2008). Furthermore, the extent to which Americans, both Black and White, overestimate the economic position of Black Americans, especially with respect to wealth is virtually unfathomable (Kraus et al. 2019). After all, the truth is out there. In parallel, Americans, both Black and White, grossly overestimate the general degree of economic mobility in the United States and grossly underestimate the how much lower the specific degree of economic mobility is for Blacks (Davidai and Walker 2021).

⁴Assigned social favor might go to phenotypically White persons with blue eyes or with natural blonde hair. In this case, tinted contact lenses or a bottle of hair dye can give an “outsider” inexpensive access to the advantage associated with those traits.

⁵The *burakumin* are Japan’s traditional untouchable community. Despite official abolition of the caste system in Japan, they continue to encounter marginalization and discrimination (Sunda 2015).

analysis. As such, stratification economics considers the context in a way that traditional neoclassical utility does not.

Individuals, themselves, can dictate which identity or identities are more important to them. This may be situational, leading the most salient identity to change depending upon the circumstances. White women who voted in the 2016 US Presidential election apparently gave their racial identity pride of place over their gender identity:

There was perhaps no clearer measure of white solidarity than the actions of white women in 2016. The majority of them—53 percent—disregarded the common needs of women and went against a fellow white woman to vote with their power trait, rather than help an experienced woman, and themselves, make history. (Wilkerson 2020, p. 328)⁶

In this instance, White tribalism prevailed over gender unity.⁷

Extension of the current phase of the American White nationalist movement to the January 6, 2021, coup attempt, replete with Confederate battle regalia, at the US Capitol

⁶Political scientist Ashley Jardina (2019, p. 272) has written, “Trump was ushered into office by whites concerned about their status...” This was true for both White women and men. Although Trump did not prevail, his share of the ballots cast by White women voters was higher in 2020 than in 2016, and while his support among White men without a postsecondary education declined, it was steady among White women in the same educational class (Essence 2020).

⁷Intersectional analysis is fraught with the need to be accurate in recognizing an individual’s most relevant group identities. In an interview where he analyzed the fact that 63 percent of White women in Alabama voted for Roy Moore, despite evidence that he had engaged in ephophobia, University of Southern California neuroscientist Jonas Kaplan said “what you’re seeing is some kind of expression of...group interest, [a] tribal mind asserting itself.” Kaplan ascribed the White women’s tribal mind set to their identification with the Republican Party, rather than their rise to the defense of Whiteness (Dahl 2017). In today’s United States, the Republican Party is the most significant vehicle for the promotion of White nationalism.

also involved high levels of participation by White women (Rubin and Steakin 2021).⁸

Globally, recent years have witnessed a surge in authoritarian leadership—Donald Trump in the United States, Narendra Modi in India, Jair Bolsonaro in Brazil, Boris Johnson in the United Kingdom, Viktor Orbán in Hungary. These regimes have moved aggressively to maintain conditions of rigid patriarchy and/or to reverse rights achieved under the pressure generated by each nation’s respective women’s movements (Beinart 2019). The best explanation for their significant support from female citizens is that the authoritarians’ women supporters have a stronger attachment to their racial/ethnic identity than their gender identity in political contexts.

In each of these cases, authoritarian movements designated a racial/ethnic “other” as the threat to a perceived ideal order of things. In the United States the targeted “others” have been Black Americans, Latinx Americans, immigrants, and increasingly during the pandemic, Asian Americans (Evans 2020). In India, the Hindu nationalist regime’s targeted “other” has been Muslims (Ashraf 2018). In Brazil, the targeted “other” has been Afro-Brazilians, where extrajudicial police killings of Afro-Brazilians are commonplace and a reversal of affirmative action policies is underway (Weisbrot 2017, Watson 2020). In the United Kingdom prior to “Brexit,” the targeted “other” was immigrants from other countries comprising the European Union (Legrain 2020). The targeted “other” in Hungary has been Serbian migrants and refugees (Verseck 2019).⁹

⁸One of the insurrectionists, Dawn Bancroft, said the following. “We broke into the Capitol...we got inside, we did our part...We were looking for Nancy [House Speaker Pelosi] to shoot her in the friggin’ brain, but we didn’t find her.” (Rubin and Steakin 2021).

⁹The presumably nonauthoritarian Ang Sung Su Chi, prior to her removal by the military, was the head of the

The significance of a social group and the degree of attachment held by its members arises from differences in power and the capacity to enforce boundaries by the use of violence. Indeed, the formational act of group differentiation, when groups matter, is violence, not primordial cultural distinctions. Furthermore, whatever cultural differences exist will be emphasized and accentuated to justify the dominant position of the conquering group, but cultural differences are not the fundamental cause of the separation. Exploitation is the fundamental cause.

Thus, stratification economics departs from the Akerlof and Kranton (2000) emphasis on the intrinsic nature of cultural variation as the genesis of groups and group identification. It also departs from the Fang and Loury (2005) inclination to argue that the attractiveness of the “style” of a particular group may lead some to adopt certain behaviors associated with the group that might undermine their capacity to be successful in domains conducive to achievement in education, employment, and occupational status (“rational dysfunction”). From this perspective, the group beneath has chosen its own poison and deserves its fate.¹⁰

Instead, stratification economics attributes the subaltern community’s condition to constricted access to resources and opportunities, engineered by the dominant group. The dominant group seeks to render the subordinate group non-rivalrous, in the sense in which Lewis (1985) explored racial discrimination through the lens of “noncompeting groups.”

It is critical to add here that group-based hierarchies are not necessarily a barrier to economic growth. Intergroup inequality even of the most severe form can be conducive to

economic growth. The causal nexus between slavery and American economic development, confirmed in work in economic history (e.g., Fogel and Engerman 1974; Stelzner and Beckert 2021; Darity and Mullen 2020, pp. 51–68; Beckert 2015), is representative. Fogel and Engerman (1974), in particular, provided evidence that, however immoral, the system of slavery was economically efficient and supported a relatively high rate of growth in the southern United States.

The Industrial Revolution in Britain and France was born on the shoulders of slave plantation systems in the Caribbean (Williams 2021). The late nineteenth century completion of the American Industrial Revolution coincided with codified legal segregation in the United States. Apartheid in South Africa went hand in hand with a high performing, aggregate economy. Severe caste inequality persists in an era of globalization, liberalization, and rapidly increasing *per capita* incomes in India (Deshpande 2011).

There is no general inconsistency between the oppression and marginalization of one group by another and a nation’s overall macroeconomic performance. Some argue that under an alternative regime, with greater intergroup egalitarianism and a wider band of opportunity for the subordinate community, that economic growth might have been even higher; this is the position taken by those who contend that racism creates a deadweight loss for the American economy (Akala 2020, Brimmer 1993, Hsieh et al. 2019).

