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**Notes on the economics of structural racism: a synopsis of the
stratification literature on racism, racial identity, and the labor market**

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Structural racism arose with European exploration, enslavement and colonization of Africans, triangular trade, and the historical development of capitalism as a world system (Reich, 1981; Williams, 1944; Whatley, 2008). Eradicating structural racism requires fundamental transformation of American society (King, 1968). Structural racism is far more than individuals’ racially biased decisions based on incomplete, incorrect, or imprecise information. It is also far more than individuals’ racially hostile behavior, attitudes, or values based on irrational opposition towards those perceived as different. Structural racism consists of public policies and institutional practices with persistently racially disparate outcomes, cultural representations that continuously encourage invidious comparisons across racial groups, and norms of social interactions that encourage the reproduction of racialized social identities. Structural racism allows “privileges associated with “whiteness” and disadvantages associated with “color” to endure and adapt over time. ... [I]t has been a feature of the social, economic and political systems in which we all exist (Aspen Institute, 2016).” Racism is multi-dimensional and deeply rooted within American society. But, those facts do not imply that racism is a naturally occurring social phenomena due to some immutable characteristic of “human nature” and therefore will always be with us.

The dominant economic narrative on racial inequality ignores structural racism. Instead, the canonical frame and its derivative policies offers an individualist perspective on economic inequality. Individualist reasoning is committed to the notion that racial inequalities in economic wellbeing are primarily outcomes of individual decision-making regarding skill accumulation, laborforce participation, employment, hours, occupational selection, and risk-taking. Racial differences in individual decision-making are then explained by the assertion of racial differences in the endowments of market functional values, behaviors, and culture. Individualist

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social scientists do not accept that racial discrimination is a substantial force within the labor market (Heckman, 1998, 2011). Within this framework, "race" is confined to non-market activities and, often, race is not distinguishable from values, behaviors, or culture. When it comes to persistent racial inequality, individualism is largely libertarian: competition will insure that persons with identical skills and market-functional values and behaviors will receive identical treatment in the market. There is a straightforward logic to the individualist perspective: racial groups with superior economic wellbeing have superior endowments of market-functional values, behaviors, and culture; groups with lower economic wellbeing have inferior endowments of market-functional attributes. Despite its popularity, the empirical evidence has not be kind to this perspective (Darity and Mason, 1998; Bertrand and Mullainathan, 2004; Mason, 1997, 2007; Neumark, 2012).

Stratification economics offers an important alternative to individualist economics. Among other factors, stratification economics arose to explain structural racism. This approach takes seriously the notion that persons of identical skill (and market-functional behaviors) will not necessarily receive identical treatment within the labor market: the competitive pursuit of profit creates differentiation and inequality. Persistent racial discrimination is consistent with market competition and the accumulation of profits. Within this framework, "race" is an economic strategy for determining access to resources and opportunities; racial identity is strongly related to inequality in wealth (Darity, Mason, Stewart, 2006). Historically, slavery and Jim Crow created both racial identities and enormous racial inequalities in wealth. The privileges of wealth reproduce both wealth inequalities and racial identities. Racialized competition within the labor market and persistent wealth inequality combine to reproduce structural racism.

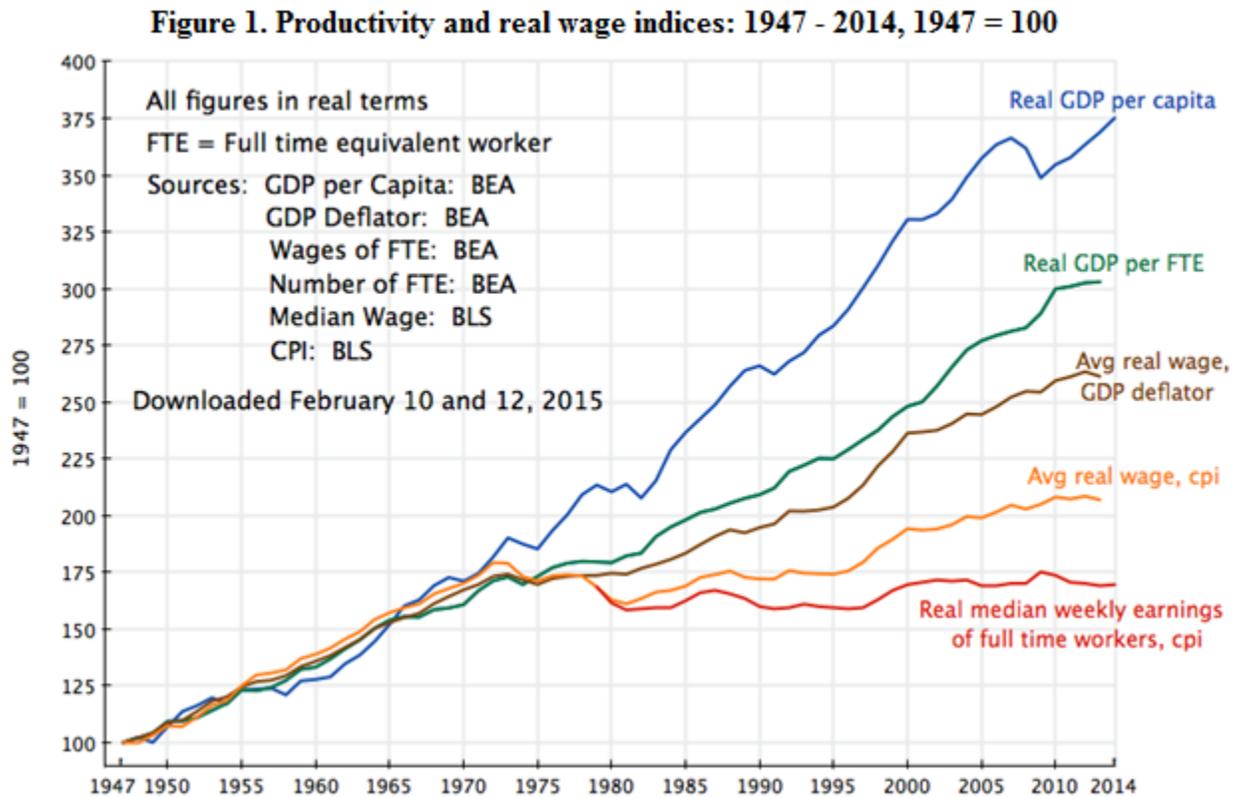
A stratification perspective on structural racism is presented in this paper. The

relationships among wages, productivity, competitive power, and race are discussed in section I. Next, it is argued that the reproduction of structural racism is an outcome that begins with involuntary unemployment and competitive differentiation. Section III is a discussion of the economics of racial identity as a social construction. The link between job competition and racial discrimination in the labor market is discussed in Section IV. Some of the empirics of contemporary racialization are discussed in Section V. Public policy and political action are discussed in section VI.

