

Economic Justice in America: Fifty Years after the Kerner Report

Joseph E. Stiglitz¹

Fifty years ago, the Kerner Report on the Civil Disorders that had broken out the previous year, provided a stark description of the conditions in America that had led to the disorders. Their basic conclusion still rings:

“Our Nation is moving toward two societies, one black, one white—separate and unequal” (Kerner Report, p. 1.)

It pictures a country in which African-Americans faced systematic discrimination, with inadequate education and housing, and totally lacking economic opportunities—for them, there was no American dream. Underlying all of this was a diagnosis of the cause: “...the racial attitude and behavior of white Americans toward black Americans. Race prejudice has shaped our history decisively; it now threatens to affect our future.” (Kerner Report, p. 203). And it accomplished this through *power*.

We have been asked to assess how things have changed in the half century. As we set about this, a passage from the report resonates:

"One of the first witnesses to be invited to appear before this Commission was Dr. Kenneth B. Clark, a distinguished and perceptive scholar. Referring to the reports of earlier riot commissions, he said:

"I read that report [...] of the 1919 riot in Chicago, and it is as if I were reading the report of the investigating committee of the Harlem riot of '35, the report of the

¹ University Professor, Columbia University and chief economist, Roosevelt Institute. I am indebted to Andrew Kosenko for research assistance; to Debarati Ghosh for editorial assistance; and to the Ford Foundation, the Bernard and Irene Schwartz Foundation, and the John D. and Catherine T. MacArthur Foundation, for financial support.

investigating committee on the on the Harlem riot of '43, the report of the McCone Commission of the Watts riot. I must again in candor say to you members of this Commission - it is a kind of Alice in Wonderland - with the same moving pictures re-shown over and over again, the same analysis, the same recommendations and the same inaction."

These words come to our minds as we conclude this report.[...]" (Kerner Report, p. 483.)

And they come to our minds as we review the Nation's progress. These words are still true. Some problematic areas identified in the report have gotten better (participation in politics and government by black Americans—symbolized by the election of a black president), some have stayed the same (education and employment disparities) and some have gotten worse (wealth and income inequality).

The civil rights era did make a difference. It was not just that a variety of forms of discrimination were illegal. Societal norms changed. Many large corporations and most educational institutions believed in affirmative action; to be openly racist in many, if not most, quarters became unacceptable. Large corporate boards and major universities sought diversity as a policy. They believed in it, and believed diversity would strengthen them.

But deep seated and institutional racism continued. New tests of discrimination in hiring and housing revealed the extent: blind resumes were sent, with the only difference being the name of the individual, giving a suggestion of race. Callbacks were markedly different (see Bertrand and Mullainathan (2003)).

And several countertrends impeded progress. Martin Luther King realized that achieving economic justice for African Americans could not be separated from achieving

economic opportunities for all Americans. His march on Washington, five years before—which I attended, and the memories of which remain so vivid (See Part II of Stiglitz (2015)—was called a march *for jobs and freedom*. Fifty-five years on from that March, America is a country more divided, with less economic opportunity. Thus, the struggle for opportunity for African Americans has been an uphill battle: it would have been difficult in any case, but all the more so, as the economic environment was becoming harsher, especially for those without college degrees—73 % of African Americans did not have a Bachelor's degree in 2016 (U.S. Census Bureau (2016)). Moreover, while educational attainment has been on the rise, it has been rising faster for white Americans than for non-white Americans.

With the rungs of the ladder becoming further apart, middle class families invested increasing amounts in ensuring that their children had an advantage. They worried that urban schools would not give their children the competitive edge they needed. White flight ² led to increased economic segregation; and in a country where schools were local, both in control and in finance, it meant that the disparity in the quality of education between African-Americans left behind in the urban areas and the children of the privileged living in suburban areas or sending their children to private schools increased. This meant that even in our needs-blind selective schools, the fraction of students from the economic bottom half remaining appallingly low (Hoxby and Avery (2012)) and students

² It deserves noting that the Kerner report emphasized the need to “desegregate the ghetto” and create more communities that are mixed; what ended up happening was quite the contrary. And when trends reversed—with gentrification of urban areas—it often didn’t help. Housing prices soared, and talented African-Americans sometimes found themselves being displaced in the magnet schools.

from the bottom quartile comprise only 3% of the total number of students in the most competitive postsecondary schools (The Jack Kent Cooke Foundation (2016)).

Moreover, while American politicians might speak forcefully about the role of American values, it seemed that there was increasing weight on materialism—what mattered was material success, no matter how achieved. In the aftermath of the financial crisis, much attention was paid to the moral depravity of the bankers—exhibited, for example, in their predatory lending, abusive credit card practices, market manipulation, and insider trading. But the cheating of many automobile companies in their environmental testing showed that the bankers were not alone. With money the only object, anybody and anything was fair game—and the less well-educated, including African-Americans, were particularly the subject of exploitation (see, e.g. Akerlof and Shiller (2015)). Private universities offering promises of a higher living standard but delivering nothing but debts to be paid later combined with bankers willing to take advantage of bankruptcy laws that made it almost impossible to discharge student debt. These cruelly exploited aspirations of African Americans wishing to live the American dream. One of America's largest banks, Wells Fargo, had to pay a huge fine for discriminatory lending. They were caught. The question was only how many others got away with it.