The tenacious staying power of race prejudice becomes a puzzle if racism, generally, is a deadweight loss to a society where it is practiced. The puzzle can be resolved by recognizing the deadweight loss analysis misses the central point of racism. The goal of racism is to achieve a redistribution of resources from the subaltern group to the dominant group, while preserving and extending the latter’s relative advantage. If

regime that slaughtered and expelled Rohingya Muslims. Myanmar is a predominantly Buddhist country.

¹⁰As Kirsten Mullen puts it, this argument has it that “They could do better, but they won’t.”

a greater degree of intergroup equality is essential for achieving a higher average level of national income, but that greater degree of intergroup equality is expected to reduce the dominant group's share in national income, stratification economics predicts they will prefer to maintain the lower, albeit positive, growth rate status quo. Ultimately, the economic loss is borne predominantly by the subjugated community, not the society as a whole.¹¹

Of course, if the dominant group members expect to have to accept an *absolute* reduction in their incomes to create an environment where the overall income level is higher, their defense of the status quo will escalate. A larger overall pie will not necessarily offset a decline in absolute position for members of the group with superior standing, and, definitively, it need not offset a decline in their relative position.

The key point is that group-based systems of hierarchy, accompanied by bias against and denigration of subaltern groups, are effectual. Their design fulfills a redistributive objective on behalf of the group on top. Race (or ethnic or religious or class) prejudice is not an arbitrary taste, nor a matter of whim or ignorance, nor an atavistic throwback to a more primitive or backward stage of human civilization. Race prejudice is instrumental for the promotion and perpetuation of dominance of one group over another; it is purposive and functional. There is a collective rationality to race prejudice, given a dominant social group's desire to maintain and harden their position of dominance.¹²

¹¹ DiTomaso (2013) argues perceived benefits from in-group preference alone are sufficient for an apparatus of intergroup inequality to emerge. All members of the in-group do not necessarily hold a spirit of animus toward members of an out-group.

¹² Stratification economics rejects the notion of "false consciousness." While people can be misinformed and hold beliefs that are inaccurate, given what they believe to be true, they do not generally act against their self-interest.

Consider further, two groups in the abstract. Group A is the group with the upper hand, and group B has the marginalized or subaltern position. Stratification economics proposes, typically, there is some substantive relative advantage *all* members of group A possess over members of group B. In both the United States of America and Brazil, all persons who are phenotypically White, regardless of their within-group rank on the Whites-only ladder of hierarchy, will have greater odds of safety in encounters with police than all Blacks in encounters with the police (Khazan 2018; Edwards, Esposito, and Lee 2018). Precisely, this type of advantage, shared universally among all members of group A, undercuts the frequently made claim that those at the bottom of group A are "voting against their own self-interest."

Additional examples of advantages possessed by all Whites in the United States include, "the median net worth of whites in the bottom 20 percent of the nation's income distribution is higher than the median net worth of *all* black Americans...[and] at every level of education black women's infant mortality rate exceeds that of white women, and black women with advanced degrees have higher infant mortality rates than white women who never finished high school" (Darity and Mullen 2020, p. 254).

In general, a lower-ladder phenomenon for group B operates, where those on the top rungs of A's ladder are above B's top rungs (Darity, Addo, and Smith 2021, pp. 3–4). Those persons on the bottom of A's ladder also are located above B's bottom rungs. All members of group A may not recognize the relative position of the two social ladders and may believe that group B's ladder is rapidly reaching equivalence with theirs or even is higher than theirs!

Indeed, if the belief becomes widespread that B is outstripping them—and, especially if they are seen as doing so "unfairly" by state-sanctioned group specific advantages

(like affirmative action)—then group A nationalist sentiment will be activated widely. It is critical in this context, that members of group A are either unaware or dismissive of state-sanctioned group-specific advantages that have given them the higher ladder, customarily asserting that they deserve the higher position on grounds of merit.

Here is the rub: Even if A is, in fact, ahead of B, to the extent that members of A believe otherwise, they will promote social policies that widen the gap, further depressing the relative status of members of group B. In such a setting, it becomes impossible for A's and B's boats to rise simultaneously. This was the climate in 2016 in the United States that led to the election of Trump as president (Smith and King 2020, also see Norton and Sommers 2011).

Stratification economics erases the false dichotomy posed over whether the outcome of the 2016 US presidential election was primarily the consequence of White racism or White economic anxiety. Once the attachment to group relative position becomes axiomatic for understanding individual behavior, racist attitudes and concerns over economic conditions can join in fusion. Whites, who believed that the Barack Obama presidency signaled “Black supremacy,” moved politically to restore what they regarded as their lost but fully deserved position of dominance.¹³

¹³Stratification economics also undercuts the charge White workers who support the Republican Party in the United States are voting against their self-interests. It is simply a matter of them prioritizing maintenance of racial advantage over other considerations. In her analysis of American racial hierarchy, or structural racism, as a caste system, Wilkerson (2020, p. 327) writes the following:

Caste gives insights...into the Democrats' wistful yearning for white working-class voters that they believe should respond in higher numbers to their kitchen table appeals. Why, some people on the left kept asking, why, oh why, were these people voting against their own interests? The questioners on the left were unseeing and yet so certain. What they had not considered was that the people voting this

3. *Antecedents of Stratification Economics*

Stratification economics advances a structural explanation for intergroup inequality, rather than an explanation moored on dysfunctional individual behavior on the part of the members of the subaltern community. The unique way in which the exploration of structural inequality between groups proceeds under stratification economics is by raising to the fore the importance of both perceived relative group position and perceived relative individual position in our social world.

This accords with the analysis crafted by the iconoclastic, idiosyncratic economist Thorstein Veblen (1899) of human desire and aspiration in his *Theory of the Leisure Class*. For Veblen, the drive to “emulate” others who rank higher on the social ladder, in the acquisition of items of status, becomes a routine social practice after a regime of private property becomes a norm:

It is of course not to be overlooked that in a community where nearly all goods are private property the necessity of earning a livelihood is a powerful and ever present incentive for the poorer members of the community. The need of subsistence and of an increase of physical comfort may for a time be the dominant motive of acquisition for those classes who are habitually employed at manual labour, whose subsistence is on a precarious footing, who possess little and ordinarily accumulate little; but it will appear in the course of the discussion that

way were, in fact, voting their interests. Maintaining the caste system as it had always been was in their interest. And some were willing to accept short-term discomfort, forgo health insurance, risk contamination of the water and air, and even die to protect their long-term interest in the hierarchy as they had known it.