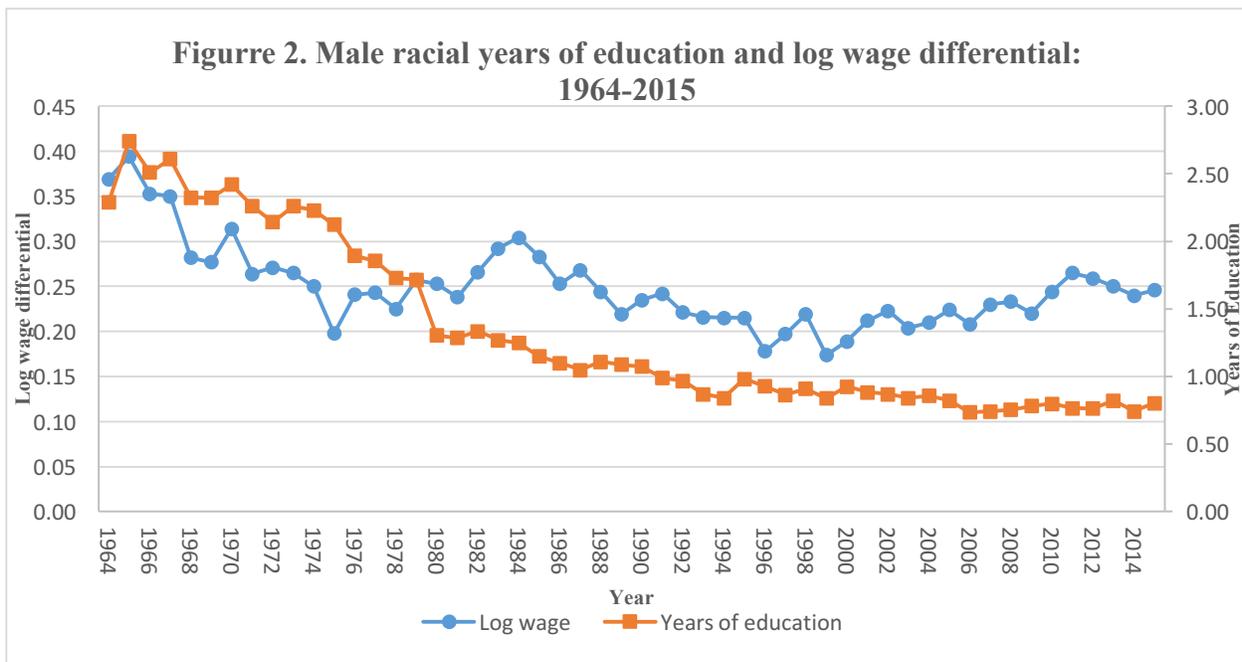
I. The wage-productivity nexus and competitive power

The competitive struggle between workers and managers creates the possibility that workers will not automatically share in productivity gains. Technically, the hourly wage – hourly productivity ratio $\left(\frac{wage}{productivity}\right)$ is variable across firms, industries, and time. Among other factors, this ratio is proportional to the relative strength of worker bargaining power. From the end of World War II until the 1974-1975 recession, wages and productivity (real GDP per capita) grew at the same rate (Figure 1). However, between the 1974-1975 and 1981-1982 recessions, both productivity growth and wage growth stagnated as median wages were falling. From 1980 to 2014 productivity grew by about 80 percent while real wages showed lower growth (average real wage, GDP deflator), dramatically lower growth (average real wage, consumer price index), or declined for most of the period (real median weekly earnings of fulltime workers, consumer price index). Companies had the ability to pay higher wages between 1975 and 2014, but workers lost the ability to make them pay – especially workers below the highest wage levels.

Also, the 1974-75 and 1981-82 recessions were turning points in the struggle against racial discrimination within the labor market; discrimination also increased during 1975-2016.



Source: Why Wages Have Stagnated While GDP Has Grown: the Proximate Factors. An Economic Sense. February 13, 2015. <https://aneconomicsense.org/2015/02/13/why-wages-have-stagnated-while-gdp-has-grown-the-proximate-factors/>.



Source: Author’s calculations, Current Population Survey Annual Social and Economic Supplement, 1965 – 2016. Sample includes Non-Hispanic white and African American males 16 – 64 years of age, not self-employed, not institutionalized, and labor force participants.

Figure 2 shows the differential in mean years of education for African American and white males. During 1966 white male workers ages 16 - 64 had an advantage of 2.57 years of education. This advantage was 1.95 years in 1975, 1.29 years in 1982, 0.95 years in 1992, 0.68 years in 2007, and 0.76 years in 2016. Hence, the racial difference in this measure of skill declined between the mid-1960s and the mid-1970s and continued to decline between the mid-1970s and the present.

The decline in the racial gap in years of education more or less tracks well with the decline in the racial wage differential during 1960-1980; thereafter, this skill gap continues to decline while the racial wage gap increases for a few years before settling back down. There has been virtually no progress on closing the racial wage gap during 1980-2015. The racial wage gap was 0.25 log points in 1980 and 0.25 log points in 2015.

Collectively, Figures 1 and 2 are consistent with the stratification perspective that

bargaining power and racial identity are important factors for determining the distribution of income in competitive markets; all workers lost bargaining power relative to management between 1980 and 2016 and black workers lost bargaining power relative to white workers. As a result, median wages stagnated during a period when productivity was increasing and racial wage inequality stagnated during a period when racial skill inequality was declining.

II. Involuntary joblessness and discrimination in the labor market

Structural racism has an intimate connection to macroeconomic issues of effective demand and economic growth. A long and varied list of economists has argued that capitalist economies do not have a normal tendency to provide employment to every person who is willing and able to work (Malthus, 1820; Keynes, 1936; Kalecki, 1954; Gordon, Edwards, and Reich, 1982; Minsky, 1992; Galbraith and Darity, 1994; Stilitz and Bilmes, 2012; Shaikh, 2016). Chronic unemployment and underemployment are labor market norms; joblessness is a characteristic of the economic system itself rather than an outcome that has occurred because wages, prices, or public assistance is too high or because of some other impediment to competition. As such, some persons will be unemployed regardless of their education, family background, intelligence, or other individual characteristics. Persistent involuntary joblessness in a competitive capitalist economy creates the possibility for differential treatment by race within the labor market, that is, the possibility that individual productive capacity is not the only factor determining who works and who does not work – jobs may be allocated according to factors other than the productivity related characteristics of workers.

Donald Harris (1972) provides the following observations.

- [I]n the presence of chronic unemployment, discrimination plays an active and determining role in **rationing** the available total of employment and unemployment (p.

11).

- But, given the total amount of employment, the mechanism also operates to channel blacks into low-paid unskilled jobs (p. 26).
- [D]iscrimination and unemployment are causally related (p. 26). [In this respect, discrimination is not an **independent**, but a **dependent**, variable of the problem (p. 32)].
- [I]n addition, because of the structural division in the working class which discrimination implies, it serves also to weaken the position of the working class as a whole (p. 27).
- The struggle against discrimination and "racism" in employment is, in part, a struggle for **equalizing the distribution of employment and unemployment**. It is in part also a struggle for strengthening the position of workers as a class and their ability to make demands upon the system (p. 27-28).

