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Institutionalized: How Racial Wealth Inequality Creates a Cycle of Mass Incarceration

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Institutionalized: How Racial Wealth Inequality
Creates a Cycle of Mass Incarceration

Senior Project submitted to
The Division of Social Studies
of Bard College

by

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Abstract

Racial wealth inequality is a relentless cycle that operates uniquely in America because it implies that the racial consequences of racism continue to influence decisions made in structures and institutions and create unjust economic relationships between white and Black people in America. (Richard F. America) The recent political discourse alleges, by asserting neoclassical theory, that the wealth divide is resultant of differences in self-determination, prioritization, and work ethic alone varying across racial demographics — reinforcing the assumption that some races of people (Whites and Asians, for example) work harder than others (like Blacks). Therefore, by the transitive property, racial wealth inequality is seen to persist only because Blacks engage in self-sabotaging behaviors that negatively affects their wealth outcomes in adulthood. The demographic of wealth inequality definitely deserves a better justification than an inherent difference in individual productivity and determination across racial groups. In an effort to over generalize an entire demographic group, these perverse assumptions perpetually neglect to consider socio-economic barriers and division and racist structures that have paralyzed Blacks ability to accumulate wealth over the years (Darity 2016; Hamilton 2009-16). These presumption do not take notice of the upward mobility of Black groups in the ranks of the labour system in the United States. They do, however, judge the choices and decisions made by individuals living under poverty. It ignores the extent to which preexisting prejudice and discrimination in the “free market” influence wealth outcomes for people of color. Disregarding the few Blacks who have reviewed an increase in household income there is still high racial wealth inequality affecting the majority of Blacks in America.

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Introduction

A major reason why policy intervention does not solve problems of racial inequity in wealth, status and class is policy reform tends to be based on the neoclassical trope that the upper class will encourage equality and opportunity, not the lower class. The dichotomy of wealth was written in the primary constitutional documents: "Protect the opulent minority from the scarce majority"(Madison 1787). Instead of monitoring and regulating problems of scarcity, government and business encourage exclusion of which these biased policies and social behaviors established. Policy intervention tried to break down the inequity introduced by greedy capitalist behavior by fixing the machine from within. There's just one problem. A machine only has one job to perform and that is the job it was designed to do. It has an input and an output and the finished product is always the same. Early government programed capitalism to work in the favor of capitalist and government and that has been the case ever since.

Adam Smith's(1776) only warning of capitalism was ignored by government. The Early U.S. government ignored Smith's prophecy: "Government should limit its activities to administer justice, enforcing private property rights, and defending the nation against aggression". Smith suggested the role of government was not to build the system too intertwined with government because the system should be concerned with fairness of production, consumption and the transfers of wealth in markets. Government took it upon themselves to meddle in economic affairs assigning power to property and resources vice versa removing power from lack thereof. Labour and population were used for nothing more than accumulating these resources for select few men. The relationship between business and government allowed wealth and resources to

become tangible forms of power that would later be made exclusive by economic and social boundaries.

Chapter 1

Wealth Concentration: The Role of Racism in Racial Wealth Inequality

“The majority of the country's wealth has always been in the hands of the white population in America.”

- Lisa A. Keister, “The history of Wealth Inequality in America”

America’s ongoing racial economic problem is interconnected with its history of racism and inequality. The average accumulation of wealth amongst Black families has been stagnant throughout the years because inherent prejudice and discrimination lingered in America penetrating various aspects of the country’s economy. Black wealth was displaced by private practice and conscious, active, wrongful interventionist public policy. Income and wealth was coercively diverted from Black Americans primarily through slavery then by residential segregation in the Jim Crow South and the urban ghettos of the North. Capitalists and politicians both discriminated(exclusively) against the Black labour force for profits. The opulent minority used the triple threat of slavery, segregation, and racism to widen and exploit racial wealth inequality¹(Oliver and Shapiro 2006). Those same three periods of overt racism and discrimination in America influenced the racial struggle against poverty.

¹ See Oliver, Melvin L., and Thomas M. Shapiro. *Black Wealth/White Wealth: A New Perspective on Racial Inequality*. 2nd ed., Taylor and Francis Group, 2006. (pp. 12-15) for more information on the relationship between Race, Wealth, and Equality.

A series of misfortunate events left African Americans looking for a way to finance their own social-well being in their respective communities. Capitalist abused slavery, segregation, and racist policies to capitalize on the low socioeconomic statuses assumed by African American families after those periods of racial financial stagnation. Black people have neither had the freedom of economic mobility nor did they ever possess the ability to opportunistize wealth for their future generations to come. Capitalist's and the government's own biased economic decision making after the emancipation of the slaves, the end of Jim Crow, and the end of the Civil Rights era that generated a depreciation effect in black wealth and forced entire black groups to remain in a paradigm of poverty for generations (Reardon et al. 2016, Hamilton 2009, Darity, Van Den Berg 2017).

History of Racism

Racism is brewing in modern society because of the racial disparity in the economy during and after slavery. Prejudice might have been inherent in the relationship between Blacks and whites²(history of white people; Fanon 2008), but racism was uniquely constructed for the economic purpose of Africanizing the slave labour system and reinforcing the demographic of wealth and ownership in America. Eric Williams (1994) wrote a detailed economic analysis of slavery and capitalism reinventing the functions of race as tools of economic discrimination being not solely racial. Williams proclaims, “The origin of Negro Slavery is economic not

² See Fanon, Frantz. *Black Skin White Mask*. Grove Press, 2008. for a scientific analysis on the psychosis of racial relations and differences.

racial”³(Williams 1994). Williams empirical analysis rejected the climatic theory⁴ of white and Indian indentured workers having performance issues. The labour force was Africanized because it was the most cost effective decision to make “concerning”⁵ labour operation in the agricultural market. More so, Williams saw racism as a means to actualizing slavery and an excuse for capitalist to easily transition into a slave labour system away from indentured servitude without direct government intervention. It was all done for the purpose of maximizing profit. Racism became more attractive in the economy over the years because it upheld the divisions of labour set up by slavery⁶. With race being a social barrier in the labour force capitalist were not only able to lower the human capital of Black workers, but they were also able to convince the general white population that it was just to discriminate against the entire Black population in the country. Racism continued because it benefited all whites financially to be racist.

Slavery

Between the years of 1619 to 1865 was the most extreme case of racial wealth inequality in the United States--it was a time of absolute racial income inequality. The racial divide of wealth and income was one to none--whites collected all the profits and Blacks worked to live. Slave labour was arguably the most important input in the forces of production for capitalist during the periods of American expansion. It practically grew wealth in the hands of only white

³ See Chapter on “The Origins of Negro Slavery”; Williams, Eric Eustace, and Colin A. Palmer. *Capitalism and Slavery*. Chapel Hill, Univ. of North Carolina Press, 1994.(pp. 3-49)

⁴ Climate Theory a.k.a “Climatic determinism” was Ellsworth Huntington’s theory on climate energy and how it impacts human development and accomplishments over a progression of time. For more info see Huntington, Ellsworth. *The Human Habit*. D. Van Nostrand Company, Inc., 1927. “Health, Energy, Progress” (pp. 136-47)

⁵ Refers to a going concern of major business that functions without the threat of liquidation in the foreseeable future.

⁶ For more information on the divisions of labour see Veblen, Thorstein; *The Theory of the Leisure Class: An Economic Study of Institutions* (New York: B. W. Huebsch, 1918).

groups in the United States. The system of plantation slavery itself was the first major technological advancement in the relations of production during the agricultural phase of production --it was primarily used for the purpose of enhancing municipal production and agricultural production in the American Colonies. However, it was also a period of extremely exploitative labour practices in the historical American economy.

The slave trade was a major help in the early stages of American expansion because slave labour contributed a large amount to the early American trade economy with the production of British exports: like Cotton, Tobacco, etc.⁷(Williams 1994). Slave labour was used in the building of infrastructure, rail systems, ships, canals and other modes of transportation vital to the development of an industrial economy. They operated transportation networks and assisted in the market by doing service work and of course manufacturing farmed goods. Indentured servants made some contributions to production in America during the Colonial period as well, but slavery way by far more impactful. That is because slave labour was an inferior good⁸, it cost practically nothing to obtain, and with the invention of breeding plantations⁹ slaves could be reproduced over and over again for free. And resold back into slavery. For pretty much all aspects of American society slaves were far more beneficial than indentured servants; however, that was especially true for capitalist. Slave labour eventually replaced indentured servitude on the plantations because slave labour became the new anchor(or baseline) of labour operations in

⁷ See Chapter 4 on “The Atlantic Slave Trade: Racism or Profit?”; Williams, Eric Eustace, and Colin A. Palmer. *Capitalism and Slavery*. Chapel Hill, Univ. of North Carolina Press, 1994.(pp. 108-26)

⁸ In economics, an “inferior good” is a good whose quantity demanded decreases when consumer income rises or quantity demanded rises when consumer income decreases.

⁹ For more on Slave woman and breeding plantation see White, Deborah G. *Ar'n't I a Woman: Female Slave in the Plantation South*. Rev. ed., W. W. Norton & Company, 1985.

America. Slavery created the basis for expansion and total continental development increasing overall aggregate production in the growing American economy, but of course slaves were not financially compensated for their contribution to the economy's growth.

The changes in the structure of the agricultural labour market resulting from the Africanization of slavery affected change in race and wealth relationships in the country. Most servants were working under debt bondage¹⁰ or debt slavery because they couldn't even afford their own way into the American Colonies. They were forced to repay their colonial masters for transportation, food, clothing, and shelter by working under legal obligation. Indentured servants began at the lower echelons of western society and worked to assume the position of middle class status in America. This status was obtained eventually after involuntary servitude became the next mode of production in the American economy after western slavery was Africanized. Slavery was actualized by making racist policies and justifying them to the society through social sciences that dehumanized the Black body and slaves in the same vein. Black persons were casted into the bottom echelons of America's labour force because slavery was the cheapest form of labour.

Involuntary servitude was profit maximizing for the American capitalist during the Colonial era and the post-Revolutionary era of America, generating the most productivity and profits for the American Businessman with least amount of capital inputs possible. Slave master's plantation practices infamously exploited the involuntary labour system by breaking down the division of labour further through forceful and exclusionary measures, gruesome

¹⁰ "Debt bondage", also known as debt slavery or bonded labour, is a person's pledge of labour or services as security for the repayment for a debt or other obligation.

demonstrations, and interracial division. Hence the reason why the house negro and the field negro both had different skills on the same plantation¹¹. These intra-racial divisions contributed to the differences in wealth between the middle-class Black household and the average Black household wealth in the 20th and 21st centuries. And the overall division of labour between blacks and whites established (through the influence of slavery) a intergenerational hierarchy of labour that would reform itself in response to the Capitalist needs of the Black labour force.

The slave trade and slavery generated huge returns in the future well-being of the country being the primary source of agricultural labour throughout the Colonial up until reconstruction in America--the most obvious benefit was the lopsided wealth accumulation of White society. In the slave economy the share of wealth was largely determined by one's position in the slave labour system. (Marxist theory refers to it the "relations of production" or how people organize themselves around labour in the capitalist economy). The early stages of the relations of production include private ownership of property, competition amongst capitalist and wage labour. Class was organized similarly in the early agricultural phase of American society; it was totally dependent on your role(or class) in the slave economy and so was wealth¹². As a citizen in the slave society your employment status would have been a major determinant of what class you belong to and how much wealth you have. The demographic of economic constraints and surplus mirrored the employment statuses or more accurate portrayal is how well a person is compensated for their work. Slaves were at the bottom of the slave labour system so they were

¹¹ For more information on the relationship between the field negro and the house negro see X, Malcolm. "The Race Problem." African Students Association and NAACP Campus Chapter. Michigan State University, East Lansing, Michigan. 23 January 1963.

¹² For more information on the economic institutions and the separations of labour and class see Veblen, Thorstein. *The Theory of the Leisure Class: An Economic Study of Institutions*. B. W. Huebsch, 1918

essentially at the bottom class of society. All the surplus in the economy was kept from them by right of the Capitalist--slave relationship; therefore, by the transitive property, the slave labour system generated social constraints for African Americans during Slavery.

Racial wealth inequality was originally a problem during involuntary servitude. It was the first time income and wealth was diverted from African Americans into the hands of capitalist through monopolistic behavior. Slavery set up the primary unequal relations between the Black working class and the white wealthy class. Monopolist behavior was frequent in slavery because it was a hierarchical systems. These kinds of systems encourage favor , thus the people at the top percentile were able to manipulate the share of wealth in the economy. It is divided primarily between themselves through the free market and then it transfers into the general population through compensation of wages. This group wanted to protect their concentration of wealth. The hierarchy of the slave labour system in Negro slavery proved to be the most beneficial for monopolist behavior in the economy because monopolist were able to practically zero their labour cost, and kept most of the economic surplus amongst the competitive few. There were no Black capitalist at the time because the barriers to entry were already established through policy. At the time the people who inherited wealth ownership were mainly descents of European men, so White people essentially inherited full control over slavery and the agricultural economy after American Independence. Whites maintained full control over the economy and government. The concentration of wealth in the hands of whites was systematically encouraged by the government during slavery(1787;1793).

Wealth concentration was promoted through public policy a few years after American independence. Even though government intervention was prohibited in free market practices it still didn't stop the government from influence market outcomes through public policy. The American Oligarchs in the private sector and the public sector designed policy to seize wealth in the hands of a small group of individuals(Madison 1787). James Madison at the Constitutional Conventions, in 1787, spent weeks designing the political economy around a principle that was very similar to the "vile maxim(Smith 1776)"¹³ of the British Oligarchs. The law of the constitution protected the opulent minority from the scarce majority at the early stages of economic expansion because they were the wealthy and the noble- the only members of society fit to run it according to James Madison at the constitutional convention, in 1789. His exact words were that government should "protect the minority of the opulent from the majority" because "In all cases where a majority are united by a common interest or passion(our in our case economic oppression), the rights of the minority are in danger (Madison 1787)."¹⁴ In Madison's defense capitalist were expected to promote personal and general welfare of the people through perfect market competition; however, perfect competition did not factor in African American slaves because they were property owned.

This concept of a right to wealth seemed to be influenced by John Winthrop's "Model of Christian Charity(1630)"¹⁵. Winthrop's sermon established the relationship between man, land,

¹³ "Vile Maxim" refers to Oligarchs philosophy of the role of government in wealth relations. For more information on the first model of capitalism and how to build a nation's wealth see Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Vol. 2, London: W. Strahan, 1776. (Chapter IV, p. 448)

¹⁴ For more information on the constitutional convention see House, Library of Congress. *Documents from the Continental Congress and the Constitutional Convention, 1774 to 1789*. Government Printing Office, 1789. *United States Constitution: Primary Documents of American History*

¹⁵ Winthrop, John. "A Modell of Christian Charity." Collections of the Massachusetts Historical Society, 3rd ser., 1838, pp. 31-48

labour and wealth in the time of Indentured servitude. Winthrop claims “God almighty in his most holy and wise providence, hath soe disposed of the condition of mankind, as in all times some must be rich, some poor, some high and eminent in power and dignity; others mean and in submission” (p. 33). He proposed there is an inherent power structure passed down from god. What white people call their divine white in some respects. The Model of Christian Charity was basically the excuse for white men to feel entitled to the land of America and the fruits that it bares. What Winthrop did not plan on happening is the dichotomy of people being exacerbated by the greed and selfishness of rich white businessmen.