Death is a real possibility as a price for perpetuating America's racial system. A county by county study of the location of so-called “deaths of despair”—elevated White mortality (Case and Deaton 2020)—found a strong positive association with the share of the White vote for Trump in 2016 (Siddiqi et al. 2019).

even in the case of these impecunious classes the predominance of the motive of physical want is not so decided as has sometimes been assumed. On the other hand, so far as regards those members and classes of the community who are chiefly concerned in the accumulation of wealth, the incentive of subsistence or of physical comfort never plays a considerable part. Ownership began and grew into a human institution on grounds unrelated to the subsistence minimum. The dominant incentive was from the outset the *invidious distinction* attaching to wealth, and, save temporarily and by exception, no other motive has usurped the primacy at any later stage of the development. (Veblen 1899, chapter 2, emphasis added)

Further, Veblen contends conquerors of other communities, communities from which they captured women as prizes and enslaved the men not killed to labor under their heels, establish the terms of social comparison. Veblen even speculates that these early acts of conquest, accompanied by the seizure of women as booty, were the source of patriarchy and the origin of the male-headed household. Veblen goes on to comment:

In nearly all of these tribes, the women are, by prescriptive custom, held to those employments out of which the industrial occupations proper develop. The men are exempt from these vulgar employments and are reserved for war, hunting, sports, and devout observances. A very nice discrimination is ordinarily shown in this manner (Veblen 1899, p. 4).

The women are confined, exclusively, to “drudgery.” (Veblen 1899, p. 5)¹⁴

¹⁴Blumberg’s (1984) theoretical model of economic disparity by gender does not interrogate Veblen’s speculation, but it is strongly suggestive of the direction that stratification economics can take in analyzing inequality between men and women. To be sure, Seguino (2013) has moved stratification economics and gender inequality precisely in that direction. On the other hand, Waddoups and Tilman (1992) and Miller (1972) draw an explicit connection between Veblen’s trenchant ruminations on the gender division of labor in hierarchical societies as an important

The significance of the capture of women goes beyond their symbolic importance as prizes of conquest for male warriors. Because of their primary role in nurturing and socialization of children, they are the central carriers of group identity.¹⁵ They are the fundamental “nation builders.” Therefore, their absorption into the conqueror’s world serves two purposes. First, it removes them from their position as agents of identity formation in the rival community. Second, if their loyalty can be transferred, either by force or persuasion, they can become new agents of identity formation in the conquering community.¹⁶

In Veblen’s analysis, the between-group comparison antedates the within-group comparison. The first critical comparison is between the conquerors and the conquered. Only subsequent to the act of conquest, with creation of a subordinate population rendered racially/ethnically distinct, does the comparison with the ranking of one’s own group members become a major human activity. The showy display of one’s prized possessions, what Veblen termed “conspicuous consumption,” is a means of marking one’s superiority over co-ethnics. Thus, hierarchy operates at two levels: the conquerors over the conquered, and the “richer” over the “poorer” among the conquerors themselves.

Veblen’s *Theory of the Leisure Class*, now more than 120 years beyond its first printing, gives us the central account of the social significance of relative position. It is a pillar of stratification economics.

A second pillar surfaces in social psychologist Herbert Blumer’s (1958) thinly veiled

precursor of the themes that animate contemporary feminist economics.

¹⁵This is the premise that informs American White nationalists’ “baby challenge,” intended to insure that the “darker races” do not outnumber the nation’s White population (Stern 2019).

¹⁶I am grateful to one of the referees on this paper for suggesting this insight.

assault on Allport's (1954) classic study, *The Nature of Prejudice*. Allport (1954) theorized prejudice as a set of irrationally held stereotypical beliefs about "the other." The stereotype either was an antiquated survival from an earlier, less enlightened historical moment or the consequence of ignorance about the comparison group, or both. This dominant view of prejudice among social psychologists was specifically rejected by neoclassical economist, Gary Becker (1957), in his seminal work on the economics of discrimination. The Allport view holds that the source of prejudice lies in beliefs that are holdovers from more antiquarian times or beliefs that are a consequence of sheer ignorance. Blumer, in contrast, transfers the origins of prejudice from the territory of individual psychology to the territory of social psychology of shared interests in relative group position.¹⁷

The cure would be intergroup contact under structured conditions that Allport identified as optimal: equal status, shared goals, common mission, and the support of authority figures. Later, Cook (1978) added more conditions, arguing that greater physical proximity between the groups, the extent to which the groups generally were engaged in competition or cooperation, and the strength of within-group sanctions over interaction with "the other" enhance prospects for contact lowering the temperature on bias. Both Allport and Cook anticipated that learning more about "the other," in a more egalitarian setting, would be the best means for combating prejudicial attitudes.

¹⁷The Blumer turn on the origins of prejudice led, in turn, to the construction of *real conflict theory* (Tajfel and Turner 1979), an approach to intergroup relations that characterizes groups as struggling over control over real resources. This approach has informed the development of stratification economics. I am grateful to my long-time collaborator Arthur Goldsmith for introducing me to Blumer's work on prejudice.

However, Ridgeway and Smith-Lovin (1999) found that inter-gender contact under a variety of conditions does not erode stereotypes about inter-gender differences. They even discovered that there are numerous instances where greater contact strengthens falsely held beliefs, attributing this to difficulty in meeting the equal status condition, even in settings where the interaction is planned carefully.

Tropp and Pettigrew (2005) demonstrate that interracial contact, even under Allport's optimal conditions, at best, improve the *affective* but not the *cognitive* dimensions of bias. Individuals from each group can more comfortably develop friendships with members of "the other"—and think quite highly of their out-group friend—while still viewing the out-group as a whole as being culturally inferior, or even genetically inferior. Blumer would have anticipated the conclusions reached by Ridgeway and Smith-Lovin and by Tropp and Pettigrew because he rejected Allport's perspective from the outset.

Without mentioning Allport by name and without ever referencing *The Nature of Prejudice*, Blumer (1958, p. 3) draws a fierce, oppositional line in the sand in the opening passage of his article:

In this paper, I am proposing an approach to the study of race prejudice different from that which dominates contemporary scholarly thought on this topic. My thesis is that race prejudice exists in a sense of group position rather than in a set of feelings which members of one racial group have toward the members of another racial group. This different way of viewing race prejudice shifts study and analysis from a preoccupation with feelings as lodged in individuals to a concern with the relationship of racial groups. It also shifts scholarly treatment away from individual lines of experience and focuses on interest in the collective process by which a racial group comes to define and redefine another racial group.

