

# Reducing the Transactional Value of Identity & Race

*Henry Farrell & Margaret Levi*

*Grieve Chelwa, Darrick Hamilton, and Avi Green explain how existing accounts of capitalism systematically neglect racial identity group stratification. Their approach points to an important comparative dimension and two significant research agendas that could supplement their arguments. First would be to inquire into the role that equal respect plays in pushing back against stratification. Second would be to investigate how other aspects of social norms may have consequences too, perhaps drawing insights from a new body of research on racial stratification that draws upon Marxian and neoclassical economics.*

Race and diversity have been neglected in virtually every capitalist political economic framework ever implemented or even conceptualized, including the public choice theory and Marxian accounts that Grieve Chelwa, Darrick Hamilton, and Avi Green identify.<sup>1</sup> Class stratification certainly receives attention, but other identity group stratifications hardly at all. This selective ignorance itself helps reinforce racial bias by treating a deracialized account of the economy as the appropriate analytic baseline. Chelwa, Hamilton, and Green make this point clearly and strongly; they also offer some correctives. They argue that “creating a moral political economy requires that identity ceases to have transactional value.”<sup>2</sup> They, therefore, advocate for inclusive economic rights.

Their essay focuses primarily on race in America, although their arguments could apply to any group penalized by subordination and domination by means of a racial, ethnic, gendered, or religious hierarchy. Thinking about their argument in comparative perspective may help us better understand how inclusive economic rights might make a difference throughout capitalist political economies. Useful comparisons might be made with groups similarly (if never exactly) situated in other countries, and with other noneconomic sources of stratification that also merit correction.

While structural racism in the United States is intensified by the history of chattel slavery, it is not the only country with a long history of discriminatory practices and enduring caste systems. Historian Isabel

Wilkerson provides a popular history of some of the most notable examples.<sup>3</sup> In India, the sources are religious, and in Germany, a long-standing anti-Semitism, but much of the contemporary history of discrimination has its roots in colonization and the domination, including enslavement, of those considered inferior by the colonizers. Many countries have practiced “internal colonialism” in which they treat certain subgroups within their population as inferior and use laws and exclusionary practices to keep them at the bottom of the economic and status hierarchy.<sup>4</sup>

Whether one considers this long and deep history of discrimination and domination a result of capitalism or human nature is less relevant for our purposes than how it inhibits human flourishing. It is unjust, unhealthy for those subject to it, and even economically inefficient. It heightens inequality and inspires violence. It reduces the economic well-being and even the lifespans of those affected. It suppresses the productivity capacities and potential of subjugated people.<sup>5</sup>

There is no question that economic rights ensuring relatively equal opportunity are an important means for leveling the playing field, no matter your identity and background. Chelwa, Hamilton, and Green focus on the United States and suggest that inclusive economic rights can be transported to other capitalist democracies. They are correct. Indeed, similar formulations of economic rights are already incorporated into law in countries such as Sweden, Norway, and Denmark, with a strong tradition of social democracy. These countries provide fairly generous support and safety nets for their citizens from birth to death. On some measures, they are among the most equal countries in the world. However, as recent tensions over immigration and the COVID-19 pandemic have illustrated, their systems are under strain for two very different reasons: already high tax burdens and widespread resentment of immigrants, whom many citizens perceive as representing a foreign culture and “undeserving” of such generous support.<sup>6</sup>

As Chelwa, Hamilton, and Green argue, identity stratification is an all-too-common phenomenon throughout the world. However, their corrective – inclusive economic rights – may be vulnerable to the same societal factors that produce economic discrimination in the first place. As sociologist Manuel Pastor argues in his response to their essay, making these rights stable may require durable social mobilization.<sup>7</sup>

Even if inclusive economic rights are maintained, they may ameliorate but not prevent some of the negative effects of identity stratification. We doubt that Chelwa, Hamilton, and Green would disagree that it is also important for people to feel safe psychologically as well as physically, to feel they have some control over their life course, and, most importantly for our purposes, to feel they have equal access to political power and influence.

Achieving political power and influence is not simply a matter of reducing advantages provided by money and status, or of assuring legal access to the vote and

to effective representation – although these are very important elements of political equality.<sup>8</sup> It is also important that “equal consideration,” the current standard for a representative democracy, at least begins to include a concept of equal respect.<sup>9</sup> Otherwise, the result is procedural equality that people cannot or are afraid to act upon, what political scientist Peter Bachrach and economist Morton S. Baratz characterized as the second face of power.<sup>10</sup>

More recently, some philosophers and political theorists have explained equality in terms of relational equality and freedom from domination.<sup>11</sup> Political scientist Melvin L. Rogers clarifies the racial element in domination and, significantly, in the republican arguments that some advance to combat that domination. For him, the issue is cultural as well as political; the republican strategies fail “to address how proper regard and standing are frustrated by the naturalized or normalized logic of black servility and white superiority.”<sup>12</sup> Economist Glenn Loury emphasizes the structure of social relations that make an economy possible as well as being the seedbed for inequality.<sup>13</sup> Political theorist Danielle Allen pulls these threads together to make a masterful case for a democracy based on difference without domination as one of the fundamental pillars of a new theory of “justice by means of democracy.”<sup>14</sup>

Empirical research by social psychologists and political scientists demonstrates the importance of taking social relations seriously.<sup>15</sup> For example, political scientist Hakeem Jefferson’s work on respectability highlights how those suffering from stigma design strategies to help them cope, protect themselves and their children, and demand their rightful place.<sup>16</sup>

While rights, economic and political, are essential ingredients of a new moral political economy that facilitates recognition of and opportunities for those subordinated because of racial or other identity hierarchies, it is not enough. Equally important are changes in the social relationships and cultural norms that delineate behavior and delimit effective agency and power.<sup>17</sup>

Chelwa, Hamilton, and Green’s account provides foundations that could be built on to address these questions of social relationships and cultural norms. Perhaps surprisingly, elements of the two alternative approaches that they press back against – public choice theory and Marxian economics – might be employed to analyze how stratifying norms are rooted in individual behavior. Just as “No-Bullshit Marxists” and other leftists employed elements of neoclassical theory to better understand capitalism in the 1980s and 1990s, a new generation of scholars is harnessing together variants of rational actor theory and of Marxian political economy to investigate the symbiotic relationship between capitalism and racial stratification.<sup>18</sup>

A recent paper by Liam Kofi Bright, Nathan Gabriel, Cailin O’Connor, and Olúfémi O. Táíwò uses evolutionary game theory to model the kinds of enduring

social stratification that Chelwa, Hamilton, and Green emphasize.<sup>19</sup> These younger scholars build on Marxist arguments, but, like Chelwa, Hamilton, and Green, do not treat stratification as a crude condensate of skills and resources. Instead, they use game theory to model how capitalism is “stabilized by racial stratifications,” even when ascribed racial identity has no relationship to skills. In their account, individuals are “tagged” by racial markers that are treated as heritable and are difficult to change.<sup>20</sup> This bias creates persistent inequality, which can be mediated through one-to-one bargaining relationships.<sup>21</sup> An enduring and self-reinforcing equilibrium can emerge in which those who are tagged as members of the out-group systematically expect worse treatment whenever they interact with members of the powerful group, reproducing relations of enduring racial inequality.

These modeling techniques, like all techniques, have important limits. Even so, they powerfully illustrate how racial stratification can be supported by informal norms and social interactions, independent of the effects of formal institutional structures or inequalities in access to education.

We wonder whether this and similar work could help correct the neglect of race that Chelwa, Hamilton, and Green identify in existing economic frameworks, spurring valuable conversations and useful disagreements that span identity group stratification, neoclassical economics (a broader category than public choice theory), and Marxism’s intellectual descendants. Which aspects of racial stratification are best understood at the level of institutions and structures, groups, or individual interactions? How do these levels intersect? What causes variation in identity group stratification across time and place? Most importantly, what works and what does not work as we try to create a moral political economy and just democracy that does not have identity group stratification at its heart?

Chelwa, Hamilton, and Green rightly identify a huge and systematic gap in our understanding of political economy. They point the way to how we might reframe our approach. We look forward to the important advances that their essay will spur.

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## ENDNOTES

- <sup>1</sup> Grieve Chelwa, Darrick Hamilton, and Avi Green, “Identity Group Stratification, Political Economy & Inclusive Economic Rights,” *Dædalus* 152 (1) (Winter 2023): 154–167.
- <sup>2</sup> *Ibid.*, 161.
- <sup>3</sup> Isabel Wilkerson, *Caste: The Origins of Our Discontents* (New York: Random House, 2020).
- <sup>4</sup> Michael Hechter, *Internal Colonialism: The Celtic Fringe in British National Development, 1536–1966* (London: Routledge & Kegan Paul, 1975).
- <sup>5</sup> On the effects on health, see the classic work by Sherman A. James, “John Henryism and the Health of African-Americans,” *Culture, Medicine, and Psychiatry* 18 (2) (1994): 163–182, <https://doi.org/10.1007/BF01379448>.
- <sup>6</sup> See, for example, Isabela Mares, *Taxation, Wage Bargaining, and Unemployment* (New York: Cambridge University Press, 2006); and Maureen A. Eger, “Even in Sweden: The Effect of Immigration on Support for Welfare State Spending,” *European Sociological Review* 26 (2) (2010): 203–217, <https://doi.org/10.1093/esr/jcp017>.
- <sup>7</sup> Manuel Pastor, “Neoliberal Fragility: Why It’s So Hard for (Some) Economists to Talk about Racism,” *Dædalus* 152 (1) (Winter 2023): 174–178.
- <sup>8</sup> Pablo Beramendi, Timothy Besley, and Margaret Levi, *Political Equality: What Is It and Why Does It Matter?* (London: Institute for Fiscal Studies, February 2022), <https://ifs.org.uk/inequality/political-equality-what-is-it-and-why-does-it-matter>.
- <sup>9</sup> Two classic expressions of this idea are in Robert A. Dahl, *Democracy and Its Critics* (New Haven, Conn.: Yale University Press, 1989); and Sidney Verba, “Would the Dream of Political Equality Turn out to Be a Nightmare?” *Perspectives on Politics* 1 (4) (2003): 663–679, <https://doi.org/10.1017/S1537592703000458>. Also, see Beramendi, Besley, and Levi, *Political Equality*.
- <sup>10</sup> Peter Bachrach and Morton S. Baratz, “Two Faces of Power,” *American Political Science Review* 56 (4) (1962): 947–952, <https://doi.org/10.2307/1952796>; and Peter Bachrach and Morton S. Baratz, “Decisions and Nondecisions: An Analytical Framework,” *American Political Science Review* 57 (3) (1963): 632–642, <https://doi.org/10.2307/1952568>.
- <sup>11</sup> Elizabeth S. Anderson, “What Is the Point of Equality?” *Ethics* 109 (2) (1999): 287–337, <https://doi.org/10.1086/233897>; Deborah Satz and Stuart White, *What Is Wrong with Inequality?* (London: Institute for Fiscal Studies, 2021), <https://ifs.org.uk/inequality/wp-content/uploads/2021/09/What-is-wrong-with-inequality.pdf>; and Philip Pettit, *Just Freedom: A Moral Compass for a Complex World* (New York: W. W. Norton & Company, 2014).

- <sup>12</sup> Melvin Rogers, “Race, Domination, and Republicanism,” in *Difference without Domination: Pursuing Justice in Diverse Democracies*, ed. Danielle Allen and Rohini Somanathan (Chicago: University of Chicago Press, 2020), 82.
- <sup>13</sup> Glenn Loury, “Relations before Transactions,” in *Difference without Domination*, ed. Allen and Somanathan, 171–188.
- <sup>14</sup> Danielle Allen, *Justice by Means of Democracy* (Chicago: University of Chicago Press, forthcoming).
- <sup>15</sup> See, for example, Maureen A. Craig, J. M. Rucker, and Jennifer A. Richeson, “The Pitfalls and Promise of Increasing Racial Diversity: Threat, Contact, and Race Relations in the 21st Century,” *Current Directions in Psychological Science* 27 (3) (2018): 147–206, <https://doi.org/10.1177/0963721417727860>; and Jennifer L. Eberhardt, *Biased: Uncovering the Hidden Prejudice that Shapes What We See, Think, and Do* (New York: Viking, 2019).
- <sup>16</sup> Koji Takahashi and Hakeem Jefferson, “When the Powerful Feel Voiceless: White Identity and Feelings of Racial Voicelessness,” PsyArXiv Preprints, last modified April 6, 2021, <https://doi.org/10.31234/osf.io/ry97q>; and Hakeem Jefferson, “Punishment and the Politics of Respectability among Black Americans’ Punitive Attitudes,” *American Political Science Review* (forthcoming).
- <sup>17</sup> This is perhaps a way of getting at the third face of power, the hegemony of dominant groups. Steven Lukes, *Power: A Radical View*, 2nd ed. (New York: Palgrave Macmillan, 2005); and Michel Foucault, *Power*, ed. James D. Faubion and Paul Rabinow, trans. Robert Hurley (New York: The New Press, 2000).
- <sup>18</sup> John Roemer, ed., *Analytical Marxism* (New York: Cambridge University Press, 1986).
- <sup>19</sup> Liam Kofi Bright, Nathan Gabriel, Cailin O’Connor, and Olúfẹ́mi O. Táíwò, “On the Stability of Racial Capitalism,” *Ergo* (forthcoming), <https://philsci-archive.pitt.edu/20664>.
- <sup>20</sup> Ibid.
- <sup>21</sup> See also Jack Knight, *Institutions and Social Conflict* (New York: Cambridge University Press, 1992).