Capitalist took it upon themselves to violate the first rule of economics: the rule of scarcity. The government basically gave capitalist the political right to concentrate wealth amongst themselves without considering scarcity in the economy. There were no limitations on how much wealth capitalist could accumulate, thus the concentration of wealth in one exclusively class removed wealth from the rest of the population. The gap between the haves and the have nots continues to grow; as the saying goes, the rich only got richer, "not only does wealth create wealth, it is also the case, as the wealthy increase their wealth, the poor become worse off ¹⁶"(Keister 2000). The cahoots between government and business made it impossible for the slave workforce to have any bargaining power. Human capital and perhaps the life expectancy of labourers were in the hand of the capitalists who only cared to maximize their profits, yet not provide financial incentives to their workforce. Madison's proposals prompted government to help capitalist limit the democratic power of the majority -- limit the power of the

¹⁶ Keister, Lisa A., and Stephanie Moller. "Wealth Inequality in the United States." *Annual Review of Sociology*, vol. 26, 2000, pp. 63-81

workers early on -- and protect the opulent overtime by protecting the powers of the capitalist and big business through indirect policy.

The profits from the slave trade made its way into all aspects of American society, but the relation of production were skewed in the favor of white capitalist, white politicians, and the general white population. The working class barely got to see any of profits, especially after tax season. White farmers with small farms and African slaves were both cheated out of their share of the country's total income by monopolistic behavior of capitalists and wealthy families during slavery. Whites overall still benefited because slave labour allowed for whites to go into more rewarding high skilled labour, with the capacity to generate greater earnings and forge a legacy for their descendants. Slavery benefited whites indirectly and passively. Blacks on the other end were barred from reading, writing, and citizenship all together. By having no ability to build skills and better their human capital, the majority of Blacks and African Americans were stuck with extreme poverty and no skills which forced many freed slaves into Sharecropping after slavery.

Sharecropping

Sharecropping began the next phase in the ongoing exploitation of the Black underclass through legal measures. The newly freed Blacks were caught in a continuum of exploitive labour markets Almost directly after being emancipated, Blacks were thrown into another form unequal exchange in labour relations. Freed and captive slaves were thrown into multiple variations of slavery, prior to the signing of the 14 amendment: some examples of are sharecropping and prison labour and in some cases apprenticeship. Sadly only a fraction(about ten percent) of the

black population in the south traveled to the north to pursue factory jobs¹⁷. The majority of freed slaves stayed in the south and went on to occupy the lowest ranks of the Sharecropping workforce. They stayed behind because the South and agricultural labour was all they knew-- they had no industrial skills, no wealth, and no income¹⁸. The only difference between sharecropping and slavery was Black workers made a personal decision concerning their own financial well-being for the first time since slavery. Despite that, the effects of slavery promoted a boomerang like mobility of income for Black sharecroppers -- it forced Blacks to leave one exploitive labour system and go back into another one of equal or near to equal wealth and income inequality. There was upward income mobility, but there wasn't much upward mobility of wealth for Blacks in sharecropping.

Sharecropping further influenced the trend of low upward mobility of wealth and income that started in Slavery. W.E.B Dubois (1903) talks about the trend of low economic mobility amongst newly freed slaves in his book, "Black Reconstruction in America:[1860-1880]"¹⁹. In 1935, Dubois describes with pain a "boomerang mobility of labour" of the Black workforce after the Emancipation of the slaves into one three part sentence: "The slave went free; stood a brief minute in the sun; then moved back again towards slavery"²⁰. Blacks left slavery and entered into a variation of slavery in sharecropping- essentially working for employers benefit-- what Karl Marx would call wage slavery²¹. The only difference between sharecropping and

¹⁷ Dubois refers to this group as the "talented tenth". For more information on the talented tenth see Du Bois, W. E. B. *Black Reconstruction in America: [1860-1880]*. New York, Free Press, 1998.

¹⁸ For more information on freed slaves post slavery see Du Bois, W. E. B. *The Souls of Black Folk*. Chicago: A.C. McClurg & Co.; [Cambridge]: University Press John Wilson and Son, Cambridge, U.S.A., 1903; Bartleby.com, 1999. www.bartleby.com/114/. [Date of Printout].

¹⁹ Du Bois, W. E. B. *Black Reconstruction in America: [1860-1880]*. New York, Free Press, 1998.

²⁰ Du Bois, W. E. B. *Black Reconstruction in America: [1860-1880]*. p.30

²¹ For more information on wage slavery see Marx, Karl, Friedrich Engels, Samuel Moore, and David McLellan. *The Communist Manifesto*. Oxford: Oxford University Press, 1992. Print

slavery was that blacks had received compensation for labour. The period of Reconstruction in the United States still left Blacks with little bargaining power, low levels of industrial skills, so the majority of the black population maintained a low status of class. Without skills and wealth Southern Blacks were forced to work sharecropping even though the agricultural economy was transitioning into the industrial economy.

Sharecropping was the second most extreme period of wealth inequality, and the first moment in the agricultural mode of production that wage disparities based on race was introduced. Farmers yearly intake varied dramatically depending on their race. Tenant farmers in the South used a similar type of debt bondage approach like the one colonial masters used to get indentured servants to pay them their wages, except in tenant farmers made Black sharecroppers pay for the tools themselves. The share of Black wealth still amounted to about the same as it did in the previous periods because outside of the Cost of capital, the only cost for white tenant farmers, was the cost of technology and labour and the farmers compensated the sharecropper just enough for them to pay back their debt. Sharecropping²² basically became an explicit form of wage slavery-- where Blacks were compensated at their level of sustenance, and whites received all the profits from production. The forces of production were governed in a similar manner as it was back in slavery. More so, centralized sharecropping(in which the majority of the labour force was African American) was transverse slavery because it was based on cotton farming during reconstruction in the South.

²² For more on how Sharecropping lead to poverty see Quadagno, Jill. *The Color of Welfare: How Racism Undermined the War on Poverty*. New York, Oxford UP, 1996.

Sharecropping is yet another form of undemocratic governance where the voices and bargaining power of workers is minimized by the degrees of separations in the labour market. Wage labour in sharecropping for example was considered to be better than involuntary servitude because there was finally a value attached to the individual's productivity; however, Marx, in his political theory, prophesied that the value of individual labour, commonly referred to as human capital, will eventually be exploited by the capitalist because they want to ensure their own competitive advantage through profit maximizing behavior so they minimize the cost of all the inputs of production process. In this case the workers are paid to the level of sustenance where they have just enough income survive, but not enough to embrace their social well-being or generate wealth.

The Great Migration 1916 - 1970

The Great Migration from the South to emerging urban cities happened because Blacks was more job opportunities after sharecropping²³. For the most of America's history "9 out of 10" of the African American population lived along the "black belt"(known for its fertile soils) in the South of the United States. At the time of first World War(1914) there was an increase demand for Southern workers because factory demand for weapons and other manufactured goods had skyrocketed. Prior to this shift in the Northern labour markets factories were using cheap immigrant labour(profit maximizing through reduction of labour cost) for their manufacturing needs. By the time the roaring 20s came the immigrant population in America had reached 14.5 million²⁴(USCIS). The majority of immigrant labour was exploited by capitalist

²³ For more information on how sharecropping influenced the great migration see Lemann, Nicholas. *The Promise Land: The Great Black Migration and How It Changed America*. New York, Vintage Book, 1993.

²⁴ For more information on U.S. Immigration see House, U.S Department of Homeland Security. *Overview of INS History*. USCIS History Office and Library, 2012.

behavior and used in factory during WWI. After the soldier returned most of the labour was taken up by women and immigrants. The government tried to help this issue of unemployment through policy. In 1917 the US Congress enacted a variety of widely restrictive immigration laws: The Literacy Act of 1917, the Emergency Quota Act of 1921 left African Americans, the Immigration Act of 1924. This left factories with a shortage in their labour force. Instead of employing white workers who they would have to compensate more for their labour, they instead took to the south and began attracting sharecroppers from the South to the North.

The Great migration was a turning point for the Black employment rates in the Northeast and West Coast. According to Isabel Wilkerson spent over 15 years compiling the stories of black exodus movements to emerging northern and western cities into her book “The Warmth of Other Suns”²⁵. Wilkerson says “the Great Migration was really a seeking of political asylum within our own country (Wilkerson 2010)”. The migration of Blacks to the north might have been to escape the Jim Crow south and sharecropping-- for Black groups to manifest their financial destiny and build a new status of wealth and income for their families.

By the 20s nearly half of the African American Population in the South migrated to emerging northern and western cities like Chicago, New York, Los Angeles, Detroit, etc. By 1929, 1.5 million African Americans had resettled in Northern and Western metro areas filled with industrial center (O’Sullivan). Initially all Blacks were dispersed across the cities and so was their poverty. After the US stock Market crashed in late October of that year, and the American economy entered a state of depression, the effects of segregation became prominent in

²⁵ Wilkerson, Isabel. *The Warmth of Other Suns*. New York, Vintage Books, 2010.

the nineteen thirties. Banks were failing, jobs were being lost, In the midst of all of this madness racial tension was building between the working class blacks and the working class whites. Soldier were coming home from war and finding their jobs replaced by black middle class workers and woman. A multitude of Race riots broke out all across the major metropolitan cities of the United States: like the Red Summer in Chicago(1919), the Race Riots in Tulsa, Oklahoma(1921), the list goes on and on. Eventually economic discrimination and segregation on part of employers and the government took full effect. Urban Black communities were targeted by white racism and market discrimination once African Americans officially settled in the Northern and Western regions of the United States. Once residential segregation and discrimination came into full effect in the North and South, immediately following the great depression, poverty began to concentrate into black communities.

Segregation

Blacks were immediately and directly placed into a rigid caste system in the South known as “Jim Crow” in which everything you could and couldn’t do depended on race. Segregation was the period of white racism or “white supremacy (Cell,1982)”²⁶ promoting physical separation based on race and class. Segregation influenced the physical clashes of racial tension in America. Race and class relations had reached a tipping point in the Southern economy. Segregation was a unique turning point for intraracial wealth inequality in the South and the North. Racial segregation forced wealthy, middle-class and non-wealthy African Americans to pack into segregated communities in the South and restricted the movements of individuals

²⁶ Cell, John Whitson. *The Highest Stage of White Supremacy: The Origins of Segregation in South Africa and the American South*. Nachdr. ed., Cambridge, Univ. Pr., 2003.

based on income differences in the North that forced poverty to concentration into Urban Black communities²⁷. Segregation was more based on socioeconomic differences in the markets. When there was competition for jobs and homes in the North lefts blacks at the least advantage because there was overt racism and discrimination targeting blacks in both of those markets. Only a fraction of skilled labour positions went to black workers during partial segregation. Only a fraction of skilled labour positions went to black workers during the Jim Crow era.

The inherent racism in America reached a boiling point because of interracial economic discrimination. According John Cell, segregation operated different from the other social mechanisms of economic oppression - "Segregation was not characterized by vertical forms of domination because the lines of authority in segregation are horizontal."²⁸ Thus, the continuation of segregation is dependent on both the direct exercise of force and personal intimidation. The prime examples being the KKK, police brutality, race and hate riots, white nationalism. There also needs to be some degree of complacency and tacit acceptance(decrease in the collective fight back) on the part of those whom it is designed to control inorder for the oppressor(for example, white people) to maintain authority over the oppressed(like Black people). Race has a similar influence over the share of wealth like the "vile maxim," especially since it establishes the boundaries between Blacks and whites and wealth. Systematic racism only exist because white and African Americans alike believe their positions in the society are different and that is not just on racial lines but economic ones as well. Unfortunately, racism resultantly concentrated all of white wealth into white communities. White supremacist and capitalist used segregation

²⁷ Massey, Douglas S.. *American Apartheid: Segregation and the Making of the Underclass*. 7th ed., Cambridge, Mass: Harvard UP, 1990.

²⁸ Cell, John Whitson. *The Highest Stage of White Supremacy: The Origins of Segregation in South Africa and the American South*. Nachdr. ed., Cambridge, Univ. Pr., 2003 (p. ix)

and discrimination as physical mechanisms of white racism to promote their own economic interest and exploit the past wealth inequality of African Americans.

Residential segregation began sometime in the latter half of the 19th century and continued into the earlier part of the 20th century. However, it wasn't until after the heart of the great depression in the 1930s when Jim Crow took full effect and Blacks and white Americans were completely residentially segregated. Soon after the US stock market crashed on October 29, 1929; Southern farmers experienced extreme drought and famine. Prior to the drought about 20% of the black South moved to the north during the twenties to find factory jobs, but the majority of the Black population remained in the south until the drought happened. Black Sharecroppers needed to find work in the fallen economy so they migrated to the north to find industry jobs, but the job market was too scarce. Racial tension was growing between Black and whites looking for work in the broken economy. Social stereotype about Black people and the South were reinforced by cinema, newspapers, magazine, etc. The 1930s was when Jim crow laws had reached their peak. Hate groups and racial violence began in the social front and the need for economic development in poor Black communities was neglected by private and public institutions. Residential segregation concentrated poverty into the urban ghettos(or Hooverilles) and economic segregation made the depression even harder for Blacks. Black had neither a competitive advantage nor wealth in the economy of the north and they were made worst of by segregation.

Racism reinforced accumulation of wealth by beneficiaries of racism as a class. Richard F. America (1995) in his article titled *Racial Inequality, Economic Dysfunctions, and*

Reparations explores “racism as a social mechanism that justifies, and helps make possible, a wide range of decisions.”²⁹ America’s research characterizes racism as an instrument of institution used for creating and maintaining economic dominance and unjust economic relationship. He breaks down the mechanics of racism into three major attributes: exploitation, exclusion and discrimination. These tools of racism were used to coercively concentrate wealth into the hands of the White population. The effects of racism are prominent in education, training, housing, employment, and health. Americas’ article presents evidence that suggests income and wealth had been coercively diverted from African Americans primarily through slavery then by segregation. By the end of segregation, economic exclusion and discrimination of African Americans had already concentrated the majority of the nation's wealth into the hands of the white population.

Racial Wealth After 1964

Neoliberalism, in the wake of the civil rights movement, opened the doors for Black elites to better their individual wealth. Conversely, Intraracial separation amongst blacks increased the concentration of poverty in urban ghettos after 1964. The end of the Civil rights movement was a legal victory, not an economic victory for poor segregated communities. With institutionalized racism, particularly in economic discrimination and mass incarceration, a fear was instilled in the collective fight back of African Americans that came as a result of the physical tension between blacks and whites in the working class and poor class. Cornel West talks about how the communal fight back has change into individual upwards mobility after law

²⁹ America, Richard F. "Racial Inequality, Economic Dysfunctions, and Reparations." *Challenge*, vol. 38, no. 6, Nov.-Dec. 1995, pp. 40-45.

enforcement fear tactics made Black people afraid to confront economic discrimination as a unit, especially during the neoliberal era in his book titled *Black Prophetic Fire*³⁰. The individual upward mobility of few blacks exacerbated poverty for those left in the urban ghetto. The investments and savings moved out into white middle class neighborhoods with the Black elites, stripping wealth out of the underserved communities. The Black elites fled the impoverished neighborhoods of the urban ghettos in order to build their own individual upward mobility.