In many quarters, too, there was a backlash. As poorly educated white Americans struggled to stay above water, they came to resent anyone that seemed to be making it. When hard-working African Americans got ahead, they wanted to believe that it was because they got some advantage. In a world of zero-sum thinking, if someone got ahead,

it meant someone was pushed further down: they thus saw the notable successes of a few African Americans coming at the expense of themselves and their children.

The backlash to this limited success manifested itself in politics as well, with America electing an openly racist President and with major campaigns at disenfranchisement. The politics of the culture wars meant that the agenda of equality of opportunity often got caught in the crossfire.

Fifty years ago, there was an on-going debate over the relative role played by the historical legacy of slavery and oppression³, the absolute and relative deprivation faced by African-Americans in their youth, the continued discrimination against African-Americans in every aspect of American life, and the breakdown of the family. In some ways, parsing the relative role was impossible and irrelevant: the effects were intimately intertwined. What mattered were solutions: where could we, as a society intervene.

Economics as a discipline had little to contribute to this debate. The Kerner Commission was written before the development of the sub-field of the economics of discrimination and before more recent advances in behavioral economics.

Most importantly, the Nation has unintentionally been conducting a field experiment: what happens when you deprive large numbers of white Americans of hope? If you create a divide within white America, perhaps not quite as large as that between Black Americans and White, but large nonetheless. Thus, we have come to a new understanding: if one deprives any group within the population of opportunity and hope, social and economic problems will appear. Of course, the deprivations facing African

³ The consequences of which have now been traced back to Africa itself (Nunn (2008)). Also see Bertocchi and Dimico (2014), Loury (1998).

Americans are compounded by an historical legacy and ever present discrimination. We now have better evidence of the pervasiveness of this discrimination, and new understandings of what needs to be done to ameliorate it and its effects.

This paper describes briefly the faltering progress we have made in each of these areas (Part I), the insights provided by changing perspectives in economics (Part II), and some suggestions about the way forward (Part III).

Part I. Progress

Overall, as we noted in the introduction, progress in achieving equality and equality of opportunity for African-Americans has been at best faltering. In some areas, things are worse. Though there are some remarkable successes at the top, *average* numbers are very disappointing, as the statistics below suggest. Part of the reason is the remarkable increase in inequality in the country as a whole, the evisceration of the middle class, and the lack of opportunity for those at the bottom. (For a brief review see Stiglitz (2012)). America has among the lowest levels of equality of opportunity of any of the advanced countries, meaning that the life prospects of a young Americans are more dependent on the income and education of his parents than in other advanced countries (see Solon (1999), Grawe and Mulligan (2002), Black and Devereux (2011) and (Chetty et al. 2014)). Since today's African-American parents are disproportionately poor, that means so too will tomorrow's. And there is some evidence of a diminution of equality of opportunity (Davis and Muzumder (2017) and Isaacs (2007)).

Institutional changes too have worked against the advancement of the goals set forth by the Kerner Commission. Industrial unions played an important role of compressing wage differences and opening up industrial job opportunities for African-

Americans⁴. They also played an important role politically, in advancing legislation to create a country with more equality and equality of opportunity. Unions have weakened, going from around 35% percent of private employment in the 1950's (Greenhouse (2013)) to 6.4% now (Bureau of Labor Statistics (20171a)). Part of the reason is the changing structure of the economy: manufacturing has declined from about 25% percent of the economy in 1968 to under 12% in 2016 (United Nations (2016)). But there are other forces at play, including anti-union legislation and interpretations of existing legislation. Indeed, the latter alone can be closely linked with the increase in inequality in the country (see Stiglitz (2015) and Stelzner (2017)).

There are a host of other institutional changes that have played a role more broadly in the increase in inequality, such as a Federal Reserve policy focusing on inflation more than unemployment (see Chapter 9 of Stiglitz (2012)); and deregulation, including the elimination of usury laws, which provided greater scope for predatory lending.

Jobs

For African-Americans, the “glass ceiling” has been broken, as they have taken on positions in boardrooms and as CEOs of major corporations. This gives, however, a distorted picture of economic advancement. Incomes/wages after improving slightly, going from 55% of that of whites in 1967 to about 65% in the late 1990s, have remained stuck at around 60% percent of that of whites in recent years (Pew Research Center (2016)). Gaps exist at every educational level—and have in fact grown the most for college educated, with whites now receiving an hourly wage that is 46% higher than African-Americans (Wilson and Rodgers (2016)). Unemployment rates remain as they

⁴ And not just for African-Americans but also for women.

were then, roughly twice that of whites, and with youth unemployment roughly twice that of the national average, this has meant that youth black unemployment soared to almost 50% at the peak of the recession (Bureau of Labor Statistics (2017b)). The only area where relative performance may have improved is long term unemployment, and this is because of the large increase in the number of white long term unemployed, not a decrease in the number for African-Americans; African-Americans are still over-represented among the long term unemployed (constituting 23% of the long term unemployed, but only 11% of the employed (Krueger, Kramer, and Cho (2014))).

