Stratification economics
A moral policy approach for addressing persistent group-based disparities

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Summary: Conventional ideas for how to shrink racial disparities rely on methodological individualism—the notion that racial economic disparities can be eliminated by developing the “human capital” of disadvantaged groups (i.e., by “fixing Black people”). Stratification economics rejects that approach as misguided and doomed to failure. Rather, this explicitly moral research discipline recognizes that structural forces limiting opportunities for Black Americans were set up by white Americans to preserve their economic dominance. Following are five key takeaways from a stratification economics approach to eliminating racial inequities:

▪ Individual prejudices are not the key driver of racial economic inequities. These inequities are the direct, intentional result of the institutions, laws, and norms that were established to maintain the economic dominance of white Americans. In other words, the problem is the prejudices baked into the system because they benefit the dominant group.

▪ Reducing or eliminating racial disparities is not about changing the beliefs of members of the dominant group, nor is it about improving or developing members of disadvantaged groups. Rather it requires policy interventions that make structural changes to the way our economy functions. Left alone, the market will not close gaps.

▪ Policies that would close racial disparities in employment should be explored, and include a Federal Job Guarantee, shoring up collective bargaining rights, and strengthening the Equal Employment Opportunity Commission.

▪ Policies that would close racial disparities in wealth should be explored, and include direct reparations payments made by the government to the descendants of slaves coupled with the creation of new institutions dedicated to preventing the gap from
reopening, and asset-building programs such as Baby Bonds and Guaranteed Retirement Accounts that are targeted to disproportionately benefit the poor.

- Changes made to the labor market and wealth disparities are preconditions to closing racial disparities in health. On top of those key structural changes, policymakers should ensure that high-quality affordable health care is available to those who need it by passing Medicare for All.

Introduction: The need for an alternative theoretical framework for understanding group-based disparities

Policy efforts stemming from misunderstanding the origins of racial disparities are doomed to failure. Unfortunately, conventional economic thinking has long misrepresented the origins of persistent disparities across the most important dimensions of social and economic well-being in the United States. To give a few examples of those disparities:

- **Wealth:** The typical Black family owns just one-eighth the wealth of the typical white family in the United States (Bhutta et al. 2020). Never in the country’s history have median Black families had even one-fifth the wealth of white families (Kent and Ricketts 2020). Americans tend underestimate the size of the wealth gap by 40 to 80% (Kraus, Onyeador, and Daumeyer 2019).

- **Employment and wages:** Black workers are consistently about twice as likely as white workers to be unemployed at any time in the business cycle (Ajilore 2020). Black and brown workers are also more likely than white workers to be in jobs with lower wages, worse or no benefits, and greater risk of bodily harm (Weller 2019; Seabury, Terp, and Boden 2017). Even when controlling for educational attainment, Black workers are paid less than white workers, and are less likely to find work in the first place (Wilson 2015).

- **Health:** Black Americans live shorter, sicker lives than white Americans, and are subject to higher rates of mortality. This includes infant and maternal mortality, both of which are more than twice as high for Black Americans as white Americans (CDC 2021a, 2021b).

Current policies related to these social and economic dimensions reflect a misunderstanding of what (if anything) can be done about persistent racial disparities. This misunderstanding is fostered by conventional economic thinking, which assumes that the
source of racial disparities lies in the differently advantaged individuals themselves. As the thinking goes, wealthy, healthy, employed individuals (and groups of those individuals) are so because they are more capable than their poor, sick, unemployed counterparts. In this framework, known in academic circles as methodological individualism, the solution to Black-white disparities in the United States is to fix and improve Black people and Black culture. Thus, the conventional approaches to solving the problem of racial economic disparities focus on developing the human capital (skills and knowledge) of members of disadvantaged groups, either using education to improve individuals’ decision-making processes or shifting cultural habits to be less draining of wealth, health, and personal responsibility.

Stratification economics is an alternative theoretical framework used to understand the causes and consequences of group-based disparities and to develop solutions for them. It centers the role of hierarchy maintenance in the design of institutions, implementation of laws, and practice of norms. From the stratification perspective, group-based disparities emerge from the rational efforts of dominant groups to hold onto social and economic power. While the existence of social and economic disparities across race is clear, the interpretation of those disparities and what can be done about them is dependent on the framework used to organize the empirical data, as Trevon Logan notes in his essay, “Race and Ethnicity in Empirical Analysis: How Should We Interpret the Race Variable?” Choosing a framework that incorporates history and the full context of the problem at hand is just as important as making sure the data is accurate—numbers do not speak for themselves.