Earlier periods of extreme racial economic enslavement still influence our society. The effects of racism has not been fully remedied because the issues are so deep seated that the entire American economy (and all of its institutions and structures) would have to reinstitute itself to reconcile the economic disparities between Blacks and white caused by racism. We witness this disadvantage in real time in the American Ghetto, where crime, pollution, poor education, and other major externalities have concentrated³¹ (Denton and Massey, 1993). Massey and Denton (1993) present socio-economic evidence suggesting urban America is still a residentially segregated society, but few appreciate the depth of the black segregation or the degree to which it is maintained by ongoing institutional arrangements and contemporary individual actions³². Blacks continue to struggle for economic prosperity long after slavery and segregation ended: unemployment in the Black community is still the highest in the nation. Black workers still deal with wage disparities in the job market. Median Black household income has risen, but the household wealth has been stagnant for over 70 years. The low income status of Black household

³⁰ West, Cornel, and Christa Buschendorf. *Black Prophetic Fire: In Dialogue with and Edited by Christa Buschendorf*. Boston, Beacon Press, 2014.

³¹ For more information on the consequences of Racial Segregation see Massey, Douglas S., and Nancy Denton. *American Apartheid: Segregation and the Making of the Underclass*. 7th ed., Cambridge, Mass: Harvard UP, 1993.

³² Massey, Douglas S. *American Apartheid: Segregation and the Making of the Underclass*. 7th ed., Cambridge, Mass: Harvard UP, 1990.

has had far reaching consequences on the family structure and child development. Property values are dropping in predominantly Black communities in the city (excluding gentrified areas). Blacks have not the financial means nor the opportunity to escape the poverty concentrated in the urban Black Ghetto. The Black mid-skill to high skill level workers tends to leave poverty because they find better economic freedom and mobility by doing so³³.

Unbiased policy reformation has not been common practice in financial and federal institutions. Dramatic government reform prompted exclusion based on socioeconomic difference in the wake of the Great Depression(1933). The federal government created the Home Owners' Loan Corporation Act(HOLC), spearheaded by Franklin D. Roosevelt in the New Deal, to stabilize the housing market. Created for the purpose to refinance homes in the aftermath of the housing market collapse, the HOLC was proposed to assist homeowners who were on the verge of defaulting or foreclosure financially. However, the practices that came with this policy exploited racial and economic differences in urban areas. In order to specify who received what loans, the federal government generated residential maps across 200 cities to grade riskiness of lending to neighborhoods. These appraisal sheets and residential security maps used a color gradient system(i.e. green represented "A rate" zones with lowest risk of default, red represented "D-rate" zones with highest risk of default, and blue and yellow represented "B-to-C rate" zones with middle-to-lower risk of default) to determine whether or not a community had a high risks of defaulting on home and credit loans or not. Non-housing characteristic such as race and ethnic make-up appear to have been influential factors in determining ratings, there is recent evidence

³³ For more information on the individual upward mobility in the black middle class see West, Cornel, and Christa Buschendorf. *Black Prophetic Fire: In Dialogue with and Edited by Christa Buschendorf*. Boston, Beacon Press, 2014.

suggesting it wasn't only classified based on housing age, occupancy, prices and their market risks(Aaronson et al 2017). With racial and occupational exclusion(racial segregation) peaking during the great depression, concentrating poverty further into predominantly Black and African American communities, these neighborhood ratings typically had a negative effect on Black communities.

The legislation appeared to be extremely beneficial for high-to-middle income earning families, but extremely destabilizing for poverty stricken community's economic development. The racist intentions underpinning the appraisal sheets and Residential Security Maps of the HOLC gave federal support to the existing bias that was pre-existing in the society(Crossney and Bartelt 2005). The infamous practice of mortgage redlining was immediately associated with HOLC although the term redlining was nonexistent before sociologist John McKnight classified the term as such in the sixties. HOLC Maps had been, nevertheless, promoting discriminatory practices, barricading entire communities where banks would avoid investment based on demographics and location. Redlining of Black communities drove away resources, wealth, loans, housing, and intensified both place and race-based based discrimination, namely credit access(Aaronson et. al., 2017). It allowed for landlords, realtors, urban developers, financial institutions, and all other development forces within the cities landscape to profit from the racial exclusion that was sanction by segregation in order to discriminate against Black communities in the housing and credit markets.

Redlining was the stimulus that made racism more economically attractive in American society for white people from all aspects of society who responded to that shift, or intermingling

of social and economic relations. White flight began to take place in the city as a result of decreasing property values near Black neighborhoods. Landlords responded to this shift in the urban landscape by encouraging the urban decay of Black communities through abandonment practice. New York City neighborhoods experienced the most infamous examples of illegal housing practices in the South Bronx during the early to late 70s. The neighborhood had extreme urban decay because of landlord abandonment. Some landlords deliberately set fire to their own buildings to collect insurance checks rather than paying to refurbish the buildings, leaving tenants homeless or displaced. Racial preferences became so influential to economic development that the peripheral neighborhoods near Black and African American communities received bad grades simply to close a polygon rather than to reflect a gap in credit worthiness. White tenants couldn't afford to risk losing their ability to refinance and grow their property value because of Blacks relocating to or near their neighborhoods so they encouraged realtors to show listings exclusively to whites in white tenant neighborhoods and Blacks in Black tenant neighborhoods, there was no meshing of the two. All of which was done through the market power of white flight and quite frankly white wealth. Racial exclusion, exploitation and discrimination was very profitable a rationale for white families, firms and landowner to possess—To be against Blacks in the housing and credit markets at the time made sense economically.

Between the years of 1940 - 2010 there was very insufficient investment in urban Black neighborhoods. A revealing study by Daniel Aaronson et al.³⁴ (2017) traced the effects of HOLC maps over the 20th and 21st century provide the first full systematic review and study on the

³⁴ Aaronson, Daniel, et al. "The Effects of the 1930s HOLC Redlining Maps." *Federal Reserve Bank of Chicago*, 3 Aug. 2017.

effects of HOLC Maps. By linking geocode HOLC maps to both the Census and Modern Credit bureau they were able to assess the difference in residents who live in the low-grade side versus the high-grade side. Aaronson's study find a clear monotonic relationship existing between the demographic and economic characteristics of neighborhoods prior to the 30s. Their evidence suggests the racial composition is roughly the same for groups grade A through C-majority white neighborhoods, but strikingly different for D grade neighborhoods-or Black neighborhoods. Which concludes that Black household wealth is still adversely impacted by spatial and income inequality dating back since residential segregation. Entire neighborhoods have been deprived credit, forced to suffer from insufficient investment, or like Daniel Aaronson describes it as, "their becoming further magnets for an array of social problems related to poverty³⁵".

Effects of Concentrated Poverty

Residential Segregation created the Black ghetto and culture of poverty, limited social mobility, opportunity and access, and resources for Black people(Denton and Massey, 1993). Urban America is still a residentially segregated society, but few acknowledge the consequences of Black segregation or the degree to which it is maintained by ongoing institutional arrangements and contemporary individual actions. Even though it's not overt racism anymore there is still a perceived economic exclusion based on socioeconomics and it determines who has market power and the agency to accumulate wealth and establish a status and legacy for oneself

³⁵ Aaronson, Daniel, et al. "The Effects of the 1930s HOLC Redlining Maps." (p.3)

and their family. In any capitalist society the security of the people must be actualized through practice of equal economic opportunity. Especially since one's ability to acquire goods and services like health, education, occupations etc. are determined based on his or her location in the city and where one dwells is dependent upon income and wealth status.

Darrick Hamilton, a professor at the New School of Emeritus, explains how wealth gives you better resources than poverty, in his 2009 American Post article titled “Race, Wealth, and Intergenerational Poverty”³⁶, Darrick Hamilton accurately proclaims that wealth is “the paramount of social well-being” in the developed economy. Wealth is not just property ownership, competition amongst capitalist or wages like it was before. According to Lisa Keister, “Wealth is property; it is the value of the things people own. Wealth is now measured as net worth, defined as total assets (such as stock, bonds, checking and savings accounts, the value of the family home, vacation homes, and other real estate) minus liabilities (such as mortgage debt, the balance on credit cards, student loans, and car loans.)”³⁷ (Keister, 2000). Wealth has become so much more than it was before. In any post modern society both past and present having wealth displays greater human capital and greater rationality. Hamilton's research emphasizes some of the associated privileges that come with wealth and expounded explicit benefits of having wealth over time: “Wealthier families are better positioned to afford elite education, access capital to start a business, finance expensive medical procedures, reside in higher-amenity neighborhoods, exert political influence through campaign contributions, purchase better legal representation, leave a bequest, and withstand financial hardship resulting

³⁶ Hamilton, Darrick. "Race, Wealth, and Intergenerational Poverty." Prospect.org, American Prospect, 14 Aug. 2009

³⁷ Keister, Lisa A. *Wealth in America: Trends in Wealth Inequality*. Cambridge, Cambridge UP, 2000.

from an emergency”(Hamilton,2009). Wealth not only provides the individual with better life opportunities, it also provides the individual with more bargaining/market power to accumulate more wealth. Having wealth even insures an individual's physical mobility and financial security. Darrick Hamilton’s prevailing statement about wealth being a “paramount of social well-being³⁸” could not have made it more clear that all individuals in the developed economy requires a certain level of wealth to maintain their own needs and wants and be free to consume goods and services in society. There is no freedom of opportunity in such a society without wealth.

Poverty is the opposite reaction to wealth concentration. While wealth creates wealth, poverty just generates more poverty--it’s based on the same rule of scarcity. Black communities sustained low economic development for generations because black workers been discriminated against for the same amount of time and wealth has concentrated into the hands of whites of this period. This was extremely true after the stock market crash of 2008. Hank Van Den Berg³⁹ (2015) on income inequality presents evidence that the market crash was much worse for blacks than whites in the economy. The U.S. Census Bureau report from September 2010 shows that the number of working people under the poverty line rose to the highest level since the “War on Poverty” programs went into effect in the late 1960s. Right now that number has grown to over 15% according the labour statistics. Infant mortality had risen, and life expectancy had actually fallen in over one third of U.S. These are some of Van Den Berg's key findings:

³⁸ For more information on the advantages of having wealth see Hamilton, Darrick. "Race, Wealth, and Intergenerational Poverty." Prospect.org, American Prospect, 14 Aug. 2009

³⁹ Van den Berg, Hank. "Our Growing Income Inequality (It's NOT an Accident)." Nebraskans for Peace, nebraskansforpeace.org/income_inequality.

- “In 2007, the top 20 percent of wealth holders in the United States held exactly 85 percent of all wealth(Van den Berg, 2015)”.
- “About 70 percent of the average American's' wealth consists of equity in their principal residence. Even so, median household wealth including housing was only \$43,600 in 2007. Median wealth (including home equity) for Hispanics or Blacks was an incredibly small \$500 and \$400, respectively!(Van den Berg, 2015)”
- “Now, if we just look at financial wealth, which includes such things as stocks, bonds and other forms of savings, the top 20 percent holds 93 percent of all financial wealth”(Van den Berg, 2015).
- “And business equity is even more concentrated: the top ten percent of wealth holders own 93.3 percent of all business equity. It is business equity that really matters for the control of income-producing assets. So we can conservatively say that ten percent of the population owns just about all of the productive capacity of this country”(Van den Berg, 2015).
- “Worse yet, the top one percent of wealth holders own 63 percent of business equity. That is, one percent of the population owns two-thirds of the private sector economy”(Van den Berg, 2015).

Each of the Statistic suggest evidence that the recession was a period where poorly regulated competition for profits disadvantaged blacks more over the working class. The Black caste always ends up being driven deeper and deeper into the depth of poverty. possible never to return from their position at bottom class of the economy. The market crash was proof that capitalist behavior continues to exacerbated and divert to totally remove poor Blacks out of the picture of wealth.

A poverty stricken neighborhood has low resources, high externalities and congestion taxes(O'Sullivan). Tom Hertz⁴⁰ (2006) research on generational mobility analyzes the effects of intergenerational mobility and the degrees to which one's economic circumstances contributed to their offspring. These are some of the key performance indicator he found in his research:

- “Low income blacks families have been forced into these neighborhood as the property value and neighborhood rating decreases overtime. families have only a 1 percent chance of reaching the top 5 percent of the income distribution, verses children of the rich who have about a 22 percent chance”(Hertz,2006).
- “African American children who are born into n the bottom quartile are nearly twice likely to remain there as adults than are white children whose parents had Identical incomes, and four time less likely to attain the top quartile”(Hertz,2006).
- “The differences persist even after controlling for a host of parental background factors, children's education and health. As well as whether the Household was female headed or received public assistance” (Hertz, 2006).
- “Education, race, health and state of residence are four key channels which economic status is transmitted from parent to child”(Hertz 2006).

All of the Data that Hertz collected in his research points back to the fact that Poverty and the lack of generational mobility in the black family household has indeed affect adulthood outcomes for children in these families.

⁴⁰ Hertz, Tom. "Understanding Mobility in America." Center for American Progress, 2006, pp. 1-44.

Race continues to be the number one determinant of one's life chances in United States in the 21st century. Professor Darrick Hamilton used data from the 2002 survey of income and program participation to reinforce the notion that the wealth gap is the most acute indicator that race continues to be a defining feature of one's life chances in more vivid detail. According to the Income and Program participation survey: "White median household net worth is about \$90,000; in contrast it is only about \$8,000 for the median Latino household and a mere \$6,000 for the median black household. The median Latino or Black household would have to save nearly 100 percent of its income for at least three consecutive years to close the gap. Furthermore, 85 percent of Black and Latino households have a net worth below the median white household"(Hamilton, 2009). These numbers present Blacks at the bottom of the American economic system in terms of income. If these statistics do not reinforce America's economic devotion to propping up white individuals then let the facts show America is one of, if not the only country that has failed to acknowledge economic, social, and cultural sustainability as a natural right of all American citizens under the United Declaration of Human Rights⁴¹. Regardless of age, household structure, level of education, occupation, or level of income the American economy operates in such a way that leaves White Americans in control of the flow of wealth in the American economy. The wealth gap today raises some concerns of an inherent racial hierarchy of wealth within the American economy.

Racial wealth inequality in the U.S. has reached unprecedented levels in the recent years. The current American economy is nearing the extinction of its own middle class. Over 15% of Americans living below the poverty line. The gap between the rich and the poor is growing

⁴¹ For more information on Human rights see *Universal Declaration of Human Rights*. United Nations, 1948.

exponentially. More and more people are working to make ends meet while the top 1 percent own 40% of country's wealth. Prospectively, the top 1% of Americans is making 382x more than the poorest Americans. Top 20 percentile own 93 percent of country's wealth as the bottom 80 own about 7 percent. The Household wealth numbers are even more telling of the racial wealth problem. Over 90 % of the national wealth is owned by White American Households. Black only had about 2.6% of the national wealth. 190 million whites own about 82 million homes while 40 million black own about 14 million homes, In America. The value on these homes differ dramatically between the two demographics. The average white home is worth about 1.4 million. Over 43 million people today live below the poverty line, out of the possible 311 million Americans. About ¼ of this group is African Americans. The racial wealth gap extends past income and has more to do with the value of household worth and net worth.