Persistent full employment is an important first step for eradicating structural racism. But, policymakers must be aware that there are racial differences in the effects of counter-cyclical employment policies. For example, after the stagflation of 1974-75 and following years of inflation, the Federal Reserve System became much more concerned with fighting inflation than fighting unemployment. Carpenter and Rodgers (2004) show that the African American employment-population ratio is more sensitive to restrictive monetary policy than the white employment-population. This is so because interest rate increases by the FED increase African American unemployment (especially among teenage African Americans) more so than white unemployment. In particular, they find that African Americans are not necessarily disproportionately employed in interest rate sensitive industries, but that African Americans have a relatively more difficult time finding employment during recessions. Importantly, they also find that contractionary monetary policy does not decrease labor force participation rates; hence,

the fall in employment-population is due entirely to the rise in unemployment.

III. Economics of racial identity as a social construction

Both workers and managers enter labor market and other social transactions with racial identities that are stable social norms. Racial identity norms are outcomes of strategic social interactions among all persons and they have strong effects on the material life-chances of persons (Darity, Mason, and Stewart, 2006). In particular, these norms are associated with privileged access to public and private resources for dominant groups. Individual attempts at open deviations from racial identity norms result in lower payoffs from social interactions within a person's own- and other-group. Despite the strong resistance against racial identity mutations, there are times when racial identity norms change. Sometimes, large scale political events or public policies will reinforce racial identity norms, while at other times these political events or public policies will alter racial identity norms.

Racially discriminatory practices to preserve privilege are likely to persist rather than fade since racial discrimination within the labor market is consistent with the competitive process. In his monumental study Black Reconstruction, W. E. B. Du Bois (1935 p.700) addressed the question of why lower class whites stayed in the white racial coalition rather than joining with blacks to challenge the white elite. His answer begins with the suggestion that, in the immediate aftermath of Reconstruction, lower class whites received a sheer "psychic benefit" from their racial status: "...the white laborers, while they received a low wage, were compensated in part by a sort of public and psychological wage...." Despite Du Bois' use of the phrase "psychic wage," his discussion of the specifics of the "public and psychological wage" delineates tangible relative benefits that can be assigned monetary values:

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

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

Persistent joblessness and unequal labor market treatment create anxiety for working class persons and their families. Workers seek protection from these severe risks to their families’ current and future wellbeing. Per Du Bois, racial identity norms are outcomes of instrumentally strategic behavior. Even if white workers do not get the highest possible wages, they get other valuable outcomes: better schools and therefore higher quality and quantity of skills for their children, lower probability of joblessness, better public parks for collective entertainment and higher home values, greater access to public functions and greater quality and quantity of social capital, better treatment by the police and the courts, and greater access to

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public officials responsible for providing valuable public services, as well as a host of psychological benefits. On the other hand, black workers receive lower pay than white workers within the labor market and less favorable outcomes than white workers outside the labor market. The racial contract – white worker tolerance of racial labor market inequality, higher profit for capital, and a racially advantage social wage for white workers – apparently still exists among whites in the United States. Per Dubois, the complete material payoff to white workers of remaining within their racial coalition trumps their class interests of joining with blacks to fight for higher wages and an end to discrimination. Whites of all social classes have a much lower likelihood of exposure to unemployment. Not only is the overall black adult (25 years of age and older) unemployment rate consistently two times as high as the white rate, but at each level of educational attainment the black rate also tends to be double the white rate. The unemployment rate for blacks with some college education exceeds the rate for whites who have not completed high school (Fletcher 2012). Devah Pager’s (2003) field experiments reveal that the odds of a white male with a criminal record receiving a call back for a job are greater than that for a black male with no criminal record, given comparable age and educational attainment.

Stewart (1995) initiated a growing literature on the economics of identity. Endogenous identity refers to social identity that is instrumentally and invidiously linked to differential material opportunities. Variation in phenotype is not inherently linked to differences in wealth, power, status, or, for that matter, “culture,” behavior, and values. When social significance is ascribed to phenotype, then phenotype is transformed from an element of classification to an endogenous racial identity.

Stewart argues that an individual’s race is both a form of individual identity and a means of competing in the market. Further, since racial identity is a means of competing for resources

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there is a positive externality associated with the social stock of own-group racial identity in the market and a negative externality associated with the stock of other-group race-cultural identity in the economy.

Darity, Mason, and Stewart (2006) build on Stewart's insights to examine the relationship between wealth accumulation and formation of racial identity as a social norm. Persons have agency in the construction of their own-group social identity, but social identity formation is not a solo act. Identity provides persons both with a means of entering into groups (and therefore represents a source of personal satisfaction) and a means of attaining status within groups (and therefore is connected to wealth accumulation).

Many social groups are open to each person: family, neighborhood, social clubs, educational affiliation, religious institutional membership, professional organization, etc.. Membership in each of these groups requires accepting the identity of the group, just as persons are frequently excluded in order to preserve the particular identity of the group. Within the US race is an encompassing identity that conditions entry into most other social groups and identities. Within other societies, caste, religious affiliation, national origin, etc. may be the dominant conditioning category.

Because wealth is the most consistent substantive measure of status attainment in social groups, the construction of racial identity has an impact on income, independently of any effect that it may have on skill accumulation. Some racial identities will raise a group's rate of return to skill above the social mean (social nepotism and protection against discrimination); others will push the group's rate of return below the social average (limited nepotism and limited protection against discrimination), while some other identities may have a direct effect on personal satisfaction without having an earnings effect (social neutrality). So, identity can affect skill

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accumulation without having a mediating relationship to family values or personal behaviors.

The social construction of racial identity norms is an evolutionary process reflecting the collective interactions of all persons in society. Persons cooperate and compete over a range of socioeconomic activities, for example, employment, education, housing, credit, mating opportunities, religious, political and other institutional leadership positions, and so forth. Each person utilizes his or her own personal productive abilities in these social interactions and each person competes or cooperates by employing an identity strategy that allows him/her greater or lesser access to some portion of group resources that he or she may draw upon to enhance productive potential. In particular, people engage in social interactions with resources that are provided or withheld from them by their families, other nurturing groups, and those who support a particular identity strategy. People construct racial identities by adhering to specific identity strategies. Each person selects an identity strategy that increases his or her well-being, given the set of identity strategies selected by all other persons. Strategies that are wealth-increasing are imitated by others whose previous strategies may have been wealth-decreasing. Thereby, a racial norm is established.