According to stratification economics, group-based disparities do not emerge because of irrational intergroup animosity, at least not as a rule. And discrimination is not merely nor functionally a matter of “taste.” Rather, group rationality is central to the process of stratification; that is, stratification takes place through the creation of institutions, laws, and norms that are beneficial at the group level for dominant groups, rather than at the level of individual actors only. In the United States this has meant that systems of racial and social inequity resist dismantling because they have been rational to maintain from the perspective of white Americans.

From the stratification perspective, reducing or eliminating racial disparities is not about improving or developing members of disadvantaged groups, nor is it about changing the beliefs of members of dominant groups. Stratification economists as a rule reject the assumption that group-based disparities stem from deficits on the part of individuals. The goal is not to reduce the number of racists, but to address and redress the effects of racist policies. The proximate reason these policies came into effect is because they created opportunities and shifted resources toward certain groups, not because the members of those groups held ill-will toward racial minority groups. Group-based disparities are rational to maintain from the perspective of dominant social identity groups. Recognizing
that material benefits redound to members of dominant groups is key to understanding the problems stratification economists set out to solve.

Stratification economics stands in contrast to more conventional frameworks for understanding racial disparities in other key ways:

- Stratification economics takes group-based identity seriously as a driver of economic phenomena
- Stratification economics studies how group identity is used to secure resources and maintain social and economic hierarchy
- Stratification economics studies the implications of policies that affect whole communities and populations across history, not just individuals
- Stratification economics is upfront about its normative commitment to economic justice

Stratification economics takes group-based identity seriously as a driver of economic phenomena

Identity formation and identity-group-based rationality are fundamental to understanding economic behavior from the stratification economist's perspective. Jim Stewart, one of the economists responsible for developing the field, saw it and its previous iteration, Black political economy, as linked with the scholarship done in Black/Africana Studies, which is deeply interested in how racial identity promotes some communities and constrains others. According to Stewart, “Group identities are treated as produced forms of individual and collective property with both income and wealth-generating characteristics and whose supply and demand are responsive to changes in production costs and budget constraints” (Stewart 2008). In other words, identity has real economic value that both individuals and groups put effort into protecting and maintaining.

Marxian political economists also take the position that identity is functional within capitalist economies but take a slightly different approach. While a traditional Marxian economist might say group-based identity and identity politics divide the working class (Reich 1974), a stratification economist emphasizes that group-based identity functions first to secure and improve relative group position for dominant groups and may also (in a convenient boon for capitalists) divide the working class. Stratification economics is not a “class-first” political economy but is class-conscious. As a space for collaboration between economists and those steeped in the Black Studies tradition, stratification economics has policy aims directed at improving the economic conditions of entire communities, rather than only individuals (and possibly
communities by proxy). The field has implications for why Black farmers are so often on the losing end of land disputes (Mason 2008), why Hispanic farm workers are so heavily exploited (Costa and Martin 2020), why transportation policies consistently disadvantage Black and brown communities (Archer 2021), and much more. When identity is used as a tool for analysis rather than something to add complexity to a model after the fact, it becomes possible to provide better answers to questions about inequality.

Stratification economics studies how group identity is used to secure resources and maintain social and economic hierarchy

Group-based identities like race, alongside their associated phenotypical characteristics like skin shade, play a functional role in shaping economic inequality. According to Patrick Mason, another stratification economist, “race is a form of individual and group property, that is, a wealth-generating characteristic” (Darity, Mason, and Stewart 2006). When resources are scarce and it is possible to exclude others from partaking in those resources, identity can be used as a deciding factor in who gets access and who does not. This is why identity group membership holds value even within capitalist economies—identity is often directly related to who has access to the resources necessary to maintain power and hierarchy.

While a sophisticated understanding of capitalism tells us that the market may not necessarily equally reward equally productive workers (or equally productive capital) at an abstract level, stratification economics provides the rationale behind why labor market disparities take the shape they take in concrete terms. Unemployment and underemployment may be expected features of a competitive capitalist economy that does not safeguard against them, for example, but racial discrimination is the process by which exposure to these ills of capitalism are directed toward Black and brown workers at higher rates. The opposite point can be made for access to high wage employment with good benefits and promotion opportunities; stratification economics predicts that racial and gender identity will be used as tools to direct these more beneficial aspects of work away from women and Black and brown workers and toward men and white workers.