Generational poverty has left urban ghettos exposed to an array of problems, especially with crime. Racial wealth inequality has been racially charged in the U.S., but it's the consequences of prejudice and discrimination inspiring the continuation of racial wealth inequality in neo-liberal America. Poverty is settled in the inner city communities because the concentration of poor blacks has limited economic development and mobility generationally, wealth has been simultaneously concentrated and passed down generationally amongst Whites. The incapacitation of financial freedom and mobility in the urban ghetto is a combination of institutional and structural forces depriving Blacks of their ability to accumulate wealth over the past 60 years comparatively. African American workers and non-working African Americans have not been treated fairly in the labour markets, nor have they has an equal advantage to patch skill gaps and generate human capital.

The history of racism and prejudice in America forced blacks into a position of disadvantage while the average white worker in the American capitalist system gets to reap the benefits of their labour in the pursuit of wealth. The effects of poverty influenced Blacks ability to make decisions for their own social-well-being in the long run. Crime rates have become high in the inner cities of America because blacks are inclined to engage in criminal activity to substitute the lack of legitimate financial incentive, reduced financial benefits, and market discrimination. Poverty has led to major social epidemics in the black community, mass incarceration being the main one of the many. Poverty has been the root factor in the mass imprisonment of Black men in the American criminal justice system.

Over the past 40 years neoclassical models and research have failed to acknowledge issues of fundamental racism and its connection to poverty, education and crime and the role prisons play in racial wealth inequality. Racial segregation and income segregation both generated a culture of black poverty being abused in biased market of intervention policies that influence market discrimination on the basis of racial tension and socioeconomic differences. In the aftermath of such racial market intervention decisions developed insufficient resource allocation, lack of investment, lack of economic development, limited mobility, and overall stratification across most metropolitan areas. These externalities in urban neighborhoods have made Black and African American groups more likely to experience institutional racism and discrimination in the criminal justice system. The demographic of the prison system today presents clear evidence of how meager economic and social status mixed with racial policy decisions can have devastating effects on life outcomes for black individuals and entire social

groups. The social sciences have the tools to present evidence of the apparent link between the rate and demographic of the prison population and poverty in the United States.

Chapter 2

Black Poverty: How Racial and Economic Segregation Coerced Mass

Incarceration of Black Men

“There will never be a post-racial America if the wealth gap persists”

- Darrick Hamilton; *Race, Wealth, and Intergenerational Poverty*

Background

This chapter focuses exclusively on the effects of urban policy on education, poverty and crime in the dispersed city. In order to gauge the extent to which poverty reduces social well-being, limits life chances of colored people and increases the likelihood of Blacks entering or reentering the prison system, we must first measure the extent of racism and institutional discrimination in the city and how it affects Blacks chances of accumulating wealth in America. We begin with a mention of Institutional bias in Arthur O'Sullivan chapter on neighborhood choices in his 7th edition of *Urban Economics*⁴²(2011). O'Sullivan's views on racial segregation in the city highlights the presence of racial preferences. Market preferences is a matter of personal preference expressed in efficient market and can become a form of racial prejudice which is purely a matter of inequity. For instance, financial institutions lack of investment in segregated communities resulted in high pollution, unemployment, crimes, etc. in urban ghettos. O'Sullivan on neighborhood choices and zoning suggests even if economist do not have the necessary tools to expose and mitigate individual preference or equity issues they still need to be addressed by the local governments. O'Sullivan's chapter concludes by stating that racial

⁴² O'Sullivan, Arthur. *Urban Economics*. 7th ed. Boston [u.a.]: McGraw Hill, 2011.

segregation is bad for Black peoples' economic standards, and the need for policy intervention to produce efficiency in the city. The biggest takeaway from O'Sullivan's analysis of racial discrimination in the market is the need for policy and intervention reform to regulate market practice and lessen discrimination measures.

Effects of Policy Intervention

Historically redlining and HOLC neighborhood Maps have led to rapid urban decay of inner city communities, housing discrimination, landlord abandonment, poor education, and higher chance of entry into the school to prison pipeline poor communities. Redlining in areas that were the lower graded side of HOLC boundaries in the 1930s experienced a marked increase in racial segregation in subsequent decades that peaked around 1970 before beginning to decline. Daniel Aaronson et. al.⁴³(2017) found evidence of a long-run decline in homeownership, house values, and credit scores along the lower graded side of HOLC borders that persists today. The study even document similar long-run patterns among both "redlined" and non-redlined neighborhoods and, in some important outcomes, show larger and more lasting effects among the latter. Our The results of the study provided strong evidence that suggest the HOLC maps actual had a causal and persistent effect on the development of neighborhoods through credit access: These Maps influenced housing discrimination(1933,71) by renters and agents, Loan discrimination from private and public institutions, Landlord abandonment(71) during the Burning of the Bronx", etc. Racism and discrimination was heavy in the job market in both the North(low social and economic mobility/look at Harlem) and South.(segregation) By the 70s, all

⁴³ Aaronson, Daniel, et al. "The Effects of the 1930s HOLC Redlining Maps." *Federal Reserve Bank of Chicago*, 3 Aug. 2017.

the progress made on economic mobility of African Americans after the Civil rights act was overridden by the forces of systemic and economic oppression of inner city communities through public policy.

Concerns over redlining prompted the federal government to pass legislation to help low and moderate-income neighborhoods, but credit still managed to be restricted to next to lowest score, primarily provided to yellow grade neighborhoods in which blacks were not a part of. The Fair Housing Act(FHA) of 1934, in addition to the exclusionary effects of redlining, explicitly refused to back black loans. They even went as far as to deny loans to people who lived in peripheral neighborhoods of Blacks. The Equal Credit Opportunity Act of 1974 was designed to mitigate asymmetry of credit information and ensure that financial institutions and other firms engaged in the extension of credit equal to all creditworthy applicants. The federal policy failed to eliminate credit discrimination, instead it created a statutory and regulatory framework that would promote better compliance by creditors and enhance enforcement efforts by both public agencies and private parties⁴⁴. The Community Reinvestment Act(CRA) later passed in 1977 relaxed lending standards and became significant to mortgage deterioration in the new millennium. Even with relaxed standards specifying anti-discrimination by race, ethnicity, happening two years after its passing financial institutions bet against risky loans leading up to the financial crash in 2008. These policies were made to lessen market discrimination, but there is clear evidence that they were nothing more than bandage solution policies-or market intervention tools designed to promote free market practices, yet used to mask and cover up market inefficiency. Fundamentally racial policies allowed(forced) Black homeowners looking

⁴⁴ For more information on the ECOA see Matheson, John H. "The Equal Credit Opportunity Act: A Functional Failure." 21 Harv. J. on Legis., vol. 21, 1984, p. 371.

to refinance to relocate away from Black neighborhoods to middle grade communities if they could afford it, concentrating poverty further into the inner cities in the absence of residential segregation.

Residential segregation and redlining allowed for economic segregation to take place in the US metropolitan areas during the late 70s and 80s. Although residential segregation started to decline a few years after congress passed the Civil Rights Act in 1964, economic segregation was starting to rise in the cities as all persons in the city, Black and white, had free range of mobility, but the majority of Blacks didn't have enough upward income mobility or good quality of occupation to afford a change in location. Income inequality was still a reality for most Black households. The major reason why economists might have noticed a growth in income across Black households nationally was the select few middle-to-upper middle class Blacks who earned well over the amount the majority. Blacks lived amongst them in the same communities during segregation and sometime after it ended. In fact they(and realtors) even divided their neighborhood based on income differences. Although the average household income might have gone up, the median household income, which shows the true middle amount of income has not risen by that much. Income inequality in America today allows for the top hundred wealthiest Blacks people in the country to own more wealth than the rest of the 42.1 million(approximately) combined. Because of redlining and discrimination in the markets those individuals are forced to grow their investments outside of urban ghetto neighborhoods. This give rise to economic segregation which reigns prominent in the urban and suburban landscape; however, economic segregation is less talked about in the public debate on the attributes of the wealthy vs. the poor.

Effects of Economic Segregation on Academic Performance

Economic segregation of Blacks allowed for years and years of market exclusion and racial wealth inequality. It was so well coerced that Blacks themselves assisted the buildup of poverty in urban ghetto communities through their own market behaviors. For example, Jargowsky⁴⁵(1997) studied the effects of economic segregation and developed what he called a “pure” measure of economic segregation at a time when racial segregation was declining. His evidence suggested a rapid increase in economic segregation has important implications related to urban policy, poverty policy, and the stability of urban communities. Jargowsky’s critique gave a novel explanation of W. J. Wilson’s⁴⁶(1987) hypothesis of the true disadvantages proposed by economic segregation cementing the poverty in urban ghetto neighborhoods. With all the evidence presented on how the effects of where you grow up affect your life chances and the chances of your children (Jenks et al. 1989⁴⁷; Hamilton and Darity, 2016⁴⁸; Wilson 1984; Jargowsky 1997) it seemed rational that Black elites moved away from the impoverished ghetto—having extremely mediocre opportunity or access compared to upper class or more mixed to white neighborhoods. Even though the Black elites and middle class made choices and decisions that negatively impacted the group, it was institutional pressures and sanctions targeting Black neighborhoods that forced these kinds of market behaviors.

Segregation also caused extreme lasting effects on the social wellbeing of Black families generational mobility. It is a popular belief that education is a means to solving all social

⁴⁵ Jargowsky, Paul A. *Poverty and Place: Ghettos, Barrios, and the American City*. New York, Russell Sage Foundation, 1997.

⁴⁶ Wilson, William Julius. *Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*. 2nd ed., Chicago, U of Chicago P, 2012.

⁴⁷ Mayers, Susan E., and Christopher Jencks. "Growing up in Poor Neighborhoods: How Much Does It Matter?" *Science*, ns, vol. 243, no. 4897, 17 Mar. 1989, pp. 1441-45.

⁴⁸ Hamilton, Darrick, and William A. Darity, Jr. "The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap." *Federal Reserve Bank of St. Louis REVIEW*, 5 Feb. 2017, pp. 59-76.

problems, including poverty. However, the economic arrangements of education were such that households were sorted based on socioeconomic factors: spatial segregation, economic inequality, spatial segregation by socio-economics of racial and interracial groups. The chances of children growing up in poverty escaping poverty are very slim, especially since their only way out is through an underserved, underperforming, low rate public school system. Poor Black children are forced to attend the worst schools partly because of their merit, mainly because they live within a particular school boundary zone. At the time of Jim Crow those boundaries were more strict than it is now. What neighborhood you lived in is more than just a determinant of whether your child can attend a certain school or not, it has a lot to do with funding to that school, education quality, resources and activities, and all of the things that factor into the operation of the schools themselves. As we all know Black schools were greatly underfunded and underrepresented during racial segregation. These schools had textbooks that were barely legible, outdated, the curriculum was at the same par as their materials, students produced poor standardized performance scores, limited to no extracurricular activities, hand-me-down equipment borrowed from white schools. Pretty much entire districts were functioning at a lower standard than that of their white counterparts, all because racial and economic inequality grew higher in the society at an exponential rate⁴⁹.

Same economic forces continue to disadvantage the black youth post segregation. Just after Blacks shown their ambition by acts of marching, boycotting, working low income jobs, working service and operational jobs, increasing educational attainment, beating the odds of racism in a 370 year fight for an equal seat at the table of opportunity in America. The good

⁴⁹ Stewart, Alison, and Melissa Harris-Perry. *First Class: The Legacy of Dunbar, America's First Black Public High School*. Chicago, Lawrence Hill Books, 2013.

news is on one hand *Brown v. The Board of Education*(1954) changed the racial landscape of schools to become more diverse. Regardless of race, the economic makeup of schools remain stratified. Blacks were done a disservice in their own skill training and knowledge development in their neighborhoods by sponsors of racial policy. Income inequality has diminished human capital for many Black families by reducing the quality of schooling and there has not been much change made around the way schools are sponsored.

Policy reform failed to address the economic consequences causing educational discrimination against Black communities after periods of overt racism. Racial wealth inequality remains a relentless cycle in the United States. However, new right wing ideals, as conservatives as neoclassical theory, inaccurately attributes the wealth divide to differences in self-determination, prioritization, and work ethic alone varying across racial demographics — reinforcing the assumption that some races of people (Whites and Asians, for example) work harder than others(like Blacks and Hispanics). Therefore, by the transitive property, racial wealth inequality is seen to persist only because Blacks and Hispanics engage in self-sabotaging behaviors that negatively affects their wealth outcomes in adulthood. History proves the demographic of wealth inequality definitely deserves a better justification than individual determination differentiating across racial groups. In addition to over generalizing a culture of people, these perverse assumptions neglect a lot of existing socio-economic barriers or racist structures that continue to disadvantage Blacks, or how much preexisting prejudice and market discrimination within these oppressive institutions influence wealth outcomes for people of color in the America. For example, in the United States, mass incarceration has been a major issue contributing to the lack of wealth accumulation urban Black spaces. In addition to the federal

prison system racist federal policies, such as the prohibition of drugs (most commonly associated with the War on Drugs), have also indiscriminately exploited the inherited lower class status of Blacks and increase the effects of the oppressive structure and institutions in the criminal justice system. My observation witnessed that the mass imprisonment of Black-American men has negatively impacted their adult outcomes for following generations, more than it has for White-American men. Mass incarceration has systematically diminished Blacks' ability to accumulate wealth, establishing a cycle of poverty and imprisonment in Black families, contributing to the decimation of wealth ownership in the Black communities.

The school to prison pipeline is a widely discussed phenomenon that hones on the ills of poverty and how it can promote educational disadvantageous said to affect the course of young African American student. Students who tend to exhibit deviant behavior within the classroom generally have issues with academic performance. There has been extensive research conducted on how wealth affects education amongst children of different racial and economic status. Previous studies have been able to attribute these performance issues amongst Black to their meager economic status and insufficient supply of resources(Jencks and Mayer,1989). The obvious contributing factors is school boundary zones dictating education value, funding and resources, but household income and wealth differences can also affect child performance in the classroom as well. Researchers determined the effects of early environments do indeed influence child, adolescent and adult development(Jencks 1989; Entwisle and Alexander 1992⁵⁰;

⁵⁰ Entwisle, Doris R., and Karl L. Alexander. "Race, Poverty, School Composition, and Mathematics Achievement in the First Two Years of School." American Sociological Association, vol. 57, Feb. 1992, pp. 72-84.

Heckman 2006⁵¹; Noguera 2003⁵²). Black families living in poverty are extremely disadvantaged in life choices and chances, bounded to the limited of the urban ghetto.

Environmental and cultural factors have a huge role to play in the negative academic performance of Black boys(Noguera 2003). Pedro Noguera, a professor at Harvard University, studied the effects of poverty on Black males academic performance. Noguera's findings suggest schools in higher earning neighborhoods present a higher return on investment to their students as opposed to schools that dwell in impoverished neighborhoods. This effect the performance of Black boys exclusively; although the cultural norms of African American males might associate low importance with higher education and school, they judge their decision to underperform in terms of opportunity cost. Black males invest less in their education because they experience greater discrimination in the labour market than white males. They believe their hard work would be compensated with a lower expected rate of return on investment than whites since the majority of African Americans attend poorer lowrate schools. For example, the human capital accumulation earned from the degree received from Stuyvesant High school, in New York City, is greater than any normal public school in the city. Even more on the performance side, African American males who engage in deviant behavior in school tend to receive less support and guidance from teachers and counselors, they are more likely to be punished for bad behavior than nurtured or helped due to a lack in staffing, compensation measures(the financial incentives provided to teacher), decrease demand for the job all because of the neighborhood in which the school is in. Noguera's conclusion is not exactly saying black boys devalue education for it has a

⁵¹ Heckman, James J. "Skill Formation and the Economics of Investing in Disadvantaged Children." *Science*, vol. 312, 30 June 2006, pp. 1900-02.