The contention that racial identity is endogenous does not imply that there are no social constraints on a person's racial self-identification. On the contrary, there are norms associated with racial construction. For example, persons of African descent may decide whether they wish to establish a "black" identity or whether they wish to interact with others solely as "individuals." But, prevailing social norms do not permit persons of African descent to become "white," at least not in the US. Conversely, in Brazil persons of African phenotype may have the option of selecting "pardo" (brown) or "preto" (black). So, there is an opportunity for African phenotype persons to select away from blackness even if they cannot select into whiteness.

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Wealth inequality is the socioeconomic mechanism that transfers the circumstances, conditions, traditions of “dead” generations. At a given point in time social norms establish the identity strategies that are available to individuals; yet, the competitive survival of the fittest strategies, that is, the identity strategy which has the most positive influence on wealth accumulation, will influence the construction and replication of social norms. In the historically specific context of the US, Americans of European descent have used their political economic dominance to construct barriers to entry into and barriers of exit from “whiteness.” Conversely, in this social context, “blackness” is the ultimate nonwhite social construct; it is an antithetical residual category for those persons with the least access to the presumptive privileges of the property rights inherent in whiteness. Non-whiteness then is a social construction for limiting competitive challenges for whites.

If person-specific or small group violations of the economic canons of racial identity norms, that is, mutations, are sufficiently costly these innovations will not be imitated by others and the norm will persist. Think, for example, of small restaurant owners in the Jim Crow South who would not serve black customers – even though such sales *ceteris paribus* would increase the restaurant’s profits. But, all else would not be held equal; white customers would decrease their patronage, other businesses (banks, suppliers) may decide to restrict their market interactions with the restaurant owner, and church members and neighbors may become hostile. In short, whites who are otherwise unaffected or even better off by the restaurateur’s decisions to serve black customers, provide in-group resources and sanctions linked to strengthening group position.

Historically, “passing” was an individualistic strategy to arbitrage differences in the payoff to racial identities. The formation of so-called mixed-race identity strategies also may be understood as racial identity arbitrage. For individuals who lack the phenotypic characteristics to pass or claim

mixed-race identity, the individualist arbitrage strategy may include acculturation. An extended discussion of acculturation is withheld until section V.

IV. Job competition and racial discrimination in the labor market

Stratification economics presents a theory of racial discrimination whereby discriminatory behavior can be profit-increasing and therefore an element of competitive managerial strategies by firms (Mason, 1999, 1995). Compensation is determined by the ability of firms to pay (productivity, competitive structure, and managerial strategy) and the ability of workers to make firms pay (bargaining power). Competition for profit forces firms to innovate, cut unit cost, create product diversity, and expand market share. But, competition does not insure that wages are a fixed and just percentage of productivity and it will not insure that equally skilled workers will have equal labor market treatment. Labor-capital bargaining over the share of output and differential compensation for otherwise identical workers is the competitive norm, not the exception.

Firm managers are in a continuous competitive rivalry with their workforce. Competitive survival and profit-increasing behavior establishes constant pressure to increase work effort, to hold down pay (reduce the wage-productivity ratio), to trade lower firm wages for the promise of a higher social wage, and to increase managerial discretion regarding labor allocation. Within an industry, the competition between workers and managers is most intense at high cost firms. Between industries, the competition between workers and managers is most intense among industries with the least resistance to entry by potential rivals. Each firm selects a managerial strategy consistent with its competitive rivalry with other firms and its internal competition with workers. The average wage rate paid by firms to otherwise identical workers will differ because firms have differing competitive structures and differing managerial strategies, within and

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between industries.

Stratification economists link persistent discrimination to job competition (Darity, 1989; Darity and Williams, 1985; Mason, 1999, 1995; Williams, 1991, 1987). Racial identity is a coalescing force among workers and between workers and managers. Racial groups have unequal access to persons with control over resources and to persons embedded into positions of power and authority. With less power among workers and less power in social interactions with managers, African American workers have more difficulty than whites in gaining access to the most desirable jobs.

Suppose we have a group of racially different but otherwise identical workers. These otherwise identical workers may receive different pay for doing the same work because they are employed at firms that are differentiated by the capacity to pay and by the capacity of workers to make firms pay. Workers who perform the same job at the same firm will receive similar pay. However, otherwise identical workers who perform the same job at firms with less competitive characteristics or who are part of workforces with lower bargaining power may receive lower pay. Competing racial identities and different pay for equal work is the competitive norm as each firm utilizes the technology, managerial strategy, and marketing strategy that provides the strongest competitive advantage.

The bargaining power of workers is strongly related to the fraction of the workforce that is organized, the quality of worker organization, and the form, scope, ideology, and structure of worker organization. Worker inequality lowers bargaining power, which in turn reduces the firm's average wage rate. Movements away from egalitarian wages, hours, working conditions, on-the-job training, hiring, layoff, and promotion opportunities disrupt bargaining cohesion among workers. Racial conflict outside of the workplace also limits coalition building within the workplace; hence, a

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socially homogeneous workforce may be more easily organized and more cohesive than a socially heterogeneous workforce. Also, per Thurow (1975) the racial composition of the workforce is an important economic variable if the social identity match of journeyman and incoming workers is an important factor in the relative efficiency of on-the-job training. These considerations suggest that neither managers nor workers are indifferent to the social identity composition of the workforce and the nature and extent of inequalities among workers. The actual social composition of the labor force, that is, its racial-ethnic, gender, or other diversity, depends on the contending interests between and among workers and managers.

Differences in pay for otherwise identical workers will encourage intense competition among workers for the highest paying jobs and greater labor effort among those workers who are able to obtain employment. Workers will participate in strategic identity coalitions that seek to limit competition from other social groups. Race and gender are two of the more salient ascriptive characteristics for establishing coalitions. Racial identity matters because it is a cultural coalescing force used by workers to improve their relative positions in the labor queue (Darity, 1989). White male employment density has a positive correlation with the wage differential; regardless of race, individual remuneration increases with the white male employment density of a job (Mason, 1995 and 1993b).

Notably, also, there is nothing within the stratification perspective which provides an automatic link between changes in the racial skills gap and changes in the racial wage or employment gap. Measured over time or across regions, the racial skills gap may decline even as the racial wage and employment gaps are increasing. Hence, the stratification perspective is consistent with 1974-present stagnation in racial inequality (among males), while considerable improvement took place in the relative educational attainment of blacks (especially between

1974 and 1990). Similarly, during the Nadir (1877 – 1914) the racial skills gap decreased while the racial gap in occupational status increased (Darity, Dietrich, Winfrey, 2001; Darity, Guilkey, and Winfrey, 1996).

V. Contemporary Racialization

Standard econometric analysis of African American – white inequality incorporates racial classification as an exogenous binary variable. This approach masks colorism within racial identity groups and it fails to challenge the notion that race is a biological datum rather than a social construction. Darity, Mason, and Stewart (2006) present racial identity formation as an evolutionary game, which provides a framework for understanding racial identity formation as socially constructed norm resulting from millions of social interactions among persons of alternative historical groups. Social norms regarding racial identity formation in Darity et al. are guided by altruistic intragroup social interactions and antagonistic intergroup social interactions. This model can explain social phenomena such as racial labeling, acculturation, and colorism.