Stratification economics studies the implications of policies that affect whole communities and populations across history, not just individuals

Stratification economics focuses on the economic and social outcomes of populations and
communities, rather than individuals. Communities are made up of individuals, of course, and there is a distribution of talents and wants throughout every community. Racial groups are not, however, so distinct from one another as to have systematically different distributions of talent between them. According to William “Sandy” Darity, who coined the field’s name, “For the stratification economist, claims about the defectiveness of a group with outcast/caste status are an ideological mask that absolves the social system and privileged groups from criticism for their role in perpetuating the condition of the dispossessed” (Darity 2005). Persistent disparities between identity groups emerge as the result of the different circumstances those groups face—at times as the result of government policy designed to perpetuate those disparities, but just as often due to the lack of redress of past injustices.

The history of the United States is marked by instances where the American government has implemented policies that have excluded Black and brown Americans from benefits, or otherwise distributed those benefits in ways that were much easier for white Americans to access (Rothstein 2017). Black and brown communities find themselves subject to various methods of monitoring and control that diminish the extent to which they can compete with white communities for scarce resources, from land to wealth to employment opportunities.

From the stratification economics perspective, the hyper-incarceration (Petach and Pena 2021) and hyper-unemployment of Black Americans can be viewed as population management strategies that reduce the bargaining power of all workers in an absolute sense but improve the bargaining power of non-Black workers in a relative sense. When Black Americans are kept disproportionately on the margins of the labor market, the unemployment rate is pushed higher, weakening the position of all workers. When they are removed from the labor market entirely, competition for scarce employment moves in favor of non-Black workers. This maintenance of relative group position is key to understanding how policies that undermine the socioeconomic conditions in which Black people live so consistently are allowed to go unchallenged; they both improve capitalists’ prospects for acquiring cheap labor and allow non-Black workers to maintain a larger share of the small economic pie afforded to the working class.

**Stratification economics is upfront about its normative commitment to economic justice**

One key feature separating stratification economics from conventional economic thinking is the willingness of practitioners of the former to engage in explicitly moral thinking about policy goals. Darrick Hamilton has been at the forefront of calling for economists to accept their moral responsibility in shaping policy for both good and ill, and to use their positions of privilege and influence to improve the lives of those disadvantaged by our current capitalist system. In his words, “Economists should do a better job of understanding political economy, including power and initial endowments, and should be more keenly
focused on understanding and advocating for structures that truly lead to more equitable and fairer distributions” (Hamilton 2020). The pursuit of economic justice—redressing economic harm and creating a society in which people have what they need to live healthy and dignified lives—becomes a moral imperative in light of a clear understanding of the origins of economic inequality, particularly group-based inequality.

Human capabilities should be at the center of any economic policy agenda, rather than abstract concepts like the growth rate of GDP. From the stratification economists’ perspective, to sacrifice human flourishing for the sake of “the economy” is immoral. This is a different take from the idea that justice and equity-based policies will be “good for productivity”; in the human capabilities framework, the effects of economic policy on growth and productivity are secondary to their effects on the health and well-being of communities. Closing persistent disparities between groups that place limits on communities’ health and well-being is a moral imperative for stratification economists and the lodestar for good economic policy.

If maintaining racial disparities is rational for powerful groups, what can policy do about it?

One of the fundamental principles of stratification economics as it pertains to economic policy is that group-based disparities will not tend to diminish over time without policy intervention to make that happen. The market is not an equalizing force across groups, even in the face of human capital investment on the part of disadvantaged groups. To give a concrete example, Black heads of household tend to have lower income, lower wealth, and worse employment prospects than white heads of household at equivalent levels of education, and the typical college-educated Black family has less wealth than white families in which the head of household lacks a high school diploma (Darity et al. 2018). That these disparities have been persistent over time suggests the need for intervention if they are to be closed.

Structural changes to the way our economy functions are necessary in order to see persistent group-based disparities closed. Structural changes can be thought of as changes that are meant to be permanent, such as the establishment of new institutions and programs. The abolition of slavery, the creation of the Federal Reserve, and the establishment of the Social Security Administration all resulted in structural changes to the U.S. economy, for example. This is the scale on which policymakers need to think when considering ways to achieve equity from the perspective of stratification economics. While there are policies that fall short of this level of ambition that may disproportionately improve the lives of disadvantaged groups, their inadequacy can be measured by how little they do indeed close these gaps.
What policy recommendations does stratification economics have for disparities within the labor market?

Racial disparities in unemployment are traceable to occupational segregation (Bahn and Sanchez Cumming 2020) and discrimination (Holzer 2021) in the hiring process. The last 50 years of labor market data have shown us that the Black unemployment rate is consistently around double that of the white unemployment rate even under “normal” economic conditions, that Black workers find employment more slowly in the wake of an economic downturn, and that Black and brown workers are disproportionately employed in higher-risk, lower-pay work with less ability to negotiate the conditions of that work (Moore, Ghilarducci, and Webb 2019).

Unions have been a useful institution for improving the wages of women and people of color, to the extent that women and people of color have been allowed to participate in the formation of unions. Black workers are currently the most highly represented racial group in terms of union membership (BLS 2022); however, the states in the South where Black people live are the most hostile to unions (Green 2020).

Policies that structurally change the landscape for employment in the American economy are necessary if racial disparities in the labor market are to close. One such policy would be the introduction of a Federal Job Guarantee, whereby all adults who sought employment could be employed at a living wage through the government; this would eliminate involuntary unemployment and thus also racial unemployment disparities (Paul et al. 2018). Another such policy involves legislation dismantling the barriers to union organizing for workers, making union establishment a more democratic process within private workplaces, particularly in the South; this policy could give Black workers more latitude to negotiate for better working conditions (McNicholas, Poydock, and Rhinehart 2021). A third such policy entails strengthening the Equal Employment Opportunity Commission (Jameel 2019) and giving it the ability to impose heavier fines on firms known to discriminate, which could go some way toward disrupting stratification: If discrimination is made more costly, it becomes less rational as a means of securing group position.

What policy recommendations does stratification economics have for racial wealth disparities?

The racial wealth gap has historical roots that trace back to white Americans’ use and valuation of Black Africans as capital assets. The wealth generated through slavery was never redistributed among the former slaves who produced it. American history since has...
been marked by several missed opportunities to redress wealth disparities or provide wealth-building opportunities to Black and non-Black families equally. Since wealth is maintained largely through intergenerational transfers from parents to children and grandparents to grandchildren, the lack of a policy intervention in this case has meant that the absolute size of the wealth gap has continued to grow over time.

The most direct way to solve the racial wealth gap is through direct reparations payments made by the government to the descendants of slaves (Darity and Mullen 2020). On its own, however, this would not represent a structural change in the functioning of the economy; it would have to be paired with the creation of an institution (or institutions) dedicated to preventing the gap from reopening, and the disruption of stratification processes like mass incarceration that work to widen the wealth gap. The establishment of universal asset-building programs like Baby Bonds and Guaranteed Retirement Accounts would also go some way toward shifting the patterns of wealth-building in the United States to be less unequal, but would have to be well-targeted to disproportionately benefit the wealth-poor in order to close existing racial wealth gaps (Zewde 2020; Morrissey 2019).

What policy recommendations does stratification economics have for racial health disparities?

Racial health disparities emerge not because of inherent genetic or biological differences between racial groups, but because of differential exposure to health deteriorating events and circumstances as well as differential access to the resources necessary to mitigate negative health shocks. These differences in exposure and access are some of the effects of racial stratification in the United States. Discrimination, for example, itself has been found to contribute to worse health among racial minority groups (Borrell et al. 2006; Saadi and Ponce 2020). Racial health disparities are further solidified when they are allowed to persist over time into chronic health disparities. Environmental health hazards are often located in and closer to majority-minority communities as well, setting the foundation for differential exposure to pollutants such as lead (Nigra 2020).

Health care is often stratified as well—that is, rationed in ways that benefit members of dominant groups at the expense of others. Hospital quality is lower in majority-minority areas (Haider et al. 2012). The health concerns of Black women are taken less seriously by doctors, leading to stark disparities in both maternal and infant mortality (Chinn, Martin, and Redmond 2021).

A key structural change that would help to close racial health disparities would be the passage of Medicare for All, as it would bring high-quality affordable health care to all those who need it—particularly the Black and brown Americans who disproportionately lack it (Greenwood 2021). But a full eradication of racial health disparities would require changes made to the labor market and wealth disparities as preconditions. Community
health is generated from the social and economic conditions in which the community lives. Solving the problems of inequitable health outcomes requires the historical, community-centered approach of stratification economics.

Additional reading and resources

Readers interested in delving deeper into the issues touched on in this chapter are encouraged to explore the following resources suggested by the author.

**Articles & Essays**


**Books**


Video


Subject matter experts

William A. Darity Jr. • Duke University
John Davis • Marquette University
Darrick Hamilton • The New School
Patrick Mason • Florida State University
Rhonda Sharpe • Women’s Institute for Science, Equity and Race
James B. Stewart • Penn State University

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