⁵² Noguera, Pedro A. "The Trouble with Black Boys: The Role and Influence of Environmental and Cultural Factors on the Academic Performance of African American Males." *Urban Economics*, 2003, pp. 1-29

purpose in building human capital, it is, however stating the benefits they perceive differ from the benefits received or lack thereof based mostly on socioeconomic status and location of the school itself. In neighborhoods with high poverty education is not worth the effort for Black males because they become marginalized from the classroom for being disruptive and needing extra attention which teachers and poor school services don't prioritize. There is potential to assuage this behavior in Black males if schools become more nurturing and supportive of deviant behavior, but that will most likely happen through policy promoting economic development in the Black family structure.

Academic performance issues do not seem to extend to Black girls. Regardless of the popular theory that women are much more mature and well-behaved than men, research has shown Black girls outperform white boys and girls academically, although they live under similar socioeconomic conditions as Black boys. According to Census data, the educational attainment of Black women are about 4 percent more likely to receive a Bachelor degree than Black men in the year 2015. Black woman currently having the highest literacy rates in the country and higher employment rate than Black men and white woman suggests that Black girls perceive more of a benefit from better performance in school. If we look at employment numbers in the just Black groups based on gender we actually see a higher rate of Black female employment than Black male employment according to Labour statistics.

If we look at workers ages 20 and over in 2017, Black woman have an unemployment rate of 6.4 percent which is almost twice as low and the white women's unemployment rate of 11.4 percent (even though they have a greater likelihood of receiving a bachelor's degree), lower

than the Black male unemployment rate of 7.5 percent, but double the rate of white male unemployment which is at 3.4 percent⁵³(Bureau of Labour Statistics). These rates give reason to believe there is a higher investment return for Black women who are more educated than highly educated Black men. These numbers can potentially justify why Black men are more perry to criminal behavior than Black woman. The difference in the woman's numbers could be because most Black households have both heads of the households working. William Darity and Philip Mason⁵⁴ (1998) in their study on employment dIsrimination of different gender, race and ethnic groups showed that Black women were “three times” as likely to experience discrimination in the labour market, that notion changed because of the prison boom and crime policies. It likely the case when Black men were facing more discrimination in the markets during and after imprisonment Black women became more likely to attain mid-to-high skilled work from employers seeking to meet their diversity quotas. The high number of low-educated Black men in the prison system implies a link between lower-education and an individual's likelihood of being exposed to the criminal justice system or in the extreme case incarceration proving socioeconomic differences constitute the racial and gender demographic of prisons.

The Relationship Between Mass Incarceration and the War on Drugs

The rate of incarceration is a byproduct of a revamped criminal justice system. Before the prison boom, crime and punishment worked a lot differently in the United States. The multiple layers of criminal punishment made it so prisons were rarely used. Prisons were used only for violent offenders and criminals who cycled in and out of the jail. Believe it or not, there was a

⁵³ United States, Congress, House, U.S. Department of Labor. *Employment Status of the Civilian Population by Race, Sex, and Age*. 2017. *Bureau of Labor Statistics*

⁵⁴ Darity, William A., Jr., and Patrick L. Mason. "Evidence on Discrimination in Employment: Codes of Color, Codes of Gender." *The Journal of Economic Perspectives*, vol. 12, no. 2, Spring 1998, pp. 60-93.

time when prisons were a last resort for troubled American citizens. Historically, “incarceration was a backstop of the criminal justice system...after school suspension, juvenile hall, warnings from police, arrest, commitment to the adult courts, conviction, probation, came the jail and then state prison”, according to sociologist Bruce Western (Western, 2006). The scale of the penal system used to be extremely small compared to what it is now. Western observes in his book, entitled “Punishment and Inequality in America,” that “on any day for fifty years from 1925 to 1975, about a hundred Americans out of a hundred thousand—just one tenth of a percent of the U.S population—were in prison.” (Western, 2006) That’s because a change in federal policies revamped the criminal justice system to promote more punishment for crime and lessen rehabilitation of individuals social and health problems that could potentially lead to so called deviant or criminal behavior.

The rate of incarceration changed rapidly in the years after Nixon’s declaration of the war on drugs heavily criminalized drug use. In a 1971 speech, former President Richard Nixon called drug abuse America’s “public enemy number one.” In that same speech President Nixon declared a war on drug addiction, commencing the “War-on-Drugs” in the United States. Since President Nixon’s declaration, the War-on-Drugs has been a controversial policy issue for the United States. It didn’t take long for the War-on-Drugs to grow the prison population exponentially. According to Western’s study, “from 1975, the imprisonment rate began to rapidly increase. By 2003, the share of the population in prisons had increased every year for twenty-eight years, standing at nearly half of 1 percent at the beginning of the new century”(Western, 2006). The “War-on-Drugs” is considered, by many left winged Americans, to be the largest factor contributing to the prison boom because the immediate consequence of

strict drug prohibition laws was higher incarceration rates. The Nixon administration unleashed a virus into the criminal justice system when it reinstitute extreme prohibition laws on drug use in America — the War-on-Drugs strongly encouraged, and has sustained, mass incarceration.

Fast forward, four decades later and the war on drugs continues to be the largest contributor to mass incarceration in the United States. The War-on-Drugs contributed mostly to the rise in Federal prisoners. Over half of the men in federal prisons are charged with drug related offenses. The Prison Policy Initiative (PPI) observed data from the Federal Bureau of Investigation (FBI) to compile graphic examples of the impact of the ongoing War-on-Drugs. Some graphs illustrate the numeric scope and consequences of the War on Drugs; the results were shown in a blog post written by Peter Wagner and Bernadette Rauby, entitled “Mass incarceration: the Whole Pie 2017”. PPI results say, there are over one million drug arrest each year. There are six times more arrest for possession than there are for sales. (Wagner and Rauby 2017) “1 in 5” Americans behind bars are there because of drug offenses, according to PPI data. Those number would be higher if it weren’t for the Obama Administration relaxing drug laws, or the legalization of marijuana happening in various parts of the U.S. With that said, PPI data confirms that nonviolent crimes are defining characteristics of the federal prison system, and they even play a supporting role in the state and local jails as well. Mass imprisonment of drug offenders create even more of a problem for the demographic of prisons.

Nixon’s connections between crime and drugs had far reaching consequences, particularly in terms of race. Human Rights Watch reported that African American men were twice as likely to be arrested for drug related crimes than White men in the 70s. Other reports

show the ratio of African Americans and white arrests at 5:1 suggesting African Americans are five times more likely to be arrested for drug crimes than whites. On the contrary, White people commit more drug crimes than people of color on average. And yet the social concentration of prisons veered towards Blacks and Hispanics. The United States has 5 percent of the world's population, but it holds nearly 25 percent of the world's prisoners. Of that 25 percent, African Americans and Hispanics are the majority — 8-out of-10 of America's' prisoners are either Black or Hispanic. The actual numbers show even more inequality in the demographic: the rate for African-American men in prison is about 2.2 million, White and Hispanic-Americans combined for approximately 1.4 million(their combined rate is much less than blacks). The Hispanic rate of incarceration is approximated at 966,000. Whites have the lowest incarceration rates at less than 350,000 inmates. There appears to be bias on what defines criminal behavior in America — the level of racial inequality in the prison population isn't representative of every individual exhibiting criminal behavior in America — Individuals in communities of color are more likely than Whites to be incarcerated for criminal activity—hence there is unequal treatment of criminal behavior on a group level.

Former president Nixon's "War on Drugs" enhanced selective law enforcement tactics intending to incriminate entire Black and Hispanic communities for his own political interest. One of President Nixon's minions, a co-conspirator in the Watergate Scandal, and convicted felon, John Ehrlichman confessed to systematic oppression in the American government, confirming that the War on Drugs is a war against Black people. After his release from prison, Ehrlichman did an interview with Harper's magazine's' Dan Baum in 1994, entitled "Legalize it All: How to Win the War on Drugs". The main focus of Baum's article was figuring out how to

put an end to a forty year war on drugs. In the interview, Ehrlichman confirmed allegations that his administration had racist intentions framed behind drug prohibition policy. Dan Baum's interview resurfaced in 2016 along with this statement by Ehrlichman:

“The Nixon campaign in 1968 and the Nixon White House after that had two enemies; the antiwar leftist and the black people. You understand what I am saying? We knew we couldn't make it illegal to be either against the war or blacks, but by getting the public in America to associate the hippies with Marijuana and Blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest leaders, raid their homes, break up meetings, and vilify them night after night on the evening news...Did we know we were lying about the drugs? of course we did”(Harper Magazine, 1994).

The entire Nixon administration was in on the conspiracy to criminalize Blacks and hippies (the so called White Liberals at the time) and indiscriminately made those groups of people the enemies of the state. The Administration publicized Anti-Drug rhetoric on fake news broadcasts.. Robert Renier in his article called “Media Made criminality” talks about concerns of media representation exacerbating crime and criminality against certain demographic groups. Renier(2002) explains how media created an exaggerated public alarm about law and order, generating support for repressive solutions⁵⁵. The War-on-Drugs propagandized the American people into believing Blacks were criminals and effectively removed Black leaders from the front of protest groups for the public's “safety”. Creating a national conscience of a Black community of drug abusers through politics of fear with a dose of Dog whistle politics. The racial demographic of the prison population today demonstrates Nixon Administration successfully incriminated Black and African American men. The Nixon administration made it easier for black men to be discriminated against in the criminal justice system.

⁵⁵ For more information on media made criminality see Maguire, Mike, et al. *The Oxford Handbook of Criminology*. 3rd ed., Oxford[England], Oxford UP, 2002.(pp. 302-340)

The Reagan administration took full advantage of the Nixon Administration's racial approach to crime and punishment in the United States. The War-on-Drugs was ramped up after the Reagan administration passed the Anti-Drug Abuse Act in 1986. The Bill enacted mandatory minimum sentences for conviction concerning drugs on the FBI's list of schedule one drugs. Crack-Cocaine (a mixture of khat and sodium hydrogen carbonate) had one of the highest sentences carrying a mandatory minimum sentencing of 5 years for 5 grams. Crack was cheaper, and more commonly used and by the lower class. As opposed to the more expensive powdered form cocaine(khat), which administered the same effects as its substitute, the mandatory minimum was a hundred times less than that of crack - 5 years for 500 grams. Reagan's administration worsened sentencing for Blacks and Hispanics in the 80s by increasing sentencing for poorer drug abusers which grew the rate of incarceration even more.

The Anti-Drug Abuse act furthered discrimination by policing on basis of drug abuse. The disparity amongst drugs in the policy skyrocketed the number of minority arrests. Over half of the men in federal prisons are charged with drug related offenses. Human rights watch reported that Black were twice as likely to be arrested for drug related crimes than white in the 70s. Other reports say African Americans are five times more likely to be arrested for drug crimes than Whites. On average white's commit more drug crimes. The demographics of the prison population illustrate a clear correlation between socio-economics and sentencing for drug crime — the can be seen in the demographics of prisons.

Law enforcement enhanced during the Regan's Bill is generally linked to the overrepresentation of African American men seen in the American penal population. The Anti-

Drug Abuse Act of 1986 made it easier to quarantine poor Blacks and Hispanics behind bars. Although rates of drug use and selling was comparable across racial lines, government began deploying law enforcement and Special Response Groups(SRG) into neighborhoods which they stereotyped. Police targeted mostly urban areas and neighborhoods in the periphery of predominantly Black and poverty stricken Metropolitan Areas. People of color were more likely to be stopped, frisked, searched, arrested and prosecuted without reasonable suspicion. The media incrimination and Police prejudice meant Blacks were more likely to be racially discriminated against than white when it came to drug abuse⁵⁶ .

Bruce Westerns' eight-year long quantitative research on punishment and inequality (Western, 2006) presents a number of reasons for the scope and cause of the Prison boom⁵⁷. Mass incarceration was one of the main reasons for the prison boom in the 90s. Western says, "by zealously punishing lawbreakers—including a large new class of nonviolent drug offenders—the criminal justice system at the end of the 1990s drew into its orbit families and whole communities⁵⁸"(Western 2006). The criminal justice system revamped itself to make incarceration it's number one form of punishment and rehabilitation in The United States' criminal justice system during the Nixon and Reagan Administrations. The rate of incarceration is so high that we are no longer incarcerating the individual—America is incarcerating whole socio demographic groups.

⁵⁶ For more information on race and the War on Drugs see "Race and the Drug War." Drug Policy Alliance, www.drugpolicy.org/issues/race-and-drug-war.

⁵⁷ Western, Bruce. *Punishment and Inequality in America*. New York, Russell Sage,2007.

⁵⁸ Western, Bruce. *Punishment and Inequality in America*. (p. 11-33)

The United States incarceration rate is at 698,000 prisoners. The forty year War-on-Drugs forced African Americans and Hispanics' prison rates to skyrocket. Over a forty year period, America has incarcerated over 2.2 million African American men—over 950, 000 hispanic men. The scale of federal prisons had to adjust along with these rising incarceration rates. According to American Civil Liberties Union⁵⁹(ACLU) statistics, the entire American department of justice holds more than “2.3 million people in 1,719 state prisons, 102 federal prisons, 901 juvenile correctional facilities, 3,163 local jails, and 76 Indian country jails as well as in military prisons, immigration detention facilities, civil commitment centers, and prisons in the U.S. territories”(ACLU). Westerns’(2006) study claims, “the prison boom transformed the institutional landscape traveled by poor Black males as they grew out of childhood and became young adults during the nineties. Imprisonment became commonplace among young Black men, more common than military service or college graduation” (Western, 2006). By the start of the new millennium the total number of Black men in prison or jail was 829,200; the number of Black men enrolled in postsecondary education — 717,491. By consequence of discriminatory prohibition policies, the criminal justice system redesigned itself around racial inequality.

The scope and consequences of the prison boom has reached far into the homes of African Americans. Bruce Western argues “the prison boom is significant for its effects on social Inequality”(Western 2006). I’ll add that the prison boom is significant for its effects on the divide between racial wealth — they are interconnected. For instance, law enforcement has been shown to target poverty stricken communities. The public assumption is that these communities are high crime areas because of they possess high neighborhood externalities from being

⁵⁹ American Civil Liberties Union "Racial Disparities in Sentencing." Inter-American Commission on Human Rights, 27 Oct. 2014.

economically stratified. The majority of Metropolitan areas like in Baltimore, New York City, Southside Chicago, etc. are forced to live with police officers patrolling their neighborhoods, police towers, cameras all watching the citizens all the time as if they were being contained in a hunger games arena--what sociologists call living in a police state. Western's research suggested, when it came to law enforcement and policing, "most fragile families and neighborhoods were the least equipped to counter any shocks or additional deprivations" (Western, 2006). Western's usage of the word fragile was a novel way of explaining the struggles of Black families and the policing/ surveillance of American ghettos. Living in such highly profiled communities caused incarceration to become a consistent part of the daily lives of African American families possessing a so called "culture of poverty" (Massey and Denton, 1993). Whole entire families are being torn apart by law enforcement. The effect of mass incarceration is weighing heavy the futures of Black adults and Black children. To Western's point, the magnitude of social inequality in the American penal system results from extreme social and economic disparities in incarceration. African Americans are more prone to jailing and imprisonment because their status of wealth and income is low.

For the typical African American family, low-middle class has been their lifestyle; their lifestyle choices have also been made through a bounded rationality (Simon 1955) of that said class. The theory was first brought up by Nobel laureate Herbert A. Simon⁶⁰(1955). Simon produced a mathematical modeling of decision making that explains humans are irrational by default even in the scarce economy, thus rationality cannot fully be optimized with cognitive limitations. These limitations can be induced by cultural, social, economic, health, and

⁶⁰ Simon, Herbert A. "A Behavioral Model of Rational Choice." *The Quarterly Journal of Economics*, vol. 69, Feb. 1955,

environmental differences within all individuals and social groups. In his behavioral model of rational decision making Simon challenged the traditional postulate of the “economic man” or the rational thinker by “replacing the global rationality of the economic man with a kind of rational behavior that is compatible with the access to information and the computational capacities that are actually possessed by organisms, including men, in the kind of environments in which such organisms exists⁶¹”(Simon 1955). In the context of social epidemiology the social rationality of the poor is presumed to trump the rationale of the individual. The concept of bounded rationality revises this assumption to account for the fact that perfectly rational decisions are often not feasible in practice because of the intractability of natural decision problems and the finite computational resources available for making them. African American families life chances have been reduced because of neighborhood effects on their choices and their psychology, limited to high externalities and low investment of skills, capital and wealth.

Effects of Mass Incarceration on Racial Wealth

The growing racial wealth inequality is likely the case that meager economic social stance and financial choice constraints that drive the inequality of wealth ownership between Blacks and the rest of America. Hamilton (2009) forecast wealth as a “paramount or social well-being”⁶². Hamilton's research emphasized some of the privileges associated with wealth and expounded upon explicit benefits of having wealth over time: “Wealthier families are better positioned to afford elite education, access capital to start a business, finance expensive medical procedures, reside in higher-amenity neighborhoods, exert political influence through campaign

⁶¹ Simon, Herbert A. "A Behavioral Model of Rational Choice." *The Quarterly Journal of Economics*, vol. 69, Feb. 1955, pp. 99-118.

⁶² Hamilton, Darrick. "Race, Wealth, and Intergenerational Poverty." *Prospect.org*, American Prospect, 14 Aug. 2009

contributions, purchase better legal representation, leave a bequest, and withstand financial hardship resulting from an emergency” (Hamilton, 2009). Considering the social and economic concentration of mass incarceration, having wealth in America is more comforting than it is not (other than being white). Wealth simply provides you more bargaining power in American society—especially in the criminal justice system. For example, some prisoners are behind bars because they accepted a plea deal, forced upon them by a public defender, in a case that could have possibly been won or dismissed by the judge if the defendant had gone to trial. Michelle Alexander mentioned real cases such as the said example in her Book entitled, *The New Jim Crow: The age of Mass Incarceration*⁶³. African Americans and Latinos are surviving in a scary position in America where they don’t have any financial agency over their lives. Their overall finances are way below substandard. Poverty lessen the Black and Latino communities chances of staying out of prison. Blacks and Latinos have the highest high school dropout ratings, a tougher time accessing financial or business loans, and the worst neighborhood conditions. As they reside in communities with extreme externalities like crime, noise, traffic, pollution, poor infrastructure and other issues that lower property value, or get pushed out of gentrifying areas in a moving truck or the back of a police van, they watch their futures and the futures of their children in repeat. Wealth inequality is all a continuum — wealth begets wealth, and poverty begets poverty. Poverty becomes hell on earth for Black families; prison is the metaphorical pit of fire holding the souls of black folk.

⁶³ Alexander, Michelle. *The New Jim Crow: Mass Incarceration in the Age of Color Blindness*. Rev. ed., New York, New Press, 2011.

The economic consequences of being incarcerated truly impacts prisoners' longevity. Wealth accumulation declines for all who dwell behind steel bars. The decline of wealth is illustrated in the PPI data below:

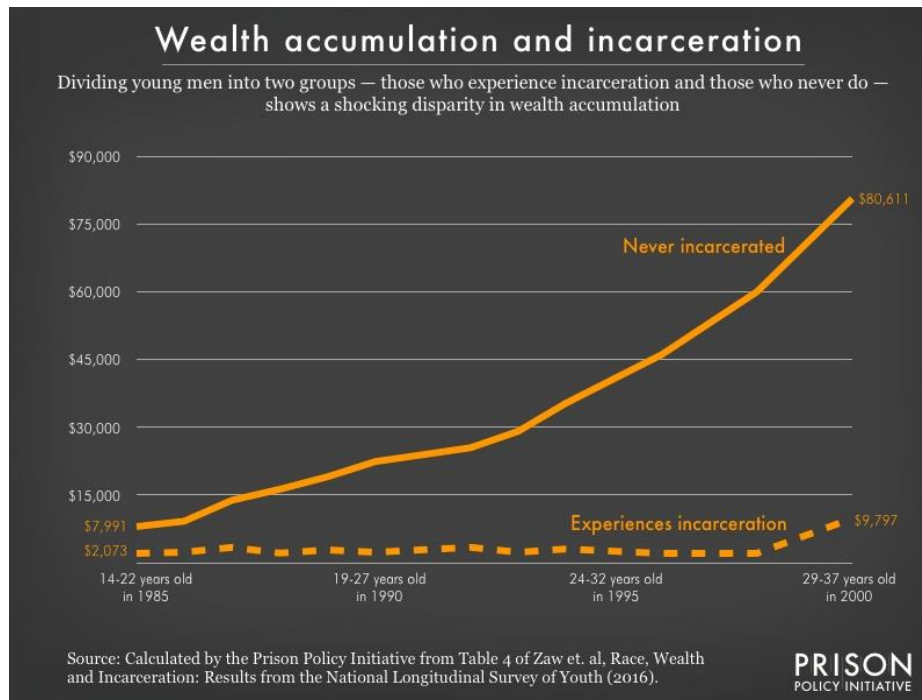


Figure 1. The Crippling Effect of Incarceration on Wealth in 2016.
(Booker) <http://www.prisonpolicy.org/blog/2016/04/26/wealth/>

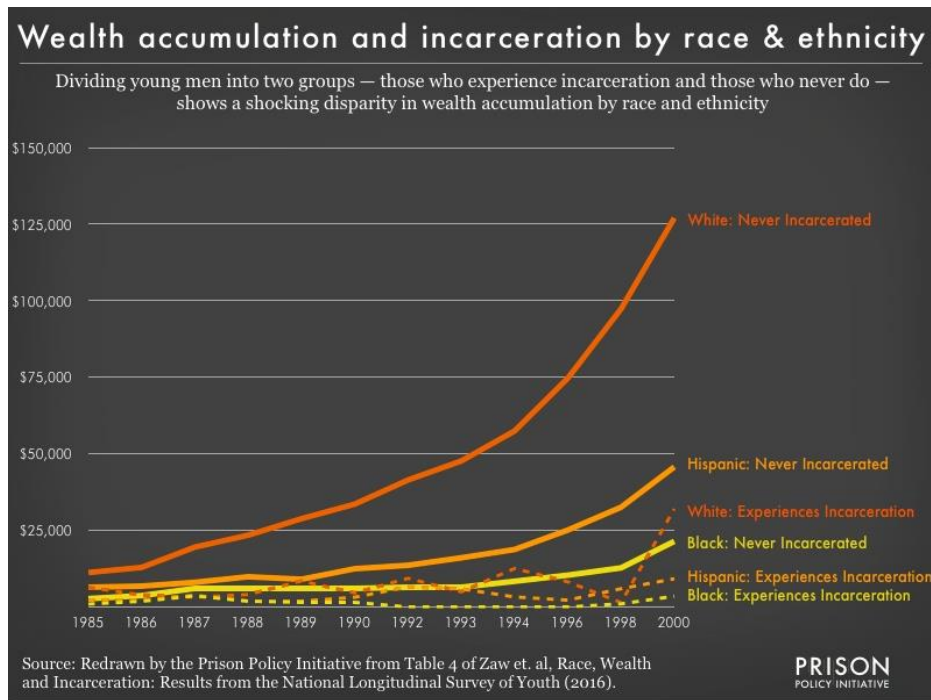


Figure 2. The Crippling Effect of Incarceration on Wealth in 2016. (Booker). <http://www.prisonpolicy.org/blog/2016/04/26/wealth/>

The PPI article by Meredith Booker, entitled “The Crippling Effect of Incarceration on Wealth”⁶⁴, highlights the authors of the graph — Khaing Zaw, William Darity Jr., and Darrick Hamilton. The graph was made using the National Longitudinal Study of Youth. The researchers compiled the personal wealth of a group of young men, following them for 27 years. Their results find out men who experience incarceration maintain lower levels of wealth throughout their lifetime compared to men who are never incarcerated. Furthermore, their wealth disparity is present before, during and after a person is incarcerated (Booker 2016). According to Figure 1, individuals who are never incarcerated have an approximate average of \$80,000 dollars in wealth as opposed to a mere approximate average of \$10,000 held by formerly incarcerated individuals. the data suggests, the trend of wealth accumulation plateaus for formerly incarcerated individuals

⁶⁴ Booker, Meredith. "The Crippling Effect of Incarceration on Wealth." Private Prison Initiative, 16 Apr. 2016

and continue to rise for individuals who were never incarcerated. if we consider the social concentration of prison demographics provided by mass incarceration, then the lack of wealth accumulation by formerly incarcerated individuals plays a major role in the wealth ownership of Blacks more than any other prison group.

The racial disparity of wealth between formerly Incarcerated individuals and those who have never been incarcerated becomes more clear when these individuals are split up by race. As we see in Figure 2 when the two groups are divided up by race, we observe Blacks are at the very bottom of the wealth spectrum—accumulating less wealth than Hispanics and Whites. White's \$125,000 accumulation of wealth for individuals who have never been incarcerated grows even higher than previous average of \$80,000 for individual who have never been incarcerated. The average wealth accumulation for Blacks drops to about \$4,000 for Incarcerated Individuals, and about \$20,000 for individuals who were never incarcerated. Hispanic groups possess even greater wealth accumulation than Black groups. Hispanic individuals who were never incarcerated have a wealth accumulation average of about \$46,000 and those who have been formerly inaccurate average about \$9,000 in wealth accumulation. The data shows the wealth accumulation of Black groups who were formerly incarcerated and never incarcerated way below the averages of their Hispanic and Whites counterparts. If the proof of the pudding is in the eating; the proof of racial wealth inequality is in the data. Black people by design accumulate less wealth before entering prison. If they enter prison — which is very likely given their inherited economic disparities — their wealth accumulation rates will be at an all time low. That means ex-offenders will be returning back to these low-income communities without job experience, with little education, and little wealth to back them in dire financial situation.

Without wealth ownership Blacks will be forced to revert back to the same attitudes and practices that got them arrested in the first place — Black will remain prone to jailing and imprisonment.

Poverty and mass incarceration increases the chances of Black and Hispanic children with parents who are formerly or currently incarcerated doing worst in school. Blacks ability to accumulate wealth or capital is already minimal as it is. The median household income is about \$35,000 for Black families. Blacks and Hispanics have a combined \$540 in liquid assets, according to a report done by Hamilton and Darity⁶⁵(2017). The typical Black family is forced to make ends meet at the end of the month. They can only afford to live in neighborhoods with low ratings. Ghettos where the property values and infrastructure is low. Where the school districts are subpar compared to higher income neighborhoods. The schools in these neighborhoods have poor performances on statewide exams, so their Department of education is forced to lower funding to these public schools. Blacks can't afford charter schools so they are forced to remain in these schools. Low funding generate low teacher engagement, resulting in low participation from students in class and extracurricular activities. These students test grades will decline even more. Public school teachers don't have enough resources to help poor Black and Hispanic students who experience learning gaps and disciplinary issues. Western (2006) study suggests that Black and Hispanic children with parents in prison usually face issues with discipline and education. There is about 1.2 million African American children with a parent who is incarcerated. The disruptive Black or Hispanic student tends to be ignored by the teacher or sent

⁶⁵ Federal Reserve Bank of St. Louis, Center for Household Financial Stability and the Research Division. *The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap*. By Darrick Hamilton and William A. Darity, Jr., 2017.

to a lower level of class where every student is disruptive. There is no knowledge spillover from the well behaved and academically sound student who goes on to receive praises, awards, and better job opportunities later in their adult lives. By marginalizing Black and Hispanic students, teachers and schools help contribute to dropout rates in schools.

Mass incarceration exploited the lack of education amongst Black and Hispanic citizens. The general understanding in the land is that those who violate laws differ significantly from those who abide by the same laws. Apparently, education levels are generally low amongst prisoners. Because of this sociologist believed education had an effect on whether or not an individual will be more susceptible to imprisonment or not⁶⁶ (Hobbs 1943). The National Center for Education Statistics, using Current Population Survey data (CPS), reported that the Hispanic status dropout rate decreased by 18.6 percentage points, while the Black and White status dropout rates decreased by 6.6 and 2.4 percentage points, respectively. Nevertheless, in 2015 the Hispanic status dropout rate (9.2 percent) remained higher than the Black (6.5 percent) and White (4.6 percent) status dropout rates for men between the ages of 16-24. CPS statistics suggest that Black and Hispanics are valuing education more and more as the years go by. However, the chances of African American men serving time in American prisons if he grew up under the prison boom⁶⁷ of the 1990s is about 70 percent according to Western's investigation of the American penal system (Western 2006). Yes, there are less whites in prisons all together, but there are more Blacks than any other race in the prison system although they clearly have better academic performance than Hispanics. The High school dropout statistics in juxtaposition to the

⁶⁶ For more information on education affects deviant behavior see Hobbs, Albert H. "Relationship between Criminality and Economic Conditions." *Journal of Criminal Law and Criminology*, vol. 34, no. 1, 1943.

⁶⁷ For more information on the prison boom see Western, Bruce. *Punishment and Inequality in America*. New York, Russell Sage, 2007. (pp. 34-51)

prison demographic suggests lower education levels does not have a direct effect on the racial demographics of prison. Even though the prison system is filled with social groups having low education rates the evidences proposes Blacks have the highest rate of incarceration because they are profiled the most by police.

The effects of wealth, or lack thereof, has depreciated the public perception and human capital of Blacks on all levels: educational, occupational, and social. African American and Hispanics without a high school diploma are far more likely to end up in prison than whites with lower education; It has to do with wealth differences. Wealth not only provides the individual with better life opportunities, it provides the individual with more human capital and bargaining power to accumulate more wealth. Hamilton and Darity's⁶⁸(2009-17) research reinforce the idea of wealth being the most acute indicator of White's advantage over Blacks — defining the future of one's life chances in more vivid detail. According to the Income and Program participation survey: "White median household net worth is about \$90,000; in contrast it is only about \$8,000 for the median Latino household and a mere \$6,000 for the median black household. The median Latino or black household would have to save nearly 100 percent of its income for at least three consecutive years to close the gap. Furthermore, 85 percent of black and Latino households have a net worth below the median white household"⁶⁹ (Hamilton 2009). The socio-economic barriers suggested by the survey data shows whites having a better chances at sustaining themselves because they have wealth saved for a rainy day. They can literally afford to keep out of trouble.