Racial labeling

Self-identification and labeling conventions are social norms that emerge to distinguish social groups and thereby facilitates differential degrees of access to private and social resources within and between social groups. Racial conventions are fashioned to limit entry into the wealthiest social group. When racialized identities exist as a social norm, an obvious convention is, "Persons with light skin color are white; otherwise, the person is non-white, for example, black." Over time, this binary descriptor would make "European" synonymous with "white" and "African" synonymous with "black."

Racial descriptors permit access to intra-group altruism while also identifying individuals for other-group antagonism. Parents must decide whether

they will socialize children to accept or reject the racial identity system.

Accepting or rejecting the racial identity system affects the payoffs that children will receive when they interact with members of their own and other groups.

When a racist or mixed identity norm exists, it is in the best interest of each parent to raise their offspring to accept the binary descriptor. If the majority of other group parents raise their children to accept the binary descriptor, then it is in the best interest of all own-group parents to raise their children to accept the binary descriptor (Darity, Mason, and Stewart, 2006:299).

Acculturation

In a racialized economy, transracial acculturation by a single person or a small sub-group of persons is a social innovation. It is difficult for this innovation to spread and dislodge the racialized equilibrium because acculturation reduces participation in own-group benefits and increases the costs borne by a single person or small sub-group of persons due to other-group antagonism. Yet, if there are differential rates of return to social group identities some persons may attempt identity arbitrage, that is, to find a mechanism that allows transracial acculturation into the group with the higher rate of return to social identity. If a person attempts transracial acculturation and the person is accepted into the alternative (greater resources) group, then the person's identity strategy will yield a higher payoff. In this case, a higher payoff means higher wages and better access to employment. If a person attempts transracial acculturation and is not accepted into the alternative group, then the person's identity strategy will yield a lower payoff. A failed attempt at transracial acculturation reduces access to both own- and other-group resources.

In a racialized economy, interracial acculturation is a social mutation. Historically,

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“passing” and “acting white” (sometimes referred to as Tomming) have been two forms of acculturation within American society. “Passing” occurs when Euro-phenotype persons of African descent select a white racial identity or when Afro-phenotype persons of European descent select a black social identity. Persons might wish to pass in order to arbitrage differences in economic wellbeing associated with racial identities. If there is a large economic payoff to whiteness, there will be strong incentives for European-featured Africans to identify as white and relatively little incentive for African-featured Europeans to identify as black.¹ Passing was particularly popular between the 1850s and 1940s, but appears to be much less prevalent today (Sollors, 1996).

“Tomming” is ideological passing for those who lack the appropriate physical features to pass. Nothing in the Darity, et al. model limits this mutation to a particular group, but if economic motives are the primary reasons for acting white, we should expect to see a greater presence among the least wealthy social group. Hence, African Toms are not permitted to pass as white, but they are permitted to pass as individuals among whites if they are sufficiently ideologically integrated into whiteness.

Mixed-race self-identification is another acculturation strategy. In part, mixed-race self-classification is an idiosyncratic consumption good, but it may also be the case that mixed-race self-identification is an acculturation strategy that seeks to arbitrage differences in economic inequality associated with the market and social premia obtained by white-only individuals relative to black-only individuals. Consequently, a mixed-race self-identity strategy may not get a person into an advantaged group (e.g., white-only in the US) but it may allow an individual to more or less successfully distance himself from a disadvantaged group (e.g., black-only in the US).²

Identity and culture

Ruebeck, Averett, and Bodenhorn (2009) compare the risky behaviors and academic success of non-Hispanic white, black, and black-white biracial youth. Ruebeck, et al. seek to empirically examine the individualist framework of acting white to generate hypotheses regarding "acting out" by youth of alternative social groups. Within stratification economics, acting white is an acculturation strategy, completely divorced from assumptions regarding racial differences in market-functional personal behavior, values, and culture. But, within the individualist framework acting white is not an attempt at transracial acculturation. Rather, for individualists the acting white perspective is constructed on the notion that African American youth are anti-intellectual while white youth are academically oriented (Fordham and Ogbu, 1986). Hence, individualists assert that blacks who are studious are violating African American cultural prescriptions and therefore are negatively perceived as "acting white." Studious African American students will then be punished by the anti-intellectual black majority. There is no punishment for whites who are studious. Per Fordham and Ogbu, African Americans' anti-intellectual culture is an important cause of the black-white gap in academic achievement and therefore, also, the black-white gap in labor market outcomes.³

If self-identified biracial youth wish to establish that they are authentically black then they too will adopt an anti-intellectual (or, more politely, "oppositional") culture. Specifically, Ruebeck, et al. hypothesize that self-identified bi-racial youth and black youth are more likely to "act out" and high achieving (that is, high GPA) bi-racial and black youth will be even more likely to "act out" as a compensating mechanism for being high achievers within a group that is alleged to have an anti-intellectual culture. Ruebeck, et al. find no evidence to support the individualist version of the "acting white" hypothesis, finding instead evidence that is directly

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contradictory to the individualist perspective. Ruebeck, et al. go on to conclude that the evidence suggests that self-identified bi-racial youth are constructing an identity that is neither black nor white.

Ferguson (2008) also suggests that the data are inconsistent with the individualist economics understanding that there is an "acting white" phenomena related to anti-academic achievement attitudes among African Americans. Instead, in agreement with the Darity, et al. model, Ferguson's results show that to the extent African American youth label another African American youth as acting white it's because the student is quite literally acting white, that is, frequently listening to "white" music or speaking in a manner similar to whites. Tyson, Darity, and Castellino (2005) also conclude that the individualist acting white hypothesis is not valid. Instead, Tyson, et. al. argue that regardless of race all high achieving students are to some extent labeled "nerds" or "geeks."

Into and out of whiteness

Ben Franklin (1751) thought America provided a great economic opportunity for common whites to achieve a high measure of economic wellbeing. To protect this opportunity Franklin wanted entry into America to be limited to "purely white people," which for Franklin meant only English and German Saxons. Groups to be excluded from America included: Africans, because they are either black or tawny; Asians, because they are tawny; Indigenous Americans, because they are tawny; and, swarthy complexion Europeans such as Spaniards, Italians, French, Russians, Swedes, and all Germans except Saxons. Franklin used phenotype to determine pure white identity group membership and access to greater economic opportunity in America for common persons. Phenotype remains an important predictor of racial identity (Golash-Boza and Darity, 2008). However, controlling for phenotype, racial identities are subject

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to change over time, regions, or countries (Brodkin, 1998; Ignatiev, 1995). Many groups Franklin wished to exclude from becoming American citizens because of their swarthy complexion are today considered “pure white.”