There was one period in which African Americans did well, and that was in the late 1990s, as the overall unemployment rate fell to record lows. At last, marginalized groups were drawn into the labor force.

This makes the recommendations of the Kerner Report truly prescient. The Report, at least in parts, really has a remarkable vision of what sort of labor policy will be adequate to tackle the problem of un/under-employment. In addition to the obvious proposals (more jobs, and removal of the clear race-based barriers) the authors propose job training (both public and private), behavioral counseling (ranging from motivation, personal dress, hygiene to social relationships and job performance), transportation to/from work, appropriate medical/social services, flexible work schedules and patterns that fit the needs and abilities of the potential laborers (they recognize that many people have innate intelligence and skills that are unquantifiable), on-the-job training, a computerized (!) system for matching workers with jobs, work tryouts, and moving people out of the ghetto for work.

As we have noted, the changing structure of America's economy has disadvantaged African-Americans because it has disadvantaged those with lower levels of educational attainment. But then, as now, America's discrimination in housing, its dysfunctional health care system, and weak public transportation systems have had repercussions in the labor market. There is a mismatch between jobs and workers that works to the disadvantage of African-Americans. If anything, matters may have become worse: as more jobs move to largely white suburbs, the distance between African Americans and jobs may have increased. The Clinton Administration tried some experimental programs to bring jobs to the cities, but these appear to have had limited success—partly because they received limited funding. As the Kerner Commission Report recognized, one couldn't expect the private sector on its own to create the requisite jobs. One needs strong macroeconomic policies to ensure that the total number of jobs are sufficient to provide opportunities for all who wish to work; but one needs more: one needs structural policies to ensure that there is an adequate supply of jobs accessible to African-Americans, with the skills that they have or that they could acquire through training programs.

Education

Lack of access to quality education was one of the most important impediments in economic advancement then and now. More broadly, education is one of the bases for the strong momentum for the perpetuation of poverty, whether white or African-American: poor children of any race are likely to get a poorer education than the rich (of any race).

Again, if anything, the problem is worse today than it was then: the skill premium has increased (college graduates have an annual income that is 163% that of high school

graduates now, as compared to 123% percent then (Pew Research Center (2014)). This is in spite of the increase in the overall fraction of those with a college education, and reflects a move to a knowledge economy and the fact that technological change has been “skill biased,” increasing the demand for skilled labor relative to unskilled, and thus depressing their wages at the same time that it has increased the value put on skills.

While there was some improvement in racial segregation—legislation reinforced changing norms—there was an increase in economic segregation (Reardon and Bischoff (2011)). Some of the “white flight” was in fact partially motivated by attempts to avoid integration (in the name of ensuring quality education for their children). While initially, in some locales, courts enforced busing to ensure integration, such forceful integration has fallen by the wayside. All of this has, as we have noted, disadvantaged those remaining in the urban centers.

Ironically, the Nation has repeatedly recognized these and other deficiencies in the quality of education. Americans scores in cross country standardized tests are, in general, mediocre, with U.S. students performing just at or below OECD averages, and having falling scores in reading and mathematics (OECD (2016)).

Yet a succession of programs has failed not only to improve overall quality of education, but especially that of those in our urban ghettos or our rural centers of poverty. Programs like “No Child Left Behind” focusing on improving performance through standardized testing, have not been accompanied by the expenditure increases called for by the Kerner Commission.⁵

⁵ The NCLB Act was preceded by the Academic Achievement for All Act of 1999.

The national consensus over its failures, from the left, right and center, led to its replacement by the Every Student Succeeds Act. The titles of the acts say more about the ambitions than the commitments, especially of funds.

Again, the Kerner report was prescient in calling for an “extension of quality early childhood education to every disadvantaged child in the country.” Fifty years later President Obama (and Hillary Clinton) were calling for the same things, and it still hasn’t been done. In New York, while Mayor de Blasio proposed making early childhood education available to all (City of New York, Office of the Mayor (2017)), a conflict over funding between the Mayor and New York’s governor has stymied implementation.

Research, by Nobel Prize winning economist Jim Heckman, has shown the disadvantaged position of African-American children as they enter kindergarten (see “Early Childhood Education: Research Summary”, “Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy”, Garcia et al. (2016) and Heckman (2011)) and how early childhood education can help remedy these deficiencies.

Fifty years ago, the focus was on equalizing education opportunities. They are still not equal. But we now realize, far more clearly than then, that equalizing opportunities will require unequal expenditures. Disparities in expenditure persist, but they go in the wrong direction. The Kerner Commission recognized too that the additional resources required would have to come from the Federal government. Fifty years ago, there were huge disparities between income per capita in different states, with income per capita in the richest state (Connecticut) twice that of the poorest state (Mississippi); now, those disparities are even larger. Continued reliance on the states will mean continuing large disparities in expenditures per pupil.

Welfare

One of the most vivid quotes of the report comes from the section on the nation's welfare programs: "Our present system of public welfare is designed to save money instead of people, and tragically ends up doing neither." (Kerner Report, p. 457) The welfare programs that existed at the time were inadequate, and arguably contributed to the perpetuation of poverty. The Clinton Administration enacted reforms, but unfortunately, did not provide the meager funding for education, training, and childcare programs that would have really helped the poor (including African-Americans) move from welfare to work. The reforms have had mixed effects, with some claiming that it had encouraged some movement into the labor force; but when it was tested by the financial crisis of 2008, it was found wanting. The food programs came to provide what safety net the country offered, with one out of seven Americans turning to the government. Still, almost a seventh of Americans went to bed hungry at least once a month, not because they were on a diet, but because they couldn't afford the food they needed. The Affordable Care Act (ACA) sought to ensure that all Americans, no matter how poor, were provided with health care. But a Supreme Court decision combined with extreme conservative views about the role of government meant that many states decided not to avail themselves of the opportunity afforded to provide health care to their very poor almost entirely at the expense of the Federal government. Some 28.5 million (including 4.25 million African Americans) were left uncovered (Uninsured Rates for the Nonelderly by Race/Ethnicity (2016)). As this paper goes to press, Republican efforts to roll back ACA in ways that would leave millions more uncovered have failed.

The most important program for helping the poor, enacted under Clinton, was the great expansion of EITC, the earned income tax credit. This is much aligned with what the report calls for. But it asks for more. The EITC is limited to those with children. What the Report calls for is effectively a universal basic income scheme (for families with dependent children, but they also use similar language when speaking about the population as a whole), to provide a "minimum standard of decent living".

Part II. Advances in the social sciences

The Kerner Commission drew heavily upon the findings of social scientists. Since then, race and racism have continued to be the object of intense study.⁶ Our remarks here draw upon a few of the strands of work most important for understanding what has happened to the economic situation of African-Americans over the past half century.

The first is the economics of discrimination, a subject formally explored by Nobel Prize winner and Chicago economist Gary Becker in his book of that title. He argued that in a competitive market, there couldn't/wouldn't be discrimination because non-discriminatory employers would have an incentive to hire any workers that were underpriced as a result of discrimination (Becker (1971)) The fact that the theory was contradicted by the evidence suggested that the assumptions of the model were obviously deeply flawed (Stiglitz (1973), Akerlof (1976), Arrow (1972), and Arrow (1973)). There followed a rash of models explaining how discrimination could persist with rational

⁶It is worth noting that the issues of race have continued to draw the attention of many of the world's leading scientists. Gunnar Myrdal, whose classic study of racism in America (*An American Dilemma* 1944)), received the Nobel Prize in 1974. This short review cites the work of six other Nobel winning economists.

individuals with rational expectations, i.e. under all the simplifying assumptions used in economics. Particularly instructive were advances in game theory, which showed how systems of Jim Crow could persist, even when large numbers of the population did not have discriminatory attitudes: the “system” would punish those who deviated from the “norm” of segregation—and punish those who did not punish those who deviated (Abreu, Pearce Stachetti (1990), Akerlof (1976)). While some social scientists talked about the importance of social capital and group identity (Putnam (2000)), it became clear that these constructs could lead to discriminatory equilibria, advantaging one group at the expense of another (Dasgupta and Greenwald, (2001), Dasgupta (2005), Dasgupta (2012)). The notion of statistical discrimination was developed (Phelps (1972))—where those who engaged in it did not even believe that they were “unfair,” but just using statistical information about differential productivity. It was shown how this could lead to an equilibrium with persistent differences in outcomes among races or ethnic groups, even if there were no innate differences, or even differences in the provision of education, but even more so if (as is the case) there were. Because they knew that they would have less job opportunities, it was rational for African Americans to invest less in education, in a self-fulfilling prophecy (see Stiglitz (1974), Arrow (1973)).

But even more important were advances in behavioral economics, where models of persistent racism were developed⁷. Perception—both of oneself and of others—affected performance (Fehr and Hoff (2011)); and because of confirmatory bias, one’s perceptions

⁷ This literature emphasized (a) the cultural determination of preferences and beliefs; and (b) the role of identity. For the former, see, e.g. Paul DiMaggio (1997), Fehr and Hoff (2011), Hoff and Pandey (2014), and Hoff and Stiglitz (2016). For the latter see, e.g. Steele (2010), Akerlof and Kranton (2003).

of reality were biased by one's prior beliefs. Thus, racist seemingly rational fictions—where individuals' beliefs were in accord with reality *as they perceived it*—could persist, with again different groups being treated differently, and leading to different behavior even when there were no intrinsic differences (Hoff and Stiglitz (2010)). But of course, given differences in education and the host of other factors affecting productivity, these only amplified and further sustained the resulting differentials.