⁶⁸ Federal Reserve Bank of St. Louis, Center for Household Financial Stability and the Research Division. *The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap*. By Darrick Hamilton and William A.Darity, Jr., 2017

⁶⁹ Hamilton, Darrick. "Race, Wealth, and Intergenerational Poverty." Prospect.org, American Prospect, 14 Aug. 2009.

Blacks on the other hand are forced to resort to alternative methods of financing their needs, generally that involves engaging with illegal activities, because they lack the experience and the skill to require to obtain a job with sufficient pay. Hamilton's grand statement about wealth being a "paramount of social well-being" could not have made it more clear. It is easier to stay out of trouble if you have money stashed away. To put it in simple terms, wealth buys security. Hamilton and Darity results illustrates the case that Blacks continue to have little wealth; therefore, Blacks remain prone to engaging in criminal activity. As a result, African Americans and Hispanics retain low spatial mobility—poverty and or prison.

The limits of poverty have made crime more attractive to individuals growing up in poverty. One of the rationales made popular by poverty is crime culture. In the inner cities of the United States crime and pollution runs high. Reason being poverty stricken individuals tend to receive greater benefits from the crimes they commit even though the cost of crime is high. Gary Becker criminal behavior theory assumes there is an opportunity cost in deviant behavior. Becker's behavioral model suggest even though there is a high cost of crime the number of felonies will continue to grow so long as individuals see this crime as optimizing behavior. It is not uncommon for individuals to perceive greater benefits than risk in crime. We witness this same behavior in the rise in white collar crimes leading up to the recession of 2008. Although the cost of white collar crimes has gone up since then white collar crimes have been growing. Most white collar crimes are rising even though fines are rising, but that it because the payout from committing the crime is much more than the payout for committing it. Becker's Crime model would suggest the payoff outweigh the cost of the crime so it is more likely that people will commit the crime; therefore, Individuals are optimizing their utility when they decide to commit

a crime otherwise they would not engage in crime. Because they could not get it through legitimate means, Black men in poverty are more likely to engage in crimes that provide them financial incentives to finance their social needs and wants.

Poverty and mass incarceration are interdependent cycles in and of themselves. History has shown us that neither of the two was brought upon the black family through “pure” uninfluenced rational decision making or deviant behavior, yet American political discourse alleges that Blacks poor economic decision making is the reason for socioeconomic differences in the economy. The Federal Reserve of St. Louis’ report on the demographics of wealth suggest that economic equality would be achieved if Blacks would stop engaging in self sabotaging behaviors. Their frame and directional emphasis that Blacks are playing the victim role couldn’t be more wrong. Like Lisa Keister explained in her book, entitled *Wealth in America: The Trend of Wealth Inequality*⁷⁰, “wealth ownership in the United States has long been concentrated in the hands of a small minority of the population”⁷¹ (Keister,2000). The argument that poor financial choices and decision making on the part of Blacks, Latino, and other poor borrowers is as inadequate as the Federal Reserve’s empirical analysis on the demographics of wealth.

Blacks socioeconomic status, class and social plight is neither a matter of choice and agency, nor is it entirely a matter of inheritance and structure, like Hamilton et. al. (2017) nicely stated in advocacy of financial literacy⁷², It is a matter of design and structure reinforced by

⁷⁰ Keister, Lisa A. *Wealth in America: Trends in Wealth Inequality*. Cambridge, Cambridge UP, 2000.

⁷¹ Keister, Lisa A. *Wealth in America: Trends in Wealth Inequality*. (p. 1)

⁷² Federal Reserve Bank of St. Louis, Center for Household Financial Stability and the Research Division. *The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap*. By Darrick Hamilton and William A.Darity, Jr., 2017.

institutions. Furthermore, a continuation in mass incarceration is the plight of the American political economy and strong evidence suggesting fundamental racism still exists in American Institutions. Mass incarceration intentionally increased African Americans' spatial concentration of poverty and dismantled the Black family structure in the process. We cannot begin to fix racial wealth inequality in the United States without dismantling the forces that contribute to Institutional racism, welfare disincentives, and structural economic changes. We must not only consider decreasing the rate of incarceration an economic priority. It must be a domestic national interest of the United States to force policy to make stereotyping, prejudice and discrimination unattractive in the economy. Mass incarceration effects on poverty vice versa the effects of poverty on Mass incarceration make it clear that racial wealth inequality can't be helped without reducing the effects of one of these phenomenon. The cycle of poverty and prison will continue to plague the black community unless it is alleviated through reinstitution efforts. Since poverty is a little more of an abstract thing, ending mass incarceration must be a top policy priority.

Chapter 3

Poor Policy Intervention: How Governments Intervention Contributes to Mass Incarceration and Racial Wealth Inequality.

“Breaking the cycle is a top policy priority”

-Benjamin Hansen and Jennifer Doleac⁽⁷³⁾2017)

The Mass imprisonment of African American men in the United States is an issue that cannot be ignored. Systematic prejudice and racial inequality has not left the economy. Which has allowed racial discrimination to manifest into various pockets of the U.S. economy. The causing problems for black people in the society. Black men Prejudice and poverty has not only made Blacks predisposed to the prison system, it increased the likelihood of recidivism. Employers continuously stereotype Blacks, blacklisting the group in the job markets based on criminal records or plain “ole-fashion” statistical discrimination⁷⁴(Hansen and Doleac 2017). Job ready ex-offenders of African descent are forced to reenter a labour market with high competition on the high and the low end hoping to assume low skill work where they make ends meet every paycheck⁷⁵ (Schmitt and Warner 2010). Unfortunately, jobs are not generally promised to ex-offenders because a prison record or felony conviction greatly lowers ex-

⁷³ Doleac, Jennifer L., and Benjamin Hansen. "Does 'Ban the Box' Help or Hurt Low-Skilled Workers? Statistical Discrimination and Employment Outcomes When Criminal Histories Are Hidden." *The National Bureau of Economic Research*, Jan. 2017, pp. 1-53.

⁷⁴ For more information about employer statistical discrimination of ex-offenders see Doleac, Jennifer L., and Benjamin Hansen. "Does 'Ban the Box' Help or Hurt Low-Skilled Workers? Statistical Discrimination and Employment Outcomes When Criminal Histories Are Hidden." *The National Bureau of Economic Research*, Jan. 2017, pp. 1-53.

⁷⁵ For more information about exoffeners on the job market see Schmitt, John, and Kris Warner. "Ex-offenders and the Labor Market." *Center for Economic and Policy Research*, Nov. 2010. Center for Economic and Policy Research

offenders prospects in the labour market. Black people are more likely to be paid less than their white co-worker for the same line of work once they have attained jobs, even less if broken down by gender(Darity). The list goes on and on and the studies all arrive at the same conclusion. Blacks have not had a fair chance in the race towards wealth and economic prosperity. Local governments and firms have jumped into action.They plan to alleviate the growing problem of recidivism and end mass incarceration by adopting Ban the box policies, but just how effective are these policies? Do they actually stand a chance in ending mass incarceration in the United States?

Affirmative Action policies of the past have not been able to make opportunities to accumulate wealth or human capital equal between Whites and non-whites in the country. That is especially the case for ex-offenders in the labour market. Mainly because it is difficult for policy to account for prejudice in the economy since prejudice is entirely based on preference, a behavioral quality which is not quantifiable or easily detected. It difficult to accurately depict willingness to discriminate or the extent of it. The U.S. Equal Employment Opportunity Commision(USEEOC) noticed patterns with high-to-mid skill employers being more determined to meet diversity quotas than allow equal access based on merit. There have been studies on discrimination in the past, but none of these have been able to explicitly announce the prerequisite of discrimination as prejudice⁷⁶⁷⁷(Becker 1957; Reich 1978). Instead we have more proof of statistical discrimination because we can gather empirical evidence to support employers willingness to discriminate based on firms data: hiring process, compensation

⁷⁶ Reich, Michael. "Who Benefit from Racism? The Distribution among Whites of Gains and Losses from Racial Inequality." *The Journal of Human Resources*, vol.13, no. 4, Fall 1978

⁷⁷ Becker, Gary Stanley. *The Economics of Discrimination*. 2nd ed., Chicago, Univ. of Chicago Press, 1995.

measure, employment status, etc. Therefore, a lot of the studies that have research labour discrimination in ex-offender groups have been focused mainly on compiling statistical evidence on discrimination because it can be analyzed quantitatively and qualitatively. Researcher can arbitrarily gauge the extent and willingness to discriminate based on statistical differences. Through the use of statistical analysis we possess an extensive body of research suggesting that a felony conviction or time spent in prison makes individuals significantly less employable (Schmitt and Warner 2010; Stoll and Bushway⁷⁸ 2008). Recent studies have found that employment discrimination against felons and ex-prisoners increased dramatically over the years of the prison boom (O'Connell⁷⁹ 2015; Hansen and Doleac 2017; Paul-Emile⁸⁰ 2014). The rise in employment discrimination sparked a nationwide movement to push the federal government to adopt ban the box policies that would create a uniform framework for employer compliance.

Being a prominent frame of reference in the conversation about how to end recidivism and stop the continuation of mass incrimination of the black community, Gary Becker's model of criminal behavior established a theory based on opportunity cost theory (1968) which claimed individuals consider the cost and benefit of engaging in criminal activity. This theory has become the general basis backing the promotion of federal anti-recidivism policies. Henry and Jacobs research on discrimination against ex-offenders, in support of Becker's view on criminal behavior, alleges "the lack of legitimate jobs fosters criminality and, conversely, that holding a

⁷⁸ Stoll, Michael A., and Shawn D. Bushway. "The Effects of Criminal Background Checks on Hiring Ex-offenders." *Criminology and Public Policy*, vol. 7, 2008

⁷⁹ O'Connell, Christina. "Ban the Box: A Call to the Federal Government to Recognize a New Form of Employment Discrimination." *83 Fordham L. Rev.*, 2015

⁸⁰ Paul-Emile, Kimani. "Beyond Title VII: Rethinking Race, Ex-offender Status, and Employment Discrimination in the Information Age." *Virginia Law Review*, vol. 100, no. 5, Sept. 2014

legitimate job diminishes criminal conduct”(Henry and Jacobs,2007). In general, policy has only tried to make prison and crime less attractive by increasing the cost of crime, becoming more strict on the punishment aspect of the criminal justice system, but that has only made matters worse in the past and present. Most recent responses to recidivism and the poverty problem in the U.S. entails passing legislation that provides public funding, access and resources, bettering education environments as a crime prevention tactic. This will provide more financial incentives to higher crime areas by mitigating market discrimination, regulating hiring practices, making it easy for Blacks to accumulate human capital. This removes Blacks from a cultural cycle of poverty locked in from birth⁸¹(Lewis 2011) by increasing median household income through increased employment in inner city communities. Policy makers and researchers have reimagined their approach to market intervention by having the role of policy reduce crime by promoting better alternatives to crimes.

The classic Becker (1974) model of criminal behavior suggests that better employment options and higher cost of crime reduces crime. In actuality there isn't much evidence to suggest increasing the availability of jobs for ex-offenders reduces recidivism rates(Schnepel 2015⁸²). In terms of unemployment, African American men still have the highest unemployment of any race group in America. Researchers have studied the connection between high unemployment in African American males groups and the racial concentration of that said group in the American Penal Population. The statistics of incarceration and unemployment have a direct correlation between them. In 2010, the Center for Economic Policy Research(CEPR) conducted a study on

⁸¹ Lewis, Oscar. *The Children of Sánchez: Autobiography of a Mexican Family*. 2nd ed., New York, Vintage Books, 2011.

⁸² Schnepel, Kevin T., and Don Weatherburn. "Economic Adversity and Crime: Old Theories and New Evidence." *The Australian Journal of Social Science*, vol. 50, no. 1, Apr. 2015

ex-offenders in the labour market. The results shown: “in 2008 the U.S. economy lost the equivalent of 1.5 to 1.7 million workers, or roughly a 0.8 to 0.9 percentage-point reduction in the overall employment rate.” It is likely the case that the large prison population increased the total male unemployment rate for Black males. Ex-offenders have a hard time landing jobs in the labour market because they rarely made it to the interview stage in their hiring process. Ex-offenders experience extreme discrimination with criminal background checks on the employment applications and that has led to high rates of unemployment in ex-offenders.

Gary Becker’s criminal behavior model loosely explains the positive effects of Job attainment on the rate of recidivism in crime infested communities. However, on the contrary, Becker’s taste-based discrimination model⁸³ explains how employers are willing to subsume negative preferences towards groups of individuals of many alternative types. Employers appear to have a high taste for discrimination against ex-offenders. The primary justification for employers negative preferences on ex-offenders is low human capital or lack of job-readiness. Part of this is attributed to the majority of the penal population having low levels of schooling. Bruce Western reported “the mass incarceration of less-educated minority men concealed declining employment and produced phantom reductions in wage inequality” (Western, 2006). According to the Bureau of Labor Statistics⁸⁴(BLS), in 2015, the rate of unemployment for African Americans is “9.6 percent.” Almost double the nation's average rate of “5.3 percent”(BLS, 2015). Black still have high rates of unemployment in a time where the national

⁸³ Becker, Gary Stanley. *The Economics of Discrimination*. 2nd ed., Chicago, Univ. of Chicago Press, 1995.

⁸⁴ United States, Congress, House, U.S. Department of Labor. *Employment Status of the Civilian Population by Race, Sex, and Age*. 2017. *Bureau of Labor Statistics*

rate of employment is increasing. Studies shown employers being least willing to hire from racial groups that have a high chance of ex-offenders living amongst those groups(O'Connell, 2015⁸⁵).

Employers justification insist ex-offenders previously spent large amounts of time away from school and the workforce; therefore, their education and skill levels are presumably lower than the general labour market. That judgement does not follow suit with policy changes and new prison programs that actually build education and skills of offenders behind the prison walls. The Bard Prison Initiative is one example of a prison education program which allows for prisoners to receive a college diploma while in prison. Such programs aim are combating/closing skill gaps between incarcerated individuals through rehabilitative measures hoping to better prison chances attaining jobs once they reenter society. In terms of upping employment capacity non-industry prison labour actually provides prisoners with skills transferable to the job market, but the compensation measures are considered extremely exploitive. According to research from the Prison Policy Initiative(2017), the average wage for prison labour today is about 86 cents per hour, down from 93 cents since 2001⁸⁶. Even though prisoners work for minimal(exploitive) compensation they are still learning skills that can make them more attractive in the job market if employers were basing their hiring process solely on merit. However, even with higher education the unemployment rate of African Americans have been fluctuating between 7-to-9 percent in the past year. Although the availability of jobs are increasing, employers willingness to discriminate against ex-offenders might outweigh the bridging of their skill gaps.