The intensity of racial identity may vary within racial groups. Growth in the density of own-group identity is proportional to changes in the other-group antagonism (Mason, 2017). This suggests that the intensive and extensive margins of self-identification of a racial group (for example, African American self-identification as black-alone versus mixed-race) will increase with an increase in other-group (white) antagonism, viz., an increase in racial or ethnic minority social and economic discrimination will increase the intensity of identification with the minority racial or ethnic group. This is a counter-intuitive result. With an increase in white antagonism there is a relatively large increase in the own-group protection benefit to self-identifying as black-alone; hence, an increase in white antagonism will raise the incentive to self-identify as black-alone.

Exogenous events, for example, an existential threat to the nation may provide strong incentives to reduce racialization. Because the military is charged to protect the nation from this type of threat, it has sought to develop a military identity that dominates the pre-enlistment racial identities of persons joining the armed forces. But, Stewart (2009) finds currently existing institutional rules and procedures designed to reduce the intensity of pre-enlistment racial identity and to increase the intensity of post-enlistment military identity have limited efficacy.

Arab ethnicity and Islamic religious affiliation were stigmatized by the public and private reaction to the Al Qaeda attacks of September 11, 2001 and a series of following events, viz., the US led invasion of Iraq during March 19, 2003 – May 1, 2003, the long war following the Iraq invasion and the discussion of the war in the elections of 2004, the racially charged US

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presidential election of 2008, and the Congressional elections of 2010. Mason and Matella (2014) use interstate changes in the percentage of hate crimes targeted at Muslims to identify exogenous changes in the post-9/11 racial environment. (See also Gould and Klor, 2015). They find that a one percentage point increase in anti-Muslim hate crimes is associated with a 9% increase in the odds an Arab or Islamic American will self-identify as non-white, that is, either black or other-race. The point estimates for native-born persons and immigrants are 28% and 7%, respectively.

Mason (2017) uses changes in a state's fraction of white votes for Obama in 2008 relative to Kerry in 2004 to provide an empirical proxy for a change in white antagonism toward African Americans. This study finds that there is a positive and statistically significant Obama-effect on African American self-identification as mixed-race rather than as black-alone. Point estimates of the Obama effect on African American racial identity range from a low of no statistically significant effect for elderly African Americans to a high of 1.09 percent marginal effect for young African Americans self-identifying as mixed-race. The Obama effect is strongest among the non-elderly (especially young adults), Hispanics, and immigrants.

Antman and Duncan (2015) find that the racial identity effect of an increase in white antagonism depends on whether a group is under- or over-represented in particular social and economic outcomes. Specifically, the imposition of a state government ban on affirmative action policies in higher education, contracting, and employment, decreases the incentives for persons affiliated with underrepresented ancestral groups to self-identity as a member of the racial group, while persons affiliated with overrepresented ancestral groups are more likely to self-identity as a member of the racial group. Hence, Antman and Duncan find that when affirmative action bans are implemented persons of African ancestral origin are less likely to self-identity as black, while

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persons of Asian ancestral origin are more likely self-identify as Asian.

Mason (2004b) finds that after controlling for skin shade and phenotype, English language fluency, and Spanish accent, that self-identification as Chicano and Spanish fluency has a negative effect on the earnings of Mexican Americans in comparison to persons who do not self-identify as Chicano and who are not fluent in Spanish. This is a clear Latino identity penalty.

African American immigrants

Post-1965 immigration has engendered large increases in the fractions of racial, ethnic, and religious minorities in America. For example, many African Americans are 1st and 2nd generation immigrants with origins in the Caribbean and Latin America, nations with diverse populations and where colorism and labor market discrimination resemble the patterns found in the US. For example, Silva (1985) found that blacks and mulattos (or "browns") shared closely in a relatively depressed economic condition relative to whites, and mulattos earned slightly more than blacks. Relative to black and brown children, white Brazilian children receive a higher return to education within the market. Rangel (2006) presents evidence that Brazilian parents adjust to this differential rate of return by investing slightly more resources in the education of white children relative to their non-white siblings, which reinforces statistical discrimination in the market.

For most black immigrants, length of time in the US strengthens the intensity of black self-identification. Specifically, 2nd generation black immigrants are more likely than 1st generation black immigrants to self-identify as black-alone. But, ethnicity also matters. For example, among African Americans who have resided in the US for at least 3 generations, Hispanics blacks are nearly 14 percent more likely than Non-Hispanic blacks to self-identify as mixed-race, that is, black-white, black-white-other, or black-other, rather than as black-alone

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(Mason, 2017). First generation Caribbean-English black immigrants are moderately less likely (1 percent) to self-identity as mixed-race, while second generation Caribbean-English black immigrants are not more or less likely to self-identify as mixed-race. First generation Caribbean-Spanish black immigrants are 8 percent more likely to self-identity as mixed-race, while second generation black Caribbean-English immigrants are about 5.5 percent more likely to self-identify as mixed-race. Both 1st and 2nd generation Haitian immigrants are about 2 percent less likely to self-identity as mixed race. First generation African black immigrants are 4 percent self-identity as mixed-race, while second generation African black immigrants are not more or less likely to self-identify as mixed-race. First generation European, Asian, and Oceania black immigrants are 9 percent more likely to self-identity as mixed-race, while second generation European, Asian, and Oceania black immigrants are 19 percent more likely to self-identify as mixed-race. So, black immigrants from predominately white countries are less likely to identify as black-alone as they increase their length of time in the US.

Black immigrants have earnings penalties that are at least as large as those of 3rd generation Non-Hispanic African Americans (Mason, 2016). Although these penalties decline with length of time in the US, they are not eliminated (as one would expect in a labor market with no racial discrimination) and tend to become very similar to the wage penalties of 3rd generation Non-Hispanic African Americans (as one would expect in a labor market with substantial racial discrimination). For example, immigrants arriving as emerging adults (18-25 years of age) have about 15 years less time in the US than immigrants arriving as children (less than or equal to 12 years of age). Caribbean-English males who arrive in the US as emerging adults earn 22 percent less than native-born Non-Hispanic white males. But, Caribbean-English male immigrants who arrive in the US as children a wage penalty of 11 percent. By comparison,

3rd generation Non-Hispanic African American males have a 20 percent wage penalty.

Caribbean-Spanish male immigrants arriving in the US as children have a wage penalty of 20 percent, while those who arrive as emerging adults have a wage penalty of 32 percent. This is about the same as black male immigrants from Europe, Asia, and Oceania. Haitian male immigrants arriving in the US as children have a wage penalty of 27 percent, while those who arrive as emerging adults have a wage penalty of 38 percent. English- and French-speaking African male immigrants arriving in the US as children have wage penalties of 22 percent and 33 percent, respectively. Their counterparts arriving as emerging adults have wage penalties of 33 percent and 44 percent. African male immigrants without origins in an English- or French-speaking country and who arrive in the US as children have a wage penalty of 27 percent, while those who arrive as emerging adults have a wage penalty of 38 percent. African male immigrants are better educated than 3rd generation Non-Hispanic African Americans (12.82 years) and native-born Non-Hispanic white males (13.56 years). English-speaking African males immigrants average 14.9 years of education, while French-speaking and Other-language African male immigrants have average 13.6 and 13.4 years of education, respectively.