The motivation for crafting negative images of "the other" on the part of the dominant

group is the rationalization of the material advantages they gain from their commanding status. Blumer (1958, p. 4) identified the topmost group's "proprietary claim" as one of "crucial" significance—"feeling" of entitlement:

It is the feeling on the part of the dominant group of being entitled to either exclusive or prior rights in many important areas of life. The image of such exclusive or prior claims may be wide, covering the ownership of property such as choice lands and sites; the right to certain jobs, occupations or professions; the claim to certain positions of control and decision-making as in government and law; the right to exclusive membership in given institutions such as schools, churches and recreational institutions; the claim to certain positions of social prestige and to the display of the symbols and accoutrements of these positions and the claim to certain areas of intimacy and privacy.

For Blumer (1958, p. 4), their expectation that certain privileges are automatic prerogatives of membership in the group situated above accompanies a "fear and suspicion that the subordinate race [group] harbors designs on [those] prerogatives..." This prompts stratification economics' prediction that a belief that the subordinate group is catching up—or has caught up or moved ahead—leads to an intensification of the desire to restore the subordinate group to its "proper place."

Another major tributary feeding into the development of stratification economics has been the contributions of scholars writing in the Black intellectual tradition who have emphasized the essential role of subjugation of Black lives for non-Black economic gain.¹⁸ The prevailing thrust of the economics profession, *writ large*, has been to either ignore or dismiss these contributions. Stratification

economics, in contrast, has developed under the deep influence of this body of scholarship.

Williams (2021) argued, in his classic study *Capitalism and Slavery*, "negro slavery" in the Americas was functional to British economic development. Still earlier, in a study that influenced Williams's project, James (1963) connected France's economic development to its slave plantation system in the Caribbean. Greene (1942) and his intellectual disciple Bailey (1990) advanced the parallel argument connecting Black enslavement in the United States to the rise of the American industrial order. Their work was the prelude to the recent research in economic history, mentioned above, that traces the quantitative significance of the slave system to American economic growth (Stelzner and Beckert 2020, Beckert 2015).

Williams's (2021, p. 6) *Capitalism and Slavery* features a number of terse but potent observations, including the wry comment, "Negroes were stolen in Africa to work the lands stolen from the Indians in America." In another succinct statement, Williams (2021, p. 4) declared that anti-Black bigotry was a product of the enslavement of those marked as Black, an ideology deployed to justify the exploitative benefits extracted by those marked as White: "Slavery was not born of racism: rather, racism was the consequence of slavery." Indeed, Williams (2021) crisply asserts, "Here, then, is the origin of Negro slavery. The reason was economic, not racial..."

Williams maintains that race classification is artificial, not intrinsic, but that hardly implies that it is meaningless. Race is not objectively real—certainly not in a biogenetic sense—but it is substantively meaningful. Racism serves as the ideological bedrock of economic inequality between social groups.¹⁹

¹⁸Stewart (2008) has explored how intellectual reciprocity between stratification economics and Black studies can be mutually beneficial. Also see Obeng-Odoom (2020a)

¹⁹Roberts (2011) has provided the definitive discussion of the political importance and the persistence of the false construction of race as a biogenetic category.

While there is no mention of Karl Marx in the pages of *Capitalism and Slavery*, Marx's analysis of the relationship between Black enslavement and Euro-American economic development foreshadowed Williams's argument. In the first volume of *Capital's* thirty-first chapter, "The Genesis of the Industrial Capitalist," of the first volume, Marx, forcefully, made the connection:

The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalled the rosy dawn of the era of capitalist production. (Marx 1967, p. 533).

The colonial system ripened, like a hot-house, trade and navigation. The "societies Monopolia" of Luther were powerful levers for concentration of capital. The colonies secured a market for the budding manufactures, and, through the monopoly of the market, an increased accumulation. The treasures captured outside Europe by undisguised looting, enslavement, and murder, floated back to the mother-country and were there turned into capital. (Marx 1967, p. 535)

Whilst the cotton industry introduced child-slavery in England, it gave in the United States a stimulus to the transformation of the earlier, more or less patriarchal slavery, into a system of commercial exploitation. In fact, the veiled slavery of the wage workers in Europe needed, for its pedestal, slavery pure and simple in the New World. (Marx 1967, p. 538)

The concept of the lower ladder position of the subaltern group, discussed above, emerges directly in classic works of Black scholarship that, largely, have been excluded from mainstream economics. An important source is sociologist E. Franklin Frazier's (1957, pp. 52–53) discussion in his study of the Black middle class, *Black Bourgeoisie*, which highlights how far Blacks at the top of the Black economic pyramid fall below Whites at the top tier of the White economic pyramid in the 1930s and 1940s.

Persistence of these disparities is evident today in the fact that 25 percent of White households in the United States have a net worth in excess of \$1 million, in contrast with only 4 percent of Black households (Darity, Addo, and Smith 2020, p. 4). Median net worth for White households in the highest quintile of the White wealth distribution exceeds \$1.5 million while it is closer to \$300,000 for Blacks in the same quintile of the Black wealth distribution (Darity, Addo, and Smith 2021, p. 3).

Unbeknownst to most economists, the towering figure of social science scholarship during the first half of the twentieth century, W. E. B. Du Bois (1992), actually introduced the notion of "psychic benefits and costs" to the conceptual landscape with his use of the notion of the "psychological wage" in the pages of his magisterial *Black Reconstruction in America*. Du Bois (1992) argued that the poorest Whites maintained a commitment to the White tribe because they received a psycho-emotional return from the racial advantage they held over Blacks. After the Civil War, they never could fall as low in status as the lowest-ranked Blacks:

They [the white laborers] 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 elected public officials, and while this has 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 1992, p. 700).

Although Du Bois refers to these advantages for working class Whites as a “psychological wage,” it is striking that the benefits he lists have ramifications for tangible, material benefits—particularly the influence exercised over the systems of criminal justice and electoral politics. The cumulative, intergenerational effects also are manifest today in Black–White differences at the low end of the economic distribution. United States data from the Survey of Consumer Finances indicates that White households in the lowest quintile of the income distribution have a net worth greater than all Black households together. Moreover, the median net worth for White households in the bottom income quintile is at least ten times greater than Black households in the same income quintile (Darity, Addo, and Smith 2021, p. 6).²⁰

The goal has been to maintain, at least, a requisite degree of distance in outcomes between Blacks and Whites. In the fall of 1865, President Andrew Johnson stated the objective clearly in a message he gave to Benjamin B. French, Public Commissioner of Buildings in Washington, DC:

Everyone would and must admit that the white race was superior to the black, and that while we ought to do our best to bring them...up to our present level, that, in doing so, we should at the same time raise our own intellectual status so that the relative position of the two races would remain the same. (Trefousse 1989, p. 236)

²⁰ Drake and Cayton’s (1970) monumental study of World War II era Black Chicago (“Bronzeville”) provides a guide to the analysis of patterns of class stratification within a marginalized community. The image of the social class pyramid in Bronzeville in figure 31 (p. 525) of *Black Metropolis* is indelible.

The spirit of Johnson’s message animated Southern funding policies for Black and White schools under the dual system that lasted for close to a century. Although funding for Southern schools was generally lower than Northern schools, an enormous gap in resources prevailed between Black and White schools (Anderson 1988; Margo 1990). On the eve of World War II, throughout the southern states, per pupil expenditures for Black students were one-third of the amount allocated for White students. In the state of Mississippi, the proportion was one-seventh (Darity and Mullen 2020, p. 220).²¹

Even after the regime of separate schools came to an end, the phenomenon of within-school segregation has played a similar role in extending Johnson’s aim of keeping “the relative position of the two races... the same”; today, the average Black child has one-third the odds of the average White child of being referred for gifted and talented education (Darity and Mullen 2020, p. 220).²²

Two other key antecedents in the development of stratification economics are research exploring the material consequences of identity and exploring the utilitarian attributes of discrimination. Stewart’s (1995) presidential address for the National Economic Association (NEA) exemplifies the former. Stewart’s lecture represented a dramatic break with the conventional treatment of group self-identification as motivated by the attraction of group-specific cultural practices.

²¹In several adjoining counties in Alabama in 1912, all-White school boards allocated 32 cents per Black student while they allocated fifteen dollars per White student, almost 50 times more. (Darity and Mullen 2020, p. 220)

²²I am grateful to Trevon Logan, in personal correspondence, for suggesting that school segregation provides an additional point of documentation of the tangible nature of the advantages given to Whites at all levels of social class, in a racialized hierarchy. He also has said “[It’s] also important to note that when white women were granted the franchise that school expenditures for white students increased and the black–white gap in school funding increased, consistent with the tenets of stratification economics.” See Carruthers and Wanamaker (2015)

His original analysis pointed toward the axes of dominance and resistance as keys to group identity formation. Nearly a decade later, Mason's (2004) NEA Presidential address provided a rich overlay to several hypotheses advanced by Stewart, an empirical mantle that sharply undercut cultural determinism, the subtext of orthodox economics' treatment of identity.²³

The latter of these two antecedents, the practicality of discrimination, departs from the predominant approaches to the economics of discrimination. The convention in economics is to treat discrimination either as an arbitrary preference for one group over another (the "taste for discrimination" models) or as a problem of asymmetric information (the "statistical theory" of discrimination). Both of these approaches correspond closely to Allport's unsatisfactory view of the causes of prejudice. However, it is the Blumer view of the causes of prejudice that undergirds stratification economics. Blumer treated prejudice as purposeful *and useful* to the discriminator.

Stratification economics views discrimination, particularly in employment and in acquisition of credentials, as intentional from the standpoint of preserving or extending the relative position of dominant social groups (Darity and Myers 1998, Darity 2001). Krueger's (1963) paper, "The Economics of Discrimination," now almost sixty years old, with its foreign-trade based model of exchange between Black and White sectors, provides a frame that supports stratification economics' theoretical explanation for the persistence of discrimination despite the presence of market competition.²⁴

²³Shortly, thereafter, I joined with Stewart and Mason to develop a dynamic model of the evolution of group affiliation in a context where there are critical material consequences to group membership (Darity, Mason, and Stewart 2006).

²⁴To the extent that the dominant group can control standards for entry into preferred positions, they can revise

A final antecedent mentioned here is critical race theory (CRT). CRT emerged primarily from legal scholarship on race. It has recently gained greater notoriety by becoming the object of an unprecedented Presidential Executive Order from Donald Trump, seeking to ban it from being taught in the nation's public colleges and universities, and an assault on the teaching of race and racism in American public schools. One only can presume, whatever its weaknesses, the ban was made because CRT exposes uncomfortable truths about race and racism.

Significantly, CRT has posited, from its inception, that particular identities can be capitalized monetarily to the possessor's advantage. Hence, Harris (1993) described Whiteness itself as a form of property, and Lipsitz (2006) described Whiteness as having a literal "cash value."

While there are many other dimensions to critical race theory, the financial benefits associated with possession of a dominant group identity are central to stratification economics. Holding a dominant group identity carries with it relative and, often, absolute material advantages; therefore, stratification economics yields a decidedly materialist theory of the connection between group-based hierarchy and prejudice, discrimination, social distinctions, and political behavior.²⁵

Thus far, the theoretical framework discussed has assumed there are no more than two social groups, but stratification economics is generalizable to a world with multiple social groups. In such a world, some groups may form tactical alliances to maintain superiority over others. Davis (2019) imaginatively proposes that the *theory of clubs* can be valuable in comprehending the dynamics

or reinterpret those standards to preserve their access advantage (Uhlmann and Cohen 2005).

²⁵I would imagine, a priori, that a materialist theory of social hierarchy would hold a special appeal for the *economists*.

of intergroup relations beyond the binary. This is a promising direction for further systematization of stratification economics.

4. *Implications and Extensions of Stratification Economics*

During the fifteen years since my Charleston lecture, stratification economics has witnessed an explosion in research activity, touching upon a wide array of social issues and problems. For example, studies within the rubric of stratification economics' research program have examined threats to the cohesiveness of the military generated by racial/ethnic fractionalization (Stewart 2009); uneven and disproportionately fatal responses of authorities to the needs of subordinate communities after natural disasters (Price 2008, Banerjee 2015); and the relationship between macroeconomic conditions, financial instability, and intergroup inequality (Arestis, Charles, and Fontana 2014; Seguino 2019).

Stratification economics inspired research on colorism predicts, for a given level of educational attainment, that lighter-complexioned members of a stigmatized group will be on higher rungs of the subaltern ladder in racialized systems of hierarchy (Rangel 2015, Diette et al. (2015). Ramya, Eshelman, and Halley (2015) have elaborated on Whiteness as a form of capital, while Ards et al. (2015) have investigated racially inequitable access to credit—both within the frame of stratification economics.

Elu and Price (2015) and Logan (2019) demonstrate how attention to discriminatory policies and the coercion of violence can point toward fundamental changes in the way in which economists conduct the analysis of public finance, especially tax policy. Bueno (2015) analyzed employment in the export sector in the Dominican Republic at the intersection of gender, social class, and

ethnicity, while wa Gĩthĩnji (2015) explored the interplay between ethnic stratification and labor market outcomes in Kenya. Diette et al. (2021), drawing upon the implications of stratification economics, show that there is an inverted-U relationship between the degree of desegregation and positive outcomes for Black students, with Black students doing worse in schools that are most evenly mixed with White students.