⁸⁵ O'Connell, Christina. "Ban the Box: A Call to the Federal Government to Recognize a New Form of Employment Discrimination." *83 Fordham L. Rev.*, 2015

⁸⁶ Sawyer, Wendy. "How Much Do Incarcerated People Earn in Each State?" Prison Policy Initiative, 10 Apr. 2017

Growing public sentiment around the issue of recidivism inspired the Ban the Box Movement. The idea of federal Ban the Box policies became a popular proposal for policy researchers. Professors Jessica S. Henry (Montclair University) and James B. Jacobs (New York University) in their article on Ban the Box, “Ban the Box to Promote ex-offender Employment⁸⁷”, were some of the first to advocate for federal adoption of Ban the Box. They were apart of the collective of revolutionaries who believed that reducing the employment barriers and hiring abled workers with criminal history can have far-reaching positive on society without compromising the success of businesses. The policies goal was to help with ex-offenders unemployment rates. Ban the Box is a part of an international campaign spearheaded by activist groups and others advocating for the end of mass imprisonment of Black and Hispanic men. Prior to Ban the Box, federal and state laws made it extremely difficult for certain categories of ex-offenders to obtain employment licenses or to work in organizations or with children (Love, 2006). Employment discrimination has reformed itself based on mass incarceration, for it became easier to discriminate against Black workers since Black men make up the majority of the prison population. In an effort to reverse this trend of discrimination, local governments began encouraging the adoption of BTB policies in their jurisdictions. The “Ban the Box” Movement has been changing hiring practice all across the U.S.

Ban The Box (BTB) Policies were designed with the specific intent to promote positive effects on job attainment and job fairness for previously incarcerated individuals. Metropolitan Areas usually have a greater chance of adopting BTB policies considering these are generally high crimes areas. Adoption of BTB policy is a local choice. BTB-adopted jurisdictions applies

⁸⁷ Henry, Jessica S., and James B. Jacobs. "Ban the Box to Promote Ex-Offender Employment." NELP, vol. 6, no. 4, 16 Oct. 2007

more prevention policies to go along with the movement. BTB policies fall into three categories : “(1) those that target public employers(that is, government jobs only), (2) those that target private employers with government contracts, and (3)those that target all private employers. They are referred to as "public BTB", "contract BTB", and "private BTB" policies” (Hansen and Doleac, 2017). BTB policies have only provided bandage solutions to the issue of unemployment amongst black groups.

BTB promised to be a judicial Trojan horse of sorts, designed to help employments rates for ex-offenders. Major employers including many Fortune 500 companies, major employers like Walmart and Koch industries, have long since adopted BTB policies all across the nation. Local government efforts appeared in line with the BTB movement taking place all across the country—a movement hoping to put an end to mass incarceration of colored men. BTB campaigns were ran with the specific intent to decrease recidivism in the post-prisoner population. However, it has yet to do so in communities where Black and Hispanic are the majority. Hansen and Doleac (2017) model on statistical discrimination measured the extent of employer discrimination and employer prejudice on job ready ex-offenders focused on analyzing prisoners’ ability to stay put out of prison. In economic discourse, Hansen and Doleacs’ discrimination model hypothesize that BTB policies ironically increase employer discrimination by denying employers access to applicants criminal history earlier in the hiring process. Their research exposed BTB policy as bandage solutions to a festering sore like covert racism, prejudice and inequality in America on all fronts social and economic. Hansen and Doleac results show BTB policies make for more creative ways to introduce bias and prejudice into market practices. At the same time, they act as quasi-solutions to the larger goal of addressing

the issues of a cultural poverty enforced through means of deep seated institutional, statistical, and racial discrimination against Black people in America.

The unmeasurable (most crippling) risk of BTB's policies is an increase in alternative types of employer discrimination. Employers will run credit checks, drug screenings, stereotype Black and Hispanic groups, continuing to engage in discriminatory practices just to bypass BTB. Although BTB limits criminal background checks in the hiring process, it does not remove criminal association from Black men and women--the prejudice factor encouraging employers negative preference on Black men in the labour force. Hansen and Doleac⁸⁸ (2017) discovered that employers would get around policies by over generalizing and stereotyping their applicants into groups and run background checks on credit, education, and other determinate that would group their applicants in a general pool of qualified applicants and unqualified applicants. Employers have stopped relying on the criminal check box to weave out mainly Black criminals from both private and public markets. According to the study White ex-offenders seem to be the only ones who actually receive the benefits from BTB Policy adoption. According to Hansen and Doleacs findings: "BTB policies decrease the probability of being employed by 3.4 percentage points (5.1%) for young, low-skilled black men, and by 2.3 percentage points (2.9%) for young, low-skilled Hispanic men. These findings support the hypothesis that when an applicant's criminal history is unavailable, employers statistically discriminate against demographic groups that include more ex-offenders...White ex-offenders benefited the most from the policy change:

⁸⁸ Doleac, Jennifer L., and Benjamin Hansen. "Does 'Ban the Box' Help or Hurt Low-Skilled Workers? Statistical Discrimination and Employment Outcome When Criminal Histories Are Hidden." The National Bureau of Economic Research, Jan. 2017 pp. 1-53.

after BTB, employers seem to assume that all white applicants are non-offenders⁸⁹”(Hansen and Doleac, p. 3). It is the stereotypical properties of the ex-offender that employers exploit to manipulate the hiring process in a way that reflects their worker preference.

Contrary to conservatives belief, statistical discrimination is prevalent in the hiring process because employers are willing to afford the risks—non-whites still have to worry about employment discrimination because employers have higher taste based discrimination for ex-offenders and Black males. Even more noticeably, Robert Reich⁹⁰(1992) clarified that employer discrimination is more likely to occur in the low-salaried group, groups near or below the poverty line; it is there that the cost of discrimination is lowest. It might not matter if prisons do a better job at rehabilitating these men, or whether there are more jobs in the economy. Employers do not refrain from discriminating because it is irrational for consumers, especially in major corporations because they can afford to exclude a portion of their consumer markets without compromising productivity or market power. At this rate there is a deliberate attempt from employers to use statistical information like drug use, criminal association, and skill association to marginalize Black demographic groups making it harder for Blacks, not just ex-offenders to obtain jobs.

Race dictates the level of skilled work one can receive under BTB. A Darity et al. report, titled *The Evidence of Discrimination: Codes of Color, Code of Gender*, emphasizes that “the major elements for the persistence of discrimination are racial differences in the access to better

⁸⁹Doleac, Jennifer L., and Benjamin Hansen. "Does 'Ban the Box' Help or Hurt Low-Skilled Workers? Statistical Discrimination and Employment Outcome When Criminal Histories Are Hidden." p. 3

⁹⁰Reich, Robert B. *The Work of Nations: Preparing Ourselves for 21st Century Capitalism*. New York, Vintage Books, 1992.

paying jobs within and between occupations”(Darity et al., 1998). Apparently individual access can be limited on basis of racial differences If you were a formerly incarcerated offender you become further marginalized and criticized more so than if you were just Black. Incarceration give employers more of a reason to discriminate. Low skilled employer might be employing more older black ex-offenders to do low-skilled work, but according the Hansen and Doleac study: “Older, low-skilled black men are significantly more likely to be employed after BTB; effects on white men are also positive and significant when BTB targets private firms. However, total employment might go down when employers are not able to see which applicants have criminal records⁹¹”(Hansen and Doleac, 2017).The scariest realization is that it’s hard to avoid discrimination even with BTB policies because you cannot change your race and it’s hard to avoid criminalization because you cannot change your wealth status. Inequality and incarceration become an perpetual double whammy that African American men can escape.

In terms of Becker’s opportunity cost analysis, Black ex-offenders perceive more value from criminal activity than working low paying jobs. To illustrate the cost and benefit perceived by ex-offenders let’s juxtapose street pharmaceutical practices(drug dealing) with Walmart seeing as most ex-offenders are in jail for drug related crimes and Walmart is the largest employer of African American males and they have adopted BTB policies. In February of this year Walmart upped wages for sale associates to minimum of \$9. The average entry level employee at Walmart earns roughly about \$18,720 before taxes. According to an article in Chicago tribune the average drug dealer earned about \$24,000 annually untaxed. The research interviewed 186 adult men on probation and found “two-thirds of them earned an average of \$7

⁹¹ Doleac, Jennifer L., and Benjamin Hansen. "Does 'Ban the Box' Help or Hurt Low-Skilled Workers? Statistical Discrimination and Employment Outcome When Criminal Histories Are Hidden." (p. 6)

an hour on legitimate jobs and averaged \$30 an hour as “moonlighting” drug dealers, working only when demand is highest⁹²”(Chicago Tribune 1990). Steven Levitt of the University of Chicago indicates that a low-level drug dealer(mainly marijuana dealers) make roughly \$20,000-\$30,000 per year. The landscape for drug has since change ten and a half years later. If we look into some non-academic articles the average marijuana dealer makes about \$1000 per week giving them a non-taxable annual salary of \$52,000. Given these numbers we can see that ex-offenders might perceive a higher return on drug crimes. Low income jobs do not provide a sustainable amount of financial incentives to allow black to finance their living standards in the city because the cost of living in the city is getting more expensive as property values and taxes increase for the working class. This will probably end up growing to be an even worse problem if the 2017 GOP tax plan is passed. The quality of work matters more than the quantity of work. Job attainment alone does not reduce criminal behavior nor does it positively affect the rate of recidivism in the black communities in the long run.

The efforts of BTB local policies does not provide any evidence that it will be the policy to end recidivism in the American criminal justice system. If anything BTB policies will continue to encourage recidivism of Black males and better chances for whites and Black woman overtime. At this rate it seems Black males have once again been placed and quarantined at the bottom of the labour market. Because they face income inequality and wage discrimination, Black males are forced to engage in criminal activity to sustain themselves in some of the most pricey cities in America. Metropolitan Areas like New York, San Diego, San Francisco, Los Angeles, are all some of the highest ranked in cost of living in the United State. These cities have

⁹² "Average Drug Dealer Income: \$24,000 A Year." *Chicago Tribune*, Knight-Ridder Newspapers, 11 July 1990

the highest rates of crime because crime is rational behavior in the inner cities of these neighborhoods. Black males cannot seem to catch a break in the society and the economy. Black men are literally casted to the bottom of American society and treated as enemy combatants with no clout or leeway in any American Institution. It is not just the blood of the young males that run in the street and the freedom of the police officer who killed him that proves black males have been treated as less than human beings, the institutional and wealth struggles do enough to prove the point. The government should not waste their time trying to enact such a program if they cannot combat prejudice and racism in the American institutions through policy reform.

Even though America gave off the impression of a post-racial society, it is not enough to make racism socially unattractive. A true democratic nation must actualize economic equality over racial bias in order to establish a post-racial society; especially since the income and wealth differences are results of years of brute institutional racism. Income and wealth differences continue to perpetuate the dichotomy of the privileged and the not so privilege, the haves and the have nots. The racial wealth gap stands as a constant reminder to Blacks and whites in America that there is still a power struggle between Black and white people in the United States. Simply because all persons living in American capitalism use income as a claim on all scarce assets, goods and services. There is no universal health care, people living in poverty live in highly polluted, highly congested areas with bad health care and high externalities. They can't afford healthy foods because they are priced higher than GMO products. Those foods also tend to be located in higher income neighborhoods. Welfare has been so poorly worked into the system that it keeps those who are under the program complacent—they can't afford to sustain themselves or their families if they leave the program, they would rather not run the risk of losing what little

benefits they gain from the program even if it means limiting their economic scope and mobility. Why? because family sufficient income is not promised through working a low-paying job alone in neighborhoods containing poverty. These common misfortunes created and perpetuated by the influence of institutions both private and public are what the conservative minds deem a self-induced culture of poverty—having limited options with a multitude of restrictions and fine prints that manipulate the choices certain groups make concerning their social and economic wellbeing.

However the vantage points chosen to analyze the issue of prejudice and racism in the economy and institutions may vary, most social research concludes that government has a crucial role to play in alleviating not only racial wealth inequality in the United States, but mass incarceration as well. Maybe it is because economic justice implies public and private institution must take a sort of reciprocity approach towards reparations —We the people hoped the persons responsible for making inequality against Black people just and economically sound will somehow be held accountable, or tasked with redeeming the situation in the aftermath. Despite what Americans have come to idealize about government reparations, Blacks can only expect policy reform to generate the outcomes it is has encouraged thus far—exclusion, exploitation, and market discrimination against people of color in America. Ban the box has become a bandage solution feeding the problem of recidivism by increasing employers willingness to discriminate against Black men in the absence of criminal background checks. The locally adopted policies did more to increase employers taste for discrimination against Blacks than help alleviate poverty and recidivism in the Black community.

The consequence of the BTB policies averse the intended purpose. By bettering the hiring process for ex-offenders BTB Increased overall Black unemployment. Which might suggest economist assume to be true-- government cannot provide the necessary tools to combat prejudice in the economy. The lack of sufficient job attainment forced Black males to remain stuck in a cycle of “Inequality and punishment” as Western (2006) would say. Discrimination against black groups forces Black males to help feed the pockets of profit maximizing firms like Walmart and other major industries that need low-income workers to continue their high earnings. The prison Industrial complex uses institutional racism to establish a behavioral pattern amongst Black ex-offenders such that the majority of Blacks remain stuck either in the bottom echelons of society, facing discrimination, working minimum wage jobs, living below poverty, or engaged in illegitimate practices as a means to afford the rising cost of the city, increasing their chances of incarceration.

Policy must adapt to meet the true needs of Black families affected by poverty, providing families with the necessary tools for economic development and capital accumulation this way Blacks can have some assistance battling poverty in their neighborhoods. The Black community needs government to provide investments into the Black neighborhoods, to remove poverty from inner city neighborhoods without forcing displacement of black families. The neoclassical models neglect to publicize shifting the government's approach to the war on poverty to reflect the needs of the working class instead of making income equality about job creation and changing employer mandate. Bandage solution policies further discrimination. By masking the problem these policies put onus on the markets to regulate itself based on optimizing behavior Policy should promote moderate(or intermittent) market intervention intended to lessen the use

of bandage solution policies which contribute to abstract issues such as discrimination and poverty. Policy must be implemented to make the cost of all discrimination high for institutions and corporations. At the same time the war against poverty must take a bottom-up approach instead of a top-bottom approach. There has been no indication of a trickling down of wealth in the economy, thus we must focus policy efforts towards bettering living standards for at risk families and individuals.

Conclusion

Ending mass incarceration is just an immediate and accomplishable step for government. The imperial goal of policy intervention is dismantling racism in the America Economy. Policy intervention must emphasize it and frame it, racial wealth inequality has been exacerbated by whites belief in white supremacy and racism. Policy intervention in the new millennium might have helped reduce issues of racial inequality, but it has not succeed at alleviating fundamental racism within American capitalism. Policies that intend good have not had victories in the war against poverty because they continue to do the same thing--Cover up the festering wounds of racism and inequality inherent in the social hierarchy of American systems. The same hierarchy dictating surplus distribution is now exacerbating the racial wealth gap greatly since days of Sharecropping. The majority of whites are benefiting from the economic growth of the economy while colored people are surviving poverty or struggling to stay above the poverty line. The U.S. government has not taken the necessary action to remedy racism in full, so it exist on an economic level and becomes a social epidemic.

Racism is an economic binding of black people; the root cause of Racial wealth inequality. The speculative lesser nature of black people was made evident through their lack of power(wealth), not just in the physical sense but mentally, socially and especially economically. Racism benefited white society in all aspects social, economic, and educational. Slