URBAN INSTITUTE · ELEVATE · THE · DEBATE

Rethinking Economics in the Black Lives Matter Era

Jonathan Schwabish and Kilolo Kijakazi

April 2021

To create a more equitable profession and, in turn, a more equitable society, economists must start considering how race and racism are interpreted, presented, and embedded in scholarly work. In June 2020, Howard University economics professor William Spriggs issued this challenge in an open letter to other economists following the killing of George Floyd by police officers, which propelled the racial justice protests associated with Black Lives Matter movement. In his letter, Spriggs stated white economists' analyses assume deficiencies in Black people, and that approach "is the constant microaggression that African American economists endure at every meeting, and in reading every paper, and in reading every reviewer's comments."[1]

Here we expand upon Spriggs's argument for systemic change in economics in the Black Lives Matter era. We discuss not only how diversity in the economics profession will ultimately lead to better research and policy solutions but how that diversity must be embedded in the practice of economic analysis and how the field formulates research questions and addresses the constraints imposed on individual decisions by underlying racial inequities, structural racism, and bias. Our primary focus is on *racial* inequities, particularly among Black economists and communities, but similar arguments can also be made about other underrepresented people and groups. Though professional conduct and workplace diversity are supremely important, we focus here on how racial bias is embedded in the *science of economics* and how it is conducted and communicated.

A History

As Spriggs stated, the economics field is no stranger to overt racist and sexist research and practice. In 1896, Frederick L. Hoffman claimed in his 330-page treatise, "Race Traits and Tendencies of the American Negro," that free Black people were headed toward "gradual extinction," led by their "race traits and tendencies" of immorality, vice, law breaking, and disease (Hoffman 1896). The American Economic Association (AEA), currently one of the leading professional organizations for economists, published the treatise. Hoffman relied on the 1890 decennial Census, statistics of Civil War soldiers, and vital statistics of select large cities to conduct his analysis. In a critical review,[2] W. E. B. Du Bois argued Hoffman used insufficient data and manipulated the data he had, for example, by extrapolating national trends from information from specific cities and ignoring census undercounts. Du Bois also noted death rates in Hoffman's native, yet Hoffman did not claim Germans were headed toward extinction. Hoffman, a statistician for the Prudential Insurance Company of America, was providing the company "evidence" to discriminate against African Americans in the life insurance market. And thus, as scholar Ibram X. Kendi wrote in his book *Stamped from the Beginning: The Definitive History of Racist Ideas in America*, "Yet another racist idea was produced to defend a racist policy" (Kendi 2017).

Twentieth-century economics was also home to racist thoughts and scholarship. In 1965, Nobel prize–winning economist George Stigler argued Black people were inferior workers and the solution was to foster "the willingness to work hard."[3] Stigler's perspective was not an exception and reflected the biases of economists and institutions at the time. Indeed, as Spriggs noted in his letter, economics has "a deep and painful set of roots that too few economists acknowledge."[4]

For the past several years, discussions around racism in economics have become more visible and have focused on the racial makeup of the profession and how economists of color are treated in university departments and other organizations. A 2019 survey conducted by the AEA found 3 percent of association members identify as Black, 10 percent identify as Hispanic or Latino, and 15 percent identify as Asian (Allgood et al. 2019). Almost half of Black respondents (47 percent) reported experiencing discrimination, compared with 24 percent of Asian respondents, 16 percent of Latino respondents, and 4 percent of white respondents. However, the lack of diversity in the profession is not strictly an issue of how economists are treated personally and professionally; it also contributes to bias in the science. One respondent in the AEA survey noted how the field's lack of diversity affects economists' views of the economy:

> "Open any undergraduate macro textbook and check for structural unemployment in the USA. You would find many reasons for structural unemployment but *not* race? This is despite the US having a *big* structural problem with Black unemployment. Why do textbooks ignore it? Because economics is dominated by people who have little concern about the consequence of racism, and people who have the concern are excluded. [It is] urgent for economics to attract Black talent" (Allgood et al. 2019).

This is not to say individuals and groups have not been working to address implicit and explicit racism in the profession. In 1969, Black economists founded the Caucus of Black Economists (now the National Economic Association)[5] "to address the underrepresentation of Black economists in the American Economic Association and in the profession at large" (Simms 2020). In 1968, the AEA established the Committee on the Status of Minority Groups in the Economics Profession to "increase the representation of minorities in the economics profession, primarily by broadening opportunities for the training of underrepresented minorities."[6] And work by individual scholars, including William Darity,[7] Darrick Hamilton,[8] and Cecilia Rouse,[9] makes clear broader discussions must take place.

More recently, in October 2017, the AEA formed a committee to consider a code of professional conduct, laying out prohibitions against harassment and discrimination.[10] In May 2019, the AEA announced an ombudsperson program to receive reports of racism and harassment. The June 2020 report documented 65 complaints, including allegations of sexual harassment (including rape and attempted rape) and discrimination based on sex, race, national origin, age, marital status, and religion.[11]

The introspective look at the profession and how economists treat one another must also turn to the science—how researchers treat the issues and policies that affect marginalized groups and how results are presented, interpreted, and discussed. Researchers in the field—currently overwhelmingly white—must ask themselves whether they ignore disparities across racial and ethnic groups when conducting and discussing their research. Economists must also recognize estimating statistical models that include race and ethnicity as variables but failing to discuss or highlight how underlying and widespread structural or institutional barriers affect certain groups is a form of oppression and systemic bias that perpetuates damaging stereotypes. Economics also needs greater inclusivity; organizations and university economics departments should seek out and incorporate the perspectives of Black scholars and other underrepresented groups when assessing economic science and developing solutions and alternative approaches.

Economists must also ask, when research considers racial and ethnic disparities, does it do so in shallow—and potentially harmful—ways? Even acknowledging limitations in data and techniques and that, like any science, economics builds on itself over time, the field has ignored structural inequities for far too long (Brown et al. 2019). The field has also long been based on, and has taken for granted, a conception that people are rational actors making rational choices based on rational information. This theory has not examined how systemic barriers affect rational actors, choices, and information. Further, the "mathematization" of economics may have also limited the scope of the field to only problems and issues that can be explicitly counted and measured (Hudson 2000).[12]

The Regression Discussion: One Path to Equity

Within the economics literature are thousands of tables of regression results and summary statistics describing possible associations or causes between one variable and another. In those regressions, some outcomes, like earnings or participation in a program, are modeled as a function of four main classes of variables:

1. Demographic (e.g., gender, race, and marital status)
2. Socioeconomic (e.g., income and work status)
3. Contextual (e.g., the local unemployment rate)
4. Policy-related (e.g., the minimum wage or public health insurance availability)

Researchers try to say how policymakers or stakeholders can affect outcomes, such as poverty, participation in different programs, or food insecurity rates. In some cases, researchers explicitly explore whether a certain policy variable affects the outcome, which becomes the center of the discussion, and other results are given a cursory mention or ignored altogether.

Ignoring or downplaying findings about race is perhaps the most obvious way economics fails to address race. If the coefficient estimate in, say, a regression model shows the results for Black workers are statistically significant, those results say *something* about Black workers' experiences. As an example, such a finding might act as a proxy for the unobserved consequences of racism. A meaningfully large coefficient on "Black workers" is not capturing the race or ethnicity of a person but rather the inequities of society imposed on a specific group. However, researchers may (and, more often than not, likely do) attribute these findings to some intrinsic differences among Black workers, rather than investigating whether those findings reflect structural or institutional racism, discrimination, or underlying prejudices. By ignoring those systemic results, researchers too often fail to highlight societal and economic forces that perpetuate racial inequities.

Even when racial differences are "explained away" by other variables in the model (rarely the case because far too many factors cannot be measured), racial or structural issues are likely still at play in the underlying education system, criminal justice system, or any number of systems, policies, and programs that uniquely and negatively affect communities of color. If certain variables supposedly capture the effect of those variables alone, then measures of race and ethnicity are, the argument would follow, somehow capturing innate racial differences. Take education, for example; Black workers earning less than white workers because they have lower educational attainment levels does not mean race does not matter; it could (or does) mean Black people have been segregated into underresourced schools. The argument that some inherent characteristics about Black workers lower their earnings is akin to Hoffman's original thesis (though, one could argue, with better data).

As noted, ignoring results on measures of race is a form of oppression and systemic bias. Doing so places responsibility for those factors on those supposed innate differences and not the structures and policies that support discrimination and prejudice. To prevent harm, economists should acknowledge differences across racial groups, even if they are not the central focus of the analysis, to demonstrate the underlying structural inequities in systems and policies. Whether harm is intended is irrelevant to the reader who has been harmed; all harm is damaging.

More problematic than simply ignoring findings about race and ethnicity that do not squarely align with one's stated central thesis are interpretations that use "cultural" or "family structure" arguments as code for some deficiencies people of color have relative to other—that is, white—people and families. Instead of holding accountable the public policies that fail to address systemic inequalities and bias, economists more often speculate about how people and families of color are somehow inherently different from white people and families. Spriggs wrote the following in his open letter to economists:

> "The fact that far too many economists blindly agree that negative attributes correlate to being African American and cannot see that relationship to police officers assuming all Black men are criminals is stupefying. The fact that a discipline that prides itself on being objective and looking for data to test hypotheses fails to see how negative attributes do not correlate with being African American is a constant irritant for Black economists."[13]

None of this is to say all economics research necessarily examines race; some does not or cannot because of the underlying model, question, or data sources. But many strands of economic research that examine race do not do so in depth, nor do they acknowledge the structural and institutional inequalities built into the American economy and government that have stopped, delayed, and destroyed the economic success of people of color.

The economics field fails to adequately address race in models and statistical analyses in many ways. Models can be misspecified so estimated effects fail to accurately capture differences across groups and instead are averages largely capturing the experience(s) of the majority group(s).

Researchers can also misinterpret various findings possibly attributable to structural or institutional racism but which they instead attribute to some inherent deficits in people or communities of color.

This argument also extends to the field's chief concern with the analysis, production, transfer, and consumption of *things of value*. Different cultures and subcultures define many things of value differently, and because of racism, sexism, and long-standing structural and institutional barriers, many people pursue things of value the economics field does not or cannot measure (Lingenfelter 2007). Many economists judge value similarly across all geographies and cultures, either because of data constraints, modeling constraints, or ignorance. We are not anthropologists, but we recognize other social science fields can offer vital perspectives on and tools for analyzing the issues economists study. It is far beyond time the entire economics profession acknowledge and incorporate experiences, tools, and sciences historically excluded from economics.

An Alternative Approach

We highlight one paper that demonstrates a conscious assessment of the difference in research results based on the exclusion or inclusion of structural racism variables in the model. In "College Is Not Enough: Higher Education Does Not Eliminate Racial and Ethnic Wealth Gaps," William Emmons and Lowell Ricketts present two approaches to specifying a model (Emmons and Ricketts 2017). The first uses a standard regression model and observable factors including college education, family structure, luck (e.g., inheritance), and financial decisionmaking (e.g., the share of housing in total assets and debt ratios). This approach, however, assumes all families face the same set of opportunities and choices. The authors then apply a second theoretical framework, which attributes differences in education, family structure, luck, and financial decisionmaking to historic and current structural factors, rather than individual behaviors. Using this alternative model, the share of the racial wealth gap explained by observable factors fell from 70 percent to less that 20 percent for Black and Latino families. The authors conclude the following:

> "A structural-determinants framework suggests the vast majority of the Black-White and Hispanic-White wealth gaps may lie beyond the scope of individual actions or marginal policy changes directed at educational attainment, family structure, financial decisionmaking, or even wealth redistribution. Instead, the gaps appear to be deeply rooted in unobservable factors that may include discrimination or other long-lasting disadvantages" (Emmons and Ricketts 2017).

The authors reexamined their first model and pursued the alternative model in response to a critique by a Black economist, Darrick Hamilton at The New School. This underscores the important impact of Black scholars in economics and the imperative of eliminating structural barriers to their entry into the field.

Taking This Further

These questions about the science of economics can be taken further: Are underlying economics questions built on structurally racist concepts of economic success? Take unemployment, for example; Black workers typically have higher rates of unemployment and involuntary part-time employment, longer periods of unemployment,[14] and lower wages than white workers. Too often, economists and other researchers attribute this racial disparity to a lack of education or, more insidiously, lack of work ethic among Black workers. But disaggregating the data by education level shows the same racial disparities for Black workers at every education level (Williams and Wilson 2019). These findings, along with continued evidence of discrimination in hiring (Quillian et al. 2017), should lead to different or more comprehensive policy solutions (Kijakazi, Smith, and Runes 2019).

It is unlikely researchers are simply ignoring these coefficient results in their analyses. It is more likely researchers write up their results, simply acknowledge the differences, and then focus on what they deem are the more important results—like policy or economic variables—that, presumably, can be pushed and pulled to affect the outcome. Valuing only specific results, however, diminishes the importance of findings around racial and underrepresented groups. If the economics field explicitly acknowledges these findings are valuable, the discussion about how economic factors and public policies affect certain groups can become part of the science and discussion of results.

Authors may ignore racial results in a final, written product because of an existing academic publication process that tends to focus on a single outcome or policy lever (with exceptions, of course). Journal editors and reviewers expect authors to focus on how a policy can affect an outcome, but describing structural racial inequities, even in passing, may be viewed by publication gatekeepers (not to mention funders, mentors, managers, department chairs, and colleagues) as distracting from the focal argument. Are statements such as, “I notice these differences, but they are beyond the scope of this paper,” an excuse for not addressing these inequities? Should researchers not strive to be “antiracist” in their work (Kendi 2019)?

Going Forward

We have asked fundamental questions about the science of economics in this essay. Is the underlying science flawed? Do researchers need to admit the existence of structural racism and inequities in forming their research questions? Is the lens economists look through fundamentally structurally racist? Does the field need to incorporate a different way of thinking about research? Instead of taking structural issues as a given or ignoring them altogether, should they become a central part of the hypothesis?

As we consider these questions, we must appreciate the context in which many economists operate. Harassment, discrimination, and outright racism abound in the economics profession. This affects not just *who* are members of the profession but *how* the profession ultimately views, studies, and communicates to and about underrepresented groups. And how the profession considers underrepresented groups will ultimately affect public policy and the lives of real people and communities. Changing the profession and science of economics will ultimately lead to better, more representative research and policy solutions.

In addition to addressing the lack of diversity in the profession and, more specifically, the underrepresentation of people of color throughout the professional pipeline, we believe economists can take several actionable steps to address biases in the science:

1. **Discuss and highlight findings about race.** Consider how findings about race are not simply control variables but might capture systemic biases in communities, societies, policies, and institutions.
2. **Acknowledge structural and institutional racism as potential factors.** Recognize that deficit framing—whereby people's or communities' attributes are blamed for failures—ignores the policy and societal forces at work.
3. **Encourage gatekeepers, such as funders, department chairs, and journal editors and reviewers, to take an active role in research.** Gatekeepers have a strong influence on how research is conducted, framed, and published. Academic journals, for example, can take a more active role in encouraging researchers to discuss racial equity in their work.

Through its use of different types of data and statistical rigor, the economics profession is well-positioned to tackle these questions head on. But, as a group, economists must acknowledge the underlying biases that pervade the science, if not the field itself. Economists need to make comprehensive changes to ensure the profession includes the perspectives of underrepresented people and communities. In so doing, not only will the professional climate improve, but the science will be better positioned to recommend more equitable and inclusive policies and programs.

Notes

[1] William Spriggs, "A Teachable Moment? Will George Floyd's Death Spur Change in Economics?," Federal Reserve Bank of Minneapolis, June 9, 2020, https://www.minneapolisfed.org/article/2020/a-teachable-moment-will-george-floyds-death-spur-change-in-economics.

[2] W. E. B. Du Bois, "Review of Frederick Hoffman's 'Race Traits and Tendencies of the American Negro,'" available at http://www.webdubois.org/dbReviewOfHoffman.html.

[3] Brad DeLong, "George Stigler in 1962 on 'the Problem of the Negro,'" *Grasping Reality by Brad DeLong* (blog), May 20, 2019, https://www.bradford-delong.com/2019/05/weekend-reading-george-stigler-in-1962-on-the-problem-of-the-negro.html.

[4] Spriggs, "A Teachable Moment? Will George Floyd's Death Spur Change in Economics?," Federal Reserve Bank of Minneapolis.

[5] For more information about the National Economic Association, see https://www.neaecon.org/about/.

[6] "Committee on the Status of Minority Groups in the Economics Profession," American Economic Association, accessed April 9, 2021, https://www.aeaweb.org/about-aea/committees/csmgep.

[7] See, for example, Mason, Myers, and Darity (2005). More information about Darity and his work is available at https://sanford.duke.edu/people/faculty/darity-jr-william.

[8] More information about Hamilton and his work is available at https://www.newschool.edu/milano/faculty/darrick-hamilton/.

[9] More information about Rouse and her work is available at https://admission.princeton.edu/academics/faculty-profiles/cecilia-rouse.

[10] "AEA Policy on Harassment and Discrimination," American Economic Association, accessed April 8, 2021, https://www.aeaweb.org/about-aea/aea-policy-harassment-discrimination.

[11] Leto Copeley (ombudsperson), letter to the American Economic Association Executive Committee, regarding summary of reports to the ombudsperson, April 13, 2020, https://www.aeaweb.org/about-aea/aea-ombudsperson/2020-report.

[12] As mathematical economics grew in the 1960s, Hill (1966) argued enthusiasm for mathematical economics, with complex models rooted in empirical data that have many sources of bias and error, should be tempered: "Far more work will be required to improve economic statistics before complex mathematical models can offer results worth the effort which goes into the building of the models."

[13] Spriggs, "A Teachable Moment? Will George Floyd's Death Spur Change in Economics?," Federal Reserve Bank of Minneapolis.

[14] See table 31, "Unemployed persons by age, sex, race, Hispanic or Latino ethnicity, marital status, and duration of unemployment," in "Labor Force Statistics from the Current Population Survey," US Bureau of Labor Statistics, January 22, 2021, https://www.bls.gov/cps/cpsaat31.htm.

References

Allgood, Sam, Lee Badgett, Amanda Bayer, Marianne Bertrand, Sandra E. Black, Nick Bloom, and Lisa D. Cook. 2019. *AEA Professional Climate Survey: Final Report*. Nashville: American Economic Association.

Brown, Steven K., Kilolo Kijakazi, Charmaine Runes, and Margery Austin Turner. 2019. "Confronting Structural Racism in Research and Policy Analysis: Charting a Course for Policy Research Institutions." Washington, DC: Urban Institute.

Emmons, William R., and Lowell R. Ricketts. 2017. "College Is Not Enough: Higher Education Does Not Eliminate Racial and Ethnic Wealth Gaps." *Federal Reserve Bank of St. Louis Review* 99 (1): 7–39. https://doi.org/10.20955/r.2017.7-39.

Hill, Lewis E. 1966. "The Use and Abuse of Mathematics in Economics." *American Journal of Economics and Sociology* 25 (2): 212. https://doi.org/10.1111/j.1536-7150.1966.tb00983.x.

Hoffman, Frederick L. 1896. "Race Traits and Tendencies of the American Negro." Saratoga, New York: American Economic Association. https://doi.org/10.1177/000271629700900108.

Hudson, Michael. 2000. "The Use and Abuse of Mathematical Economics." *Journal of Economic Studies* 27 (4/5): 292–315. https://doi.org/10.1108/01443580010341754.

Kendi, Ibram X. 2017. *Stamped from the Beginning: The Definitive History of Racist Ideas in America*. New York: Bold Type Books.

———. 2019. *How to Be an Antiracist*. New York: One World.

Kijakazi, Kilolo, Karen Smith, and Charmaine Runes. 2019. "African American Economic Security and the Role of Social Security." Washington, DC: Urban Institute.

Lingenfelter, Sherwood G. 2007. "Possessions, Wealth, and the Cultural Identities of Persons: Anthropological Reflections." *International Bulletin of Missionary Research* 31 (4): 176–182.

Mason, Patrick L., Samuel L. Myers Jr., and William Darity. 2005. "Is There Racism in Economic Research?" *European Journal of Political Economy* 21 (3): 755–61. http://dx.doi.org/10.1016/j.ejpoleco.2004.07.005.

Quillian, Lincoln, Devah Pager, Ole Hexel, and Arnfinn H. Midtbøen. 2017. "Meta-Analysis of Field Experiments Shows No Change in Racial Discrimination in Hiring over Time." *Proceedings of the National Academy of Sciences* 114 (41): 10870–75. https://doi.org/10.1073/pnas.1706255114.

Simms, Margaret. 2020. "The National Economic Association at 50: Where Have We Come From and Where Are We Going?" *Review of Black Political Economy* 47, no. 2. https://doi.org/10.1177%2F0034644620919126.

Williams, Jhacova, and Valerie Wilson. 2019. *Black Workers Endure Persistent Racial Disparities in Employment Outcomes*. Washington, DC: Economic Policy Institute.

About the Authors

Jonathan Schwabish is a senior fellow in the Income and Benefits Policy Center and member of the communications team at the Urban Institute. Kilolo Kijakazi is a former Institute fellow at the Urban Institute and currently serves as the deputy commissioner of the Social Security Administration's Office of Retirement and Disability Policy.

Acknowledgments

This essay was funded by the Urban Institute. The views expressed are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at www.urban.org/fundingprinciples.

The authors wish to thank Greg Acs, Kreg Steven Brown, Lionel Foster, Trevon Logan, Claudia Sahm, Rob Santos, and Margaret Simms for their comments and suggestions. All errors are our own.

URBAN INSTITUTE

500 L'Enfant Plaza SW
Washington, DC 20024

www.urban.org

ABOUT THE URBAN INSTITUTE