The increasing economic divide afflicting the country provided more opportunity to understand better the effects of poverty itself. Poverty itself was self-perpetuating, with those at the bottom, whether white or black, caught in a poverty trap. Mobility matrices—tracing out the likelihood of someone at the bottom making it up to the middle or top—showed how unlikely such transitions were for anyone of any race or color (Bhattacharya and Mazumder (2011)). Those in poverty, focusing on survival, had less ability to think long term, and thus were less likely to make the kinds of long term investments that would help them get out of poverty (Mani et al. (2013)).

Contributing to this was the growth of single parent families, which used to be thought of as the province of African-Americans. Overall, 35% of children in the US grow up in single-parent households, but it's almost twice that—67%—for African American kids. Since almost half of all children with a single mother — 47.6 percent — live in poverty, it's perhaps no surprise that the poverty rate among black children is 38.2 percent, more than twice as high as the rate among whites (Breslow (2012), U.S. Census (2011), U.S. Census (2012), DeNavas-Walt et al. (2012), Fass et al. (2009)). There was evidence that growing up in families without fathers was particularly hard on boys; and as the labor force was restructured to favor service sector jobs and jobs requiring higher

levels of education, this mattered more and more (Cobb-Clark and Tekin (2014) and Smith and Li (2012)).

There was a growing consensus that inequality itself was bad for overall economic performance (Ostry *et al.* (2014), Stiglitz (2012) and OECD (2015)); but some of the adverse effects related to how bad it was for those at the bottom. It was not just that those at the bottom were less likely to be able to live up to their opportunity. There were worries that attempts of those at the bottom to emulate the lifestyle of those higher up led to excessive debt—especially in the context of an economy rife with predatory lenders willing to take advantage of them and a bankruptcy law willing to impose what amounted to partial indentured servitude through the garnishing of wages (See Stiglitz (2010) and Stiglitz (2012)).

III. Policy Responses

The experience of the past half century has shown that an attack on racial disparities has to be conducted on multiple fronts. First, there has to be a broadside attack against inequality and poverty in the United States. The most important policy is to maintain a very tight economy: the only time that marginalized groups were brought into the economy was when the unemployment rate fell to record lows in the late 90s under President Clinton. The benefits of this and the growth that it brings about far outweigh any deficits that might be experienced to support it or any inflation that might be engendered.

There are a range of expenditures that would improve equality of opportunity. Earlier, I noted gaps in our education, employment, welfare and health care programs. Most importantly, there is evidence that growing up in a family in poverty hurts future prospects, and not just in the ways described earlier, e.g. access to education. It affects

learning and aspirations⁸, determines the experiences one is exposed to, and shapes the individual's sense of identity and worth.

There are a range of ways of increasing taxes to finance investments in the country's future—including the kind of education, welfare, and jobs programs that the Kerner Commission called for—that would simultaneously increase economic performance and reduce inequality. The evidence that reducing inequality would itself improve performance enhances further the benefits of such policies. Most importantly: (a) taxing “bads”—like excessive financialization, through a set of taxes on the financial sector, or pollution, including the greenhouse gas emissions that contribute to global warming; (b) taxing inelastically supplied resources like land and natural resources—land is there, whether its taxed or not, and so too for oil and minerals⁹—raises revenues without causing distortions; and (c) taxing those at the very top at least the rate imposed on those less well off—the current tax system is regressive, with billionaires paying a lower tax rate than those much poorer. Increasing taxes on inheritances reduces the intergenerational transmission of advantage.

But reducing inequality and poverty in general will not suffice. Racism and other forms of discrimination also have to be attacked. There is an important interplay between laws, norms, and politics. Changing laws may not necessarily on its own be as effective as we would like unless we change attitudes and norms. Racism, as we have learned, is often subtle. Sometimes, those acting in a discriminatory manner are hardly aware of it. As the

⁸ One of the insights of behavioral economics is showing how cognition is affected by poverty, as described earlier. Again, see Mani et al. (2013), *op. cit.*

⁹ Obviously, the extraction of natural resources can be affected by taxation. We are calling for a tax on the *natural resource rents*, on the value of the resource in excess of the cost of extraction.

Kerner Report emphasized, racism is deeply ingrained in the country. But changing laws can help, for they do affect what is “expected” and thus affect norms. Changing norms though is difficult, and there needs to be a concerted effort in early education and in public discourse, through television, the media, and films (see, e.g. Jensen and Oster (2009)). Perhaps there should be a nationally mandated course in civil rights. At the very least, the federal government should provide massive funding for summer schools and research programs advancing a broader understanding of racism in America and what can be done about it. Unfortunately, it will have to be a federal program, because not all states are committed to an agenda of full equality. And this is where politics matters. In many places across the country there is an active attempt to disenfranchise African-Americans and Hispanics. Those in power realize that politics matters; and if more minorities (or, as is the case in some place, more of the majority) vote¹⁰, the policies will change.