Contemporary Colorism

Colorism is a discriminatory process whereby the extent of racial disparity varies by phenotype (Goldsmith, Hamilton, and Darity, 2007). Strict colorism exists when the extent of racial disparity against African Americans decreases monotonically as racial identity changes from black-only to black-white to white-only. Weak colorism implies that lighter skin-shade persons may experience differential market payoffs relative to darker skin African Americans, but there is not a monotonic change in disparity as skin-shade changes from very dark to very light.⁴ Historical economics, social psychological, sociology, and contemporary labor economics

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provides empirical evidence suggesting that colorism is an important feature of contemporary racial discrimination. These studies focus on both the US and on the primary countries of origins for immigrants of African descent, for example, the Caribbean, South America, and Africa. Some studies include self- or interview-reported measures of skin shade, while others utilize self- or interview- reported multi-racial classifications that are straightforwardly correlated with skin shade. The critical empirical economics issues are whether skin shade is a random assignment with respect to individual productivity and whether we have sufficient or consistent evidence of a skin shade gradient. If skin shade is not a random assignment then the critical issue is the nature and extent of the correlation between phenotype and unobserved or missing variables.

Identity differences among African Americans were widespread during the 19th century. In their analysis of 1860 census data of the urban South, Bodenhorn and Ruebeck (2003) found that mixed-race persons, "mulattoes," often had economic incentives to distinguish themselves from blacks. By rejecting blackness and "acting white" it was sometimes possible for mulattoes to obtain better education, higher occupational status, and greater wealth accumulation (Bodenhorn and Ruebeck, 2007). Simply separating themselves from black-only or darker African Americans was not sufficient for mulattoes to achieve greater socioeconomic wellbeing, the separation also had to occur in a context whereby it was beneficial to whites. Further, the advantages of mixed-race identity varied by region and by the demographic composition of the population.

Mixed-race individuals of the Lower South (and the Caribbean) were most frequently the children of affluent white males and (free or enslaved) black women; hence, they secured advantages not available to individuals who were black-only, for example, manumission, some degree of education, and inheritance from fathers. (See Bodenhorn, 2003 and accompanying

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references). Mixed-race persons of the Upper South were most frequently the children of poor white males and enslaved black women. Hence, the mulatto-black economic differential in the Upper South may have been less extensive than the mulatto-black economic differential in the Lower South.

Bodenhorn and Ruebeck (2007) confirm a pattern of strict colorism in the 1860 Urban South. They found that black and mixed-race male heads of household accumulate 92 and 45 percent less wealth, respectively, than otherwise identical whites. Similarly, black and mulatto female heads of household accumulate 106 and 63 percent less wealth, respectively, than otherwise identical whites. Similarly, in an analysis of 23 counties in rural Virginia Bodenhorn (1999) reports that black-white males attained an average terminal stature of 68.5 inches compared to a terminal stature of just 67.1 inches for dark males, while black-white women were, on average, more than 2 inches taller than dark complexion women.

Both the sociology (Keith and Herring, 1991; Herring, Keith, and Horton, 2004) and social psychology (Maddox, 2004; Blair, Judd, and Chapleau, 2004; Blair, Judd, Sadler, and Jenkins, 2002) literatures have documented strong empirical effects associated with skin tone colorism. For example, using the 1979-80 National Survey of Black Americans, Keith and Herring (1991) construct a continuous skin tone variable ranging from a value of 1 (very dark) to 5 (very light). In a series of beta coefficient regressions, they find that a one standardized unit increase in lightness is associated with greater years of education, higher occupational status, greater personal income, and greater family income.

Goldsmith, Hamilton, and Darity (2007) attempt to ascertain whether a preference for whiteness influences inter- and intraracial wage inequality. Their work utilizes samples from the 1979-80 National Survey of Black Americans (NSBA) and the Multicity Study of Urban

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Inequality (MCSUI).⁵ For the both the MCSUI and NSBA datasets, Goldsmith, Hamilton, and Darity find evidence that is consistent with weak colorism.⁶ In particular, African Americans as a whole suffer a market penalty relative to whites but the penalty for lighter African Americans is lower than the penalty for medium and darker shade African Americans; there is no statistically significant difference between the penalties for the latter two groups. The absolute value of the skin shade coefficients depends on the method of estimation (ordinary least squares versus median regression), type of regression (standard versus ex ante), the number and type of wage covariates, and whether one is using the MCSUI or NSBA dataset.

The NSBA regression shows that light-skin African Americans earn 13 percent more than darker skin African Americans and there is no statistically significant difference between the earnings of medium and dark skin African Americans. This is weak skin tone colorism. The NSBA does not contain white respondents; hence, we cannot compare the earnings of light skin shade African Americans with whites.

The MCSUI data do contain white respondents. The light-skin coefficient was not significant in any of the mean $\ln(\text{wage})$ or median wage regressions. The medium skin tone and dark skin tone coefficients were significant in all regressions and the African American coefficient was significant in all regressions. The light-medium differential was significant in the standard mean $\ln(\text{wage})$ regression, but not the light-dark differential. However, both the light-dark and light-medium differentials were significant for each of the mean ex ante regressions. The skin tone differentials were not statistically significant in the standard median regressions. Both the light-dark and light-medium differentials were significant for 4 of the five median ex ante regressions.⁷

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Within the NSBA, Hersch (2006) finds no statistically significant skin shade effects for women and all of the coefficients had signs at variance with the existence of colorism. Hersch's point estimates suggest that very dark and medium complexion African American males have hourly wage penalties of -0.21 log points relative to lighter complexion African American males, while the differential for medium complexion black males is -0.18 log points.⁸ So, there is weak colorism among African American males while we cannot reject the hypothesis of no colorism in the earnings attained by African American women.

Using the MCSUI sample, Hersch (2006) reports that the log of hourly wages is 0.21 log points lower for black males relative to white males, while dark black females obtain wages that are 0.15 log points lower relative to white females. When analysis of the MCSUI data is restricted to respondents interviewed by a black interviewer, dark black males/females obtain 0.26/0.16 lower hourly wages than white males/females.

The wage differential for medium black males and females is -0.19 and -0.17 log points, respectively, relative to otherwise identical white males and females. Restricting the sample to observations with black interviewers, the coefficients are -0.18 for medium black males -0.20 for medium black females. Light complexion African American men and women obtain 0.15 and 0.11 log points lower hourly wages than white men and women. The male coefficient has just a 10 percent level of significance. Restricting the sample to observations with a black interviewer, light black males/females obtain 0.14/0.12 log points lower hourly wages white males/females. Hersch's analysis of the MCSUI data is consistent with colorism effects in the hourly wages of African American men and women.