In what follows, I examine additional topics that merit further exploration within the lens of stratification economics. The six topics are determinants of individual productivity, political consequences of narrowing or widening of disparities between a dominant and a subordinate group, “passing” from a subordinate to a dominant group, “passing” from a dominant to a subordinate group, sources of intergroup wealth inequality, and persistence of intergroup stratification after migration.

4.1 *Individual Productivity*

In stratification economics, the “micro-economics” of individual productivity relies upon the concept of stereotype threat, drawn from social psychology. Stereotype threat is a particular form of the more general category of social identity threat (e.g., Tajfel and Turner 1979), the menace that individuals encounter when devalued because of their group affiliation.

Stereotype threat (Steele and Aronson 1995) proposes that widely held stereotypical beliefs about the group to which an individual belongs affect their performance in domains where the stereotype applies, regardless whether they, themselves, believe the stereotype is accurate. For example, if the group with whom an individual identifies is deemed cognitively inferior, then their performance on tests of reasoning and comprehension will be depressed significantly.

Stereotype *boost*, in contrast, describes an improvement in performance driven by the

presence of widely held “positive” stereotypes about one’s own group.²⁶ Under some circumstances, particularly when an individual is weakly identified with the task domain, there is evidence to suggest that the presence of a positive group stereotype “in the air” also might lead the individual to “choke,” to do worse than otherwise, in that domain (Smith and Johnson 2006). The degree to which an individual feels attached to the group assigned either a negative or positive stereotype, also will affect their susceptibility to fulfilling the stereotype’s expectation; the stronger their sense of connection the greater the effect of the stereotype on their performance in the relevant domain.

Finally, stereotype *lift* describes the perverse gain in performance for members of an in-group from the existence of negative stereotypes about the capabilities of members of the out-group (Walton and Cohen 2003).

The major point here is stratification economics, by adopting the concepts of identity threat and its more specific form stereotype threat, creates a social model of individual productivity. Individual productivity in a particular task arena is not dictated solely by personal attributes, whether acquired or inherent. Stereotype threat indicates that individual productivity also can be affected by beliefs generally held about the capacities of the groups with whom they identify in the relevant task domain.²⁷

Identity threat, more generally, posits that the actions taken by members of an

in-group with control over an arena, like a workplace, can block access from members of an out-group, or sabotage their performance if they manage to make it through the gates. Stratification economics directs us toward an endogenous theory of individual productivity.

4.2 *Intergroup Disparities and Political Response*

One of many compelling hypotheses that emerge from stratification economics is the following: The narrower the perceived gap between groups A and B, the more concerned members of the dominant group, group A, will become about the relative position of the two groups. The wider the perceived gap between the two groups the greater the attention the members of group A will give to comparisons of their personal positions vis-à-vis other members of their own group. Increasing equality or, at least, the perception of increasing equality between the two groups will lead members of group A to take actions to push group B further behind.²⁸ The response to these perceived conditions is more ambiguous for members of group B, but reversal of the responses is a plausible hypothesis.²⁹

A key question is: when do conditions of persistent inferior status lead to revolutionary action by those who have been marginalized?³⁰ The central answer offered by

²⁸This is precisely the opposite of the hypothesis advanced by Reich (1981). Reich argued that as the difference narrows between the economic status of the White working class and the Black working class, the foundation for intergroup solidarity will strengthen. His forecast was devoid of an understanding of backlash effects.

²⁹The power of biased perception can play out in many important, albeit “smaller,” contexts besides the national political stage. One vital example is the consequences of classroom teachers’ prejudicial beliefs about Black female students (Francis 2012).

³⁰One of the three referees asked, “To what extent can stratification economics explain collective social movements that are born out of inequality (e.g. The Haitian Revolution, The General Strike Identified by Du Bois, the

²⁶A legitimate question is whether there is such a thing as a “positive” stereotype, since stereotypes of all types can do harm. A “positive” stereotype here is a belief about a group that ascribes superior capabilities in certain arenas to them as a whole, e.g., “Black people are good athletes,” “Asians are good at math,” etc.

²⁷While most of the research on stereotype threat has been undertaken in the United States, Croizet, and Claire’s (1998) experimental study assessed the impact of the threat on lower social class students in France and Hoff and Pandey (2006) examined the effect on dalit (“untouchable”) students in India.

stratification economics must be perceived (and seized) opportunity to translate sporadic acts of resistance into a collective effort.

For example, the scope of resistance to slavery on the part of the enslaved, the first abolitionists, has long been downplayed by American historians, their perspective affected by the suppression of evidence of such resistance by the slaveholders themselves (Darity and Mullen 2020, pp.81–88). While Black refugees who had escaped slavery and free Blacks in the North were central figures in the abolition movement (Masur 2021), the opportunity for full Black participation in the emancipation effort did not occur until the enslaved saw they could leave the plantations en masse and join the Union forces during the Civil War. Their contributions were crucial in producing the Union victory and their own emancipation (Darity and Mullen 2020, pp. 119–20, 245–46).

Access to avenues and resources for protest, e.g. arms or the equivalent of a strike fund, a belief that members of the marginalized community are solidly behind the effort, and a sense that important members of the dominant group will recognize and support the justice of their cause can prompt the oppressed to rise to take revolutionary action.

When do some members of group A choose to support the cause of greater equity for or liberation of group B (Craemer et al. 2013)? While retaining their identities as members of group A, they still may ally themselves with efforts of members of group B to end their subordinate status. They may dis-identify with group A's classification as a position of supremacy.

Montgomery Bus Boycott, the Civil Rights Movement, Black Power, Obama, Black Lives Matter, etc.)² While I am not sure how "Obama" counts as a social movement, answering this question in full detail is beyond the scope of this paper. Nevertheless, section 4.2 offers a sketch of how such movements crystallize.

This may be due to their outright moral rejection of the given social arrangements. Or, it may be due to an expectation that a more equitable social order will improve the absolute position for all, and some individuals may be willing to sacrifice relative well-being in return for a gain in absolute well-being. Or, it may be the case that those most likely to support the out-group's cause will tend to be those who feel least likely to lose their position of privilege from the move toward greater equity.

Yet, another motivation might be fear on the part of group A members who ally themselves with group B's cause that continuation of the current arrangements may endanger the welfare of future generations. They may fear that political instability produced by intergroup equality will endanger coherence of the nation, perhaps leading to civil war. Regardless, the prospect of dominant group members supporting a break with the inherited hierarchical regime definitely warrants further research.

4.3 *Passing from Low to High*

Stratification economics also provides a window to understanding the phenomenon of "passing," that is, members of group B taking on the identity of group A membership. Of course, this seems to be a perfectly rational decision, when possible, as a means for members of group B to access the prerogatives of group A. The phenomenon of Sanskritization (Srinivas 1956), a concept developed in anthropologists' studies of mobility within the Hindu caste system, not only illustrates the separation between culturally based theories of group identity in conventional economics and the materialist theory advanced in stratification economics but also illuminates the nature of passing.

Sanskritization has been described as "...a process by which a lower caste or non-Hindu group adopts the ideology or parts of the ideology of Hinduism in order to raise its

economic, political and social status in the caste hierarchy of a given area. The lower ranking group [attempts to raise] its status by imitating the attitudes, beliefs, and social behavior of the higher ranking group, such as the adoption and avoidance of certain eating habits, the employment of Brahmans to perform rituals on their behalf, and the worship of different deities in the Hindu pantheon..." (Jones 1976, p. 63).

These efforts are not always successful. In fact, Jones (1976, p. 63, emphasis added) argues, "...when Sanskritization successfully occurs among the low castes, it is usually *preceded* by changes in the economic or political situation of the aspiring caste." Jones (1976, p. 63) offers as an example the rise of the Noniyas of Uttar Pradesh from near untouchability to being among the top ten of twenty-five jatis in Senapur village. Their rise sprang from the "...expansion of British-backed road work and irrigation facilities [that] called for traditional Noniya skills in brick making." The Patidar caste in Gujarat, originally low-ranking sudras, benefited from trade opportunities that arose in northwest India under the Mughal empire and, in addition, from their nineteenth-century status "as a favored caste of the British, who, through land drainage schemes and improved agriculture, made [them] one of the wealthiest castes in the area (Jones 1976, p. 63)." By 1931 they had changed their name from Kanbi to Patidar and had adopted upper-caste rituals and marital practices.

In contrast, the Holeru in Mysore "tried to gain prestige by assuming behavioural patterns associated with higher castes, such as refusal to perform such tasks that were ritually degrading" (Rajpramukh 2013, pp. 11–12). Nevertheless, they had little success in altering their caste ranking; their efforts were not preceded by a change in their underlying economic and political condition (Rajpramukh 2013 and Harper 1968).

Changing group practices and behaviors were insufficient for altering the relative social standing. As stratification economics suggests, a prior change in a caste group's material position had to come first. A social group, collectively, cannot gain the perquisites of a dominant social group merely by adopting their behaviors. On the other hand, individual acts of passing can lead to access to the perquisites. For individuals, passing from low to high necessitates not only a move toward self-identification with the dominant group but the acceptance as a member by others in the dominant group. This typically will necessitate hiding one's origins and a comprehensive distancing of oneself from family and kin. Frequently, passing means *de facto* fabricating one's persona and life history.³¹

Still, given the potential advantages that can be appropriated via absorption into a dominant group, a compelling research question raised by stratification economics is why do so many persons stay identified with the subordinate group?³² Are there costs associated with exiting from the group in the underdog position?

³¹Far more complicated is gender passing, since the move from female to male has different economic implications from the move from male to female. In the next subsection of the paper, I discuss the paradox—or the *apparent* paradox—of shifting from a higher status to a lower status group. Furthermore, the *physical* transition from one gender to the other involving surgery and hormonal treatments is very hard to explain, primarily, on the basis of material benefits.

³²Passing from Black to White in the United States has occurred with some frequency and can be an emotionally wrenching step (Hobbs 2014). Nix and Qian (2015) report, among Black men, "Using the full population of historical Censuses for 1880–1940, we document that over 19 percent of black males 'passed' for white at some point during their lifetime, around 10 percent of whom later 'reverse-passed' to being black; passing was accompanied by geographic relocation to communities with a higher percentage of whites and occurred the most in Northern states." It still can be asked, why did it not occur more frequently?

Some tentative hypotheses follow:

- (i) It may be impossible for many members of group B to acquire the ascriptive characteristics that will allow them to move into the higher ranked group. In the US context, the capacity to move from Black to White is contingent on one's phenotypical attributes, including skin shade, facial features, and hair texture. Changing these features sufficiently to join group A simply may be too insuperable a barrier for some members of group B.
- (ii) Given the potential level of violence directed against members of the subaltern group if their act of passing is exposed, it may be too great a risk.
- (iii) There may be too profound a loss associated with separation from the intimacy of the community of your birth and childhood, inclusive of separation from parents, siblings, grandparents, and aunts and uncles. Changing social identity can mean stripping kindred and clan.
- (iv) Group B may exercise sanctions to keep members from defecting from its fold. At minimum, those who stay identified with group B can always expose those who pass, with attendant consequences.
- (v) Some may maintain identification with the subaltern community because of their ideological resistance to the inequities and atrocities associated with the system of their group's subordination. They refuse to join the oppressors. Examples include the actor Fredi Washington and the one-time leader of the NAACP, Walter White, both of

whom could have lived as White given their appearance.³³

Short of passing, some can gain access to some of the dominant group's privileges by sheer proximity, for example, via intermarriage. It is not always necessary to cross the line altogether to plumb the benefits afforded the dominant group.

4.4 *Passing from High to Low*

More puzzling are the few examples, although apparently growing in number, of persons whose origins are in the dominant social group but choose to pass as a member of the subaltern community. In instances where there are transparent direct or indirect pecuniary benefits from "joining" the subordinate group, it becomes obvious why passing downward takes place, at least temporarily. The incentives are clear.

One example is the case of the "five-dollar Indians," White men who purchased an official Native American classification to gain access to land that was ceded back to American Indians:

These so-called five-dollar Indians paid government agents under the table in order to reap the benefits that came with having Indian blood. Mainly white men with an appetite for land, five-dollar Indians paid to register on the Dawes Rolls, earning fraudulent enrollment in tribes along with benefits inherited by generations to come. (Landry 2017)

³³Fredericka "Fredi" Carolyn Washington was fiercely adamant about refusing to cross over to Whiteness (I Love Ancestry 2017):

No matter how white I look, on the inside I feel black. There are many whites who are mixed blood, but still go by white, why [is it] such a big deal if I go as Negro, because people can't believe that I am proud to be a Negro and not white. To prove I don't buy white superiority I chose to be a Negro.

I don't want to pass because I can't stand insincerities and shams. I am just as much Negro as any of the others identified with the race.

Similarly, the introduction of affirmative action on behalf of Afro-descendants in Brazil has been associated with a surge in the number of Brazilians who now identify as Black (McCoy and Traiano 2020).

In highly publicized recent cases where persons who grew up White made a transition to living as Black—Rachel Dolezal, Jessica King, and C.V. Vitolo-Haddad—it is possible to view their decisions as a result of benefits they anticipated via affirmative action. Of course, White women do not have to dispense with racial privilege to benefit from affirmative action, since, in the US context, it also functions as a mechanism for gender inclusion. Therefore, a more general approach is needed for understanding passing from high to low.

Stratification economics gives us an analytical apparatus for insight about this circumstance. In addition to the two levels of comparison at the core of stratification economics between own-group and out-group and between members of one's own group, there is a third potential comparison. An individual may consider where they will be on the ladder in the out-group if they make the move vis-à-vis their position on their own group's ladder. If they were to shift identification to the out-group, there could be moments in which the position they could hold on the out-group's ladder actually is higher, absolutely, than the position they have on their own group's ladder. When this occurs, members of the dominant group may consider joining the subordinate group (Broady, Todd, and Darity 2018).

4.5 *Origins of Intergroup Wealth Differences*

The standard approach to understanding personal wealth accumulation focuses on deliberate and sustained acts of saving out of income. Hence, wealth itself becomes derivative from income, and if intergroup differences in net worth persist, orthodox

economics attributes it to differences in income levels and saving rates. Neither satisfactorily explains the mammoth racial wealth gap in the United States.

For a given level of household income, the best available evidence indicates that Black saving rates are no lower than White saving rates. Indeed, in some income categories, Black saving rates were higher. Nor do variations in household income, itself, explain the Black–White wealth gap. For each quintile of income, Black household net worth was consistently sharply less than White household net worth. Survey of Consumer Finances data for 2016 indicates, in each quintile, the White to Black ratio of median net worth is, at least, about ten to one (Darity, Addo, and Smith 2021, p. 6).

Instead, the cumulative intergenerational transmission of resources is acknowledged as the crucial factor in explaining America's racial wealth gap. Williams's (2017) wealth privilege model, designed to be a self-conscious alternative to the life cycle hypothesis, supplies an approach consistent with the direction charted by stratification economics. Williams's wealth privilege model connects the wealth position of the current adult generation to resources, both tangible and intangible, relayed from parents and grandparents. The process yields an intergenerational chain link effect, described by Federal Reserve economists Laura Feiveson and John Sabelhaus (2018) as a "dynastic" model of perpetual concentration of wealth.

White parents and grandparents, for reasons associated with historical processes and national policies, have far more resources to convey to the next generation than Black parents and grandparents. Moreover, stratification economics suggests that not only does wealth beget wealth across generations, but, also, the younger generation's *income* attainment may be influenced, significantly, by parental and grandparental *wealth* (Toney and Robertson 2021).

A shift in emphasis from income (and, de facto, earnings) to wealth moves the analysis of intergroup economic inequality beyond the exclusive purview of labor economics. It transfers the subject to the terrain of stratification economics.

4.6 *Immigration and Stratification Economics*

Finally, we turn to the implications of stratification economics for the analysis of immigration and intergroup disparity. Three themes emerge from the subfield's approach to intergroup disparity: (i) hyper-selection versus hypo-selection, (ii) the lateral mobility hypothesis, and (iii) imported stratification.

Sociologists Jennifer Lee and Min Zhou (2015) argue that it is imperative that immigrant selectivity be taken into account in understanding the performance of a community that moves from its country of origin to a receiving country. They say that it is important to determine whether the immigrants are hyper- or hypo-selected relative to the overall population of their nation of origin. Hyper-selectivity means they are better educated and/or better resourced than the average member of the country from which they exit; hypo-selectivity means they are worse educated and/or worse resourced than the average member of the country from which they exit. Lee and Zhou contend that hyper- versus hypo-selectivity determines the degree of success the group experiences after they migrate. They predict, with strong supporting evidence, a hyper-selected immigrant community is more likely to do well in the host country than a hypo-selected immigrant community.

The lateral mobility hypothesis (LMH) extends the notion of immigrant selectivity to social class structures across the country of origin and the host country. LMH says that immigrant communities will retrieve the relative class position they held historically in their country of origin within two generations

in the receiving country. The presumption is they typically move from lower-income to higher-income nations. Therefore, in retrieving their prior class position, they obtain higher levels of income, usually sufficient to send remittances to those who remain in the home country.

Evidence indicates, on average, recent Black immigrants to the United States have a superior socioeconomic profile to Black Americans who are descendants of persons enslaved in the United States (Hamilton 2019). In short, Blacks who came to the United States after the 1960s—the arrival time of vast majority of voluntary Black immigrants—tend to be situated on higher rungs of the Black ladder than native Blacks. Insights associated with hyper-selectivity and lateral mobility both readily explain why this is the case, without turning to claims about superior norms and behaviors practiced on the part of the newer arrivals.³⁴

Finally, stratification economics is the source of the concept of *imported stratification* (Dávila, Mora, and Stockly 2011), the idea that immigrant groups carry the patterns of intergroup disparity in their country of origin to their new location. The importation of Indian caste disparities to the United Kingdom and the United States is representative (Deshpande 2018, Diwakar 2020). Brahmin treatment of Dalits in the high-technology sector in Silicon Valley demonstrates, dramatically, this phenomenon (Rao 2020, Douglas 2020). Immigration can preserve, rather than disrupt, intergroup inequalities that find their beginnings in the country of origin.

³⁴A popular hypothesis frequently attributes the accomplishments in science of an earlier immigrant community, Jewish Americans, to unique features of their culture. Efron's (2014) excellent study, *A Chosen Calling*, provides a compelling refutation of this canard.

5. Conclusion

Understanding intergroup differences in outcomes lies at the heart of the stratification economics project. By integrating insights from a variety of social sciences disciplines—especially economics, sociology, psychology, anthropology, and history—it yields a frame for examination of relative group position and collective action in determining individual life outcomes.

It draws from economics an emphasis on self-interested behavior and substantive, rather than procedural, rationality. It seeks the rational, typically pecuniary basis for group and identity formation, for membership in both dominant and subordinate groups. It takes from sociology the group, rather than the individual, as the fundamental unit of analysis. Thus, it applies the principles of substantive rationality to the actions of social groups in a setting where relative position is highly valued. In concert, stratification economics seeks to explore processes of group and individual identity formation, including identities driven both by self and by social classification.

Stratification economics draws from psychology the concept of identity threat to widen the range of factors that influence individual productivity. It pays close attention to the impact of widely held beliefs about one's group on an individual's effectiveness in performing tasks for which their social group is seen as capable or inept.

It draws from anthropology insights about the inner workings of communities where preestablished hierarchical patterns solidify or deteriorate. Finally, it draws from history the actual record of how social hierarchies have come into being, ultimately, by dint of coercion, brutality, and sheer violence.

Stratification economics opens the door to a fresh approach to understanding why the social groups in the world in which we live occupy such different worlds themselves. In

preparing this article, I confess that I have been surprised in discovering how many scholars have gone into the research space behind the door. I only can encourage more to follow.

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