A large literature, both academic and popular books, have identified the resentments of the large numbers of Americans who have not been doing well. They resent those who are doing better; they believe the system is rigged; as we have noted, they believe (in many cases wrongly) that they would do well in a fair game. Their zero-sum logic leads to believe that the reason others, including the few African-Americans that are getting ahead, because they are getting an unfair boost. This makes it particularly hard to address historical legacies, but it also makes it all the more imperative to undertake the broad based policies to reduce economic inequalities described above.

¹⁰ The Census Bureau estimates that whites will become a minority by 2044, or only about 25 years from now.

IV. Concluding remarks

The Kerner Commission was prescient in many ways, in setting out an agenda for the country on how to achieve a more equal society, free from the racism which played such an important role in the riots, the cause of which had led to its creation. A recent report of the Roosevelt Institute (Flynn et al. (2016)) as well as a multitude of other studies shows that the glass is far less than half-full. While many of the reforms it called for required significant increases in spending, the past fifty years has seen a squeezing of the overall budget of the federal government for expenditures other than the military and programs like social security and Medicare.¹¹ It is not that the country can't afford these expenditures; it can, and as I suggested, there are ways of raising revenue that would actually enhance economic performance.

President Trump ran on a platform of "Make America Great Again." A familiar retort was that America was still great. But it was not as great as it could be. Its greatness arises not so much from its military power, but from its soft power and its economic power. In today's world, America's continued racism undermines that soft power and our overall economic performance. The warning of the Kerner Commission is as relevant today as it was then: "Our Nation is moving toward two societies, one black, one white—separate and unequal." That kind of society will not be a beacon to the world. And that kind of economy will not flourish. Everyone will lose if we continue in that direction. An alternative world is possible. But fifty years of struggle has shown us how difficult it is to achieve that alternative vision.

¹¹ These are formally called "mandatory non-military" expenditures. Also see Center for Budget Policy and Priorities (2016).

References

- Akerlof, G. (1976). "The Economics of Caste and of the Rat Race and Other Woeful Tales." *The Quarterly Journal of Economics*, 90(4), 599-617.
- Akerlof, G. (1980). "A Theory of Social Custom, of Which Unemployment May Be One Consequence." *The Quarterly Journal of Economics*, 94(4), 749-775.
- Akerlof, George A. and Robert J. Shiller. (2015). *Phishing for Phools: The Economics of Manipulation and Deception*. Princeton University Press.
- Akerlof, George and Kranton, Rachel (2003). "Economics and Identity", *Quarterly Journal of Economics*, August, CXV(3), pp.715-753.
- Arrow, Kenneth. (1972), "Models of job discrimination." In A.H. Pascal, ed. *Racial discrimination in economic life*. Lexington, Mass.: D.C. Health, 1972, 83-102
- Arrow, Kenneth. (1973), "The Theory of Discrimination," *Discrimination in Labor Markets*, 3 (1973), 3-33.
- Becker, Gary S. (1971). *The Economics of Discrimination*. University of Chicago Press: Chicago, 2nd edition.
- Bertrand, Marianne and Sendhil Mullainathan. (2003). "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." NBER Working Paper No. 9873.
- Bhattacharya, D. and Mazumder, B. (2011). "A nonparametric analysis of black–white differences in intergenerational income mobility in the United States." *Quantitative Economics*, 2: 335–379.
- Breslow, Jason. (2012). "By the Numbers: Childhood Poverty in the U.S." PBS Frontline, November 12. Available at <http://www.pbs.org/wgbh/frontline/article/by-the-numbers-childhood-poverty-in-the-u-s/>
- Center for Budget Policy and Priorities. (2016). "Policy Basics: Non-Defense Discretionary Programs." Available at <https://www.cbpp.org/research/policy-basics-non-defense-discretionary-programs>
- Chetty, Raj, Nathaniel Hendren, Patrick Kline and Emmanuel Saez. (2014). "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." NBER Working Paper No. 19843.

City of New York, Office of the Mayor (2017). "Mayor de Blasio Announces 3-K For All." April 24. Available at <http://www1.nyc.gov/office-of-the-mayor/news/258-17/mayor-de-blasio-3-k-all#/0>

Cobb-Clark, Deborah A. and Erdal Tekin. (2014). "Fathers and Youths' Delinquent Behavior." *Review of Economics of the Household*, 12(2), pp. 327-358.

Dasgupta, N., & Greenwald, A. G. (2001). "On the Malleability of Automatic Attitudes: Combating Automatic Prejudice with Images of Admired and Disliked Individuals." *Journal of Personality and Social Psychology*, 81(5), 800-814.

Dasgupta, Partha, 2005, "The Economics of Social Capital", *Economic Record*, Vol. 81, Issue Supplement S1, pp. S2-S21.

Dasgupta, Partha, 2012, "Dark Matters: Exploitation as Cooperation". *Journal of Theoretical Biology*, 299, pp. 180-187

Davis, Jonathan and Bhashkar Mazumder. (2017). "The Decline in Intergenerational Mobility After 1980." Federal Reserve Bank of Chicago Working Paper 2017-05.

DeNavas-Walt, Carmen, Bernadette D. Procto and, Jessica C. Smith. (2012). "Income, Poverty and Health Insurance Coverage in the United States: 2011". Available at <https://www.census.gov/prod/2012pubs/p60-243.pdf>

DiMaggio, Paul. (1997). "Culture and cognition," *American Journal of Sociology*, pp. 263-287

"Early Childhood Education: Research Summary." Heckmanequation.org. Available at <https://heckmanequation.org/resource/early-childhood-education-quality-and-access-pay-off/>

Fass, Sarah, Kinsey Alden Dinan and Yumiko Aratani. (2009). "Child Poverty and Intergenerational Mobility." National Center for Children in Poverty, Mailman School of Public Health, Columbia University. December. Available at http://www.nccp.org/publications/pdf/text_911.pdf

Fehr, Ernst and Karla Hoff. (2011). "Tastes, Castes, and Culture: The Influence of Society on Preferences." IZA Discussion Paper Series No. 5919.

Flynn, Andrea, Dorian Warren, Felicia Wong and Susan Holmberg. (2016). "Rewrite the Racial Rules: Building an Inclusive American Economy". Roosevelt Institute Report. Available at <http://rooseveltinstitute.org/wp-content/uploads/2016/06/Structural-Discrimination-Final.pdf>

- García, Jorge Luis, James J. Heckman, Duncan Ermini Leaf and María José Prados. (2016). “The Life-cycle Benefits of an Influential Early Childhood Program.” The University of Chicago, HCEO Working Paper 2016-035.
- Gary Solon. (1999). “Intergenerational Mobility in the Labor Market.” *Handbook of Labor Economics*, 3:1761-1800.
- Grawe, Nathan, D., and Casey B. Mulligan. 2002. "Economic Interpretations of Intergenerational Correlations." *Journal of Economic Perspectives*, 16(3): 45-58.
- Greenhouse, Steve. (2013). “Share of the Work Force in a Union Falls to a 97-Year Low, 11.3%.” *New York Times*, 23 January 2013. Available at <http://www.nytimes.com/2013/01/24/business/union-membership-drops-despite-job-growth.html>
- Heckman, James. (2011). “The American Family in Black and White: A Post-Racial Strategy for Improving Skills to Promote Equality”. NBER Working Paper No. 16841
- Hoff, Karla and Joseph E. Stiglitz. (2010). “Equilibrium Fictions: A Cognitive Approach to Societal Rigidity,” with K. Hoff, *American Economic Review*, 100(2), May, pp. 141-146.
- Hoff, Karla and Joseph E. Stiglitz. (2016). “Striving for Balance in Economics: Towards a Theory of the Social Determination of Behavior,” *Journal of Economic Behavior and Organization*, 126(B), June, pp. 25-57.
- Hoff, Karla and Priyanka Pandey. (2014). “Making up people—The effect of identity on performance in a modernizing society.” *Journal of Development Economics*, Volume 106, Pages 118-131.
- Hoxby, Caroline and Christopher Avery. (2012). “The Missing “One-Offs”: The Hidden Supply of High-Achieving, Low-Income Students”. NBER Working Paper No. 18586 <https://www.census.gov/prod/2012pubs/p60-244.pdf>
- “Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy”. Heckmanequation.org. Available at <https://heckmanequation.org/resource/invest-in-early-childhood-development-reduce-deficits-strengthen-the-economy/>
- Isaacs, Julia. (2007). “Economic Mobility of Families Across Generations.” Brookings Institution Report. Available at https://www.brookings.edu/wp-content/uploads/2016/06/11_generations_isaacs.pdf
- Jensen, Robert and Emily Oster, “The power of TV: Cable television and women’s status in India” *Quarterly Journal of Economics*, v. 124(3), 2009, pp 1057-1094.

- Kerner, Otto, et al. (1988). *The Kerner Report: the 1968 Report of the National Advisory Comm. on Civil Disorders*. Pantheon Books: New York.
- Kopczuk, Wojciech and Emmanuel Saez. (2004). "Top Wealth Shares in the United States, 1916–2000: Evidence from Estate Tax Returns." *National Tax Journal* Vol. LVII, No. 2, Part 2, June.
- Krueger, Alan B, Judd Cramer and David Cho. (2014). "Are the Long-Term Unemployed on the Margins of the Labor Market?" *Brookings Papers on Economic Activity*, Spring.
- Mani, Anand, Sendhil Mullainathan, Eldar Shafir, and Jiaying Zhao. (2013). "Poverty Impedes Cognitive Function." *Science* Vol. 341, Issue 6149, pp. 976-980.
- Myrdal, Gunnar. (1944). *An American Dilemma: The Negro Problem and Modern Democracy*. Harper Brothers: New York.
- National Accounts Main Aggregates Database. United Nations. (2016). Available at <https://unstats.un.org/unsd/snaama/dnllist.asp>
- OECD (2015), *In It Together: Why Less Inequality Benefits All*, OECD Publishing, Paris.
- OECD (2016). "PISA 2015 Results in Focus". OECD Publishing, Paris. Available at <https://www.oecd.org/pisa/pisa-2015-results-in-focus.pdf>
- Ostry, Jonathan D., Andrew Berg, and Charalambos G. Tsangarides. (2014). "Redistribution, Inequality, and Growth" IMF Staff Discussion Note SDN/14/02.
- Pew Research Center. (2014) "The Rising Cost of Not Going to College", February. Available at <http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>
- Pew Research Center. (2016). "On Views of Race and Inequality, Blacks and Whites Are Worlds Apart." June 27. Available at <http://www.pewsocialtrends.org/2016/06/27/on-views-of-race-and-inequality-blacks-and-whites-are-worlds-apart/>
- Phelps, Edmund S. (1972). "The Statistical Theory of Racism and Sexism". *American Economic Review*. 62: 659–661.
- Putnam, Robert D. (2000). *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster.
- Reardon, Sean F., and Kendra Bischoff. "Income Inequality and Income Segregation." *American Journal of Sociology*, vol. 116, no. 4, 2011, pp. 1092–1153.

Saez, Emmanuel and Gabriel Zucman. (2016). "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data." *Quarterly Journal of Economics*, 131 (2): 519-578.

Sandra E. Black, Paul J. Devereux. (2011). "Recent Developments in Intergenerational Mobility." *Handbook of Labor Economics*, 4: 1487-1541.

Smith, Karen and Minghua Li. (2012). "Family structure and child outcomes: a high definition, wide angle "snapshot." *Review of Economics of the Household*, 10(3), pp 345–374.

Steele, Claude. (2011). *Whistling Vivaldi and Other Clues to How Stereotypes Affect Us*. W.W. Norton & Company: New York.

Stelzner, M. (2017). "The new American way—how changes in labour law are increasing inequality." *Industrial Relations Journal*, doi: 10.1111/irj.12177.

Stiglitz, Joseph E. (1973). "Approaches to the Economics of Discrimination" *American Economic Review*, vol. 63, issue 2, 287-95.

Stiglitz, Joseph E. (1974). "Theories of Discrimination and Economic Policy," in *Patterns of Racial Discrimination*, G. von Furstenberg, et al. (eds.), D.C. Heath and Company (Lexington Books).

Stiglitz, Joseph E. (2010). *Freefall: America, Free Markets and the Sinking of the World Economy*. W.W. Norton & Company: New York.

Stiglitz, Joseph E. (2012). *The Price of Inequality: How Today's Divided Society Endangers Our Children's Future*. W.W. Norton & Company: New York.

Stiglitz, Joseph E. (2015). *The Great Divide: Unequal Societies and What We Can Do About Them*. W.W. Norton & Company: New York.

Stiglitz, Joseph E. with Nell Abernathy, Adam Hersh, Susan Holmberg and Mike Konczal (2015). *Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity*. W.W. Norton & Company: New York.

True Merit Fact Sheet. The Jack Kent Cooke Foundation. (2016). Available at http://www.jkcf.org/assets/1/7/JKCF_True_Merit_Fact_Sheet.pdf

Uninsured Rates for the Nonelderly by Race/Ethnicity. The Henry J. Kaiser Family Foundation. Available at <http://www.kff.org/uninsured/state-indicator/rate-by-raceethnicity/?dataView=1¤tTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

U.S. Bureau of Economic Analysis. (2017a) Per Capita Personal Income in Connecticut [CTPCPI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CTPCPI>, July 31.

U.S. Bureau of Economic Analysis. (2017b). Per Capita Personal Income in Mississippi [MSPCPI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MSPCPI>, July 31.

U.S. Bureau of Labor Statistics, (2017a). News Release: Union Members – 2016. Available at <https://www.bls.gov/news.release/pdf/union2.pdf>

U.S. Bureau of Labor Statistics, (2017b) Unemployment Rate: 16 to 19 years, Black or African American [LNS14000018], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS14000018>

U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau. (2011). “Child Poverty in the United States 2009 and 2010: Selected Race Groups and Hispanic Origin”. November. Available at <https://www.census.gov/prod/2011pubs/acsbr10-05.pdf>

U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau. (2012). “The Research Supplemental Poverty Measure 2011” Available at <https://www.census.gov/prod/2012pubs/p60-244.pdf>.

U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau. (2016). “Educational Attainment in the United States: 2015”. Available at <https://www.census.gov/content/dam/Census/library/publications/2016/demo/p20-578.pdf>

Wilson, Valerie and William M. Rogers III. (2016). "Black-white wage gaps expand with rising wage inequality." Economic Policy Institute report, available at <http://www.epi.org/publication/black-white-wage-gaps-expand-with-rising-wage-inequality/>