Hersch (2007) finds that immigrants with the lightest skin tone earn 8 – 15 percent higher wages than darker immigrants with the same human capital, height, occupation, job

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characteristics, labor force attachment, spousal citizenship and visa status, race, gender, and national origin.⁹ The 2003 New Immigrant Survey skin color variable contains greater and more precise variation in skin shade than other skin shade variables that are available in large sample datasets. Interviewers were provided with a color scale which consists of a series of hands with color increasing in darkness. Skin color was then reported on a scale of 0 to 10. Regardless of nation of origin, all immigrants received a skin shade assessment. For a wage equation which contains a standard set of human capital covariates (including English skills) and occupational controls to account for unobserved productivity variables, Hersch finds that each one point increase in skin tone scale lowers wages by 1.5 percent. The lightest skin immigrants earn 17 percent more than otherwise comparable immigrants with darker skin color. These results indicate a pattern of strict colorism.

Hersch's strict colorism findings from the NIS dataset and the weak colorism results of the NSBA and MCSUI datasets raise an interesting issue. Namely, is colorism due to differential pay of blacks of varying skin shades or is colorism a result of differential pay to blacks, whites, and black-white mixed race individuals. Empirical evidence suggests that the lower labor market penalty for light skin African Americans is not due to superior social capital, as defined by family background and current neighborhood characteristics. Controlling for family background and current neighborhood has no impact on coefficients of the MCSUI regressions, but raises the coefficient for light skin African Americans by 0.02 log points in the NSBA regressions (Goldsmith, et al., 2007). The lower labor market penalty for light skin African Americans is not due to superior occupational attainment. Controlling for occupation reduces the wage penalty by 0.02 log points for the MCSUI regressions, but has no effect on the coefficient for light skin African Americans in the NSBA regressions.

Similarly, mixed-race persons are the largest Non-Black social group in Jamaica (Mason, 2007). Mostly, they are mixed race black-white persons. Compared to otherwise identical Black Jamaicans, mixed race Jamaicans early nearly 14 percent higher earnings. Historically, colorism has been the dominant expression of racial discrimination within Caribbean and South American countries. These considerations suggest that relative to native-born African Americans, there may be a greater propensity toward mixed race self-identification among Caribbean and South American immigrants.

VI. Policy and Political Action: plural and cooperating labor identities

This essay has provided a stratification perspective on the historical persistence of structural racism. Stratification economics takes seriously the notion that persons of identical skill (and market-functional behaviors) will not necessarily receive identical treatment within the labor market. Persistent racial discrimination is consistent with market competition and the accumulation of profits. Within this framework, racial identity is a form of strategic behavior which determine access to resources and opportunities. Slavery and Jim Crow created both racial identities and enormous racial inequalities in wealth. The privileges of wealth reproduce both wealth inequalities and racial identities. Racialized competition within the labor market and persistent wealth inequality combine to reproduce structural racism.

Eliminating structural racism requires a transformative political agenda that: 1) will persistently maintain the economy at full employment; 2) aggressively attacks labor market discrimination against racial minorities; 3) seeks to redistribute wealth and income from the most affluent to middle income and poor Americans, but where there is also a relatively greater benefit for racial and ethnic minorities; and, 4) eliminates institutional policies and organizational practices that stigmatize racial, ethnic, and religious groups.

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For at least the last 50 years many scholars and activists have put forward specific ideas and broad agendas seeking to eradicate structural racism. See, for example, Movement for Black Lives, 2016; Nembhard, 2014; Aja, Bustillo, Darity, and Hamilton, 2013; Darity and Hamilton, 2012; Hamilton and Darity, 2010; and Randolph and Rustin, 1967. Interested readers should consult this invaluable literature.

Notes

¹ African Americans who passed as white went to extreme lengths to make sure that they are never found out (Graham, 1999).

² See Golash-Boza and Darity (2008) for an empirical analysis of these issues among Latinos.

³ See Mason (2004a) for an extended discussion and evaluation of the individualist perspective on acting white and other assertions of African American inferiority.

⁴ There is not a one-to-one mapping from skin shade to alternative racial self-classification categories. Most light complexion African Americans self-identify as black-only, regardless of how they are seen by others. Some self-classified mixed race African Americans may appear to black-only to others. Accordingly, empirical analysis on skin shade might indicate how social perceptions of racial identity influences economic outcomes.

⁵ Similar studies include: Hersch (2007), which uses the 2003 New Immigrant Survey (NIS); Hersch (2006), which uses the NSBA, MCSUI, and the 1995 Detroit Area Study: Social Influence on Health: Stress, Racism, and Health Protective (DAS); and, Loury (2007, 2006), which uses the NSBA. Importantly, all of the interviewers for the NSBA are African Americans, which is not the case for the Detroit Area Study (Hersch, 2006). For the DAS both interviewer and interviewee provided skin tone assessments. The DAS shows that for the sample of black respondents, there was an agreement of interviewer- and self-reported skin tone only 65 percent of the time. In comparison to black interviewers, non-black interviewers systematically reported darker skin tones for black respondents. Conceivably, skin shade studies utilizing the MCSUI have errors-in-variables and thereby suffer from attenuation bias, that is, their coefficients on skin shade are biased toward the origin and thereby are less likely to detect colorism.

⁶ An important limitation of both the NSBA and the MCSUI datasets is the very small number of observations of light complexion African Americans. For example, the Goldsmith et al. study has 331 observations on African Americans, but only 39 individuals are classified as light with 154 and 133 classified as medium and dark, respectively. Their MCSUI sample includes 513 whites, and 51, 177, and 207 light, medium, and dark complexion African Americans, respectively. Despite the very small numbers of very light and light complexion African Americans, the results obtained from the NSBA and MSCUI datasets are comparable to the results obtained from other datasets.

⁷ These results do not allow one to conclude that there is no light-skin black wage penalty relative to otherwise identical white workers and that all of the black wage penalty is due to differential treatment of medium and darker skin African Americans. The extremely small number of light skin African Americans in both the MCSUI and NSBA samples and the very large standard errors associated with this coefficient suggests caution before making such a strong judgment. Further, the MCSUI results likely suffer from attenuation bias. In reference to the results using the MCSUI data, when considering the standard mean $\ln(\text{wage})$ and median regression models, we cannot reject the null hypothesis that phenotype coefficients are equal, which is evidence in favor of a single binary race variable for all African Americans. However, equality of coefficients is rejected for both sets of ex ante regressions. In reference to the results for the NSBA data, the Goldsmith et al. estimates do show statistically significant coefficients for the phenotype coefficients. The balance of evidence then suggests there is probably some penalty for light complexion African Americans relative to whites, but we have too few observations to measure the coefficient with the desired degree of statistical precision.

⁸In separate wage regressions where Hersch alternatively controls for beauty and for the racial

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composition of the respondent's elementary school, she finds roughly similar results.

⁹Hersch uses New Immigrant Survey 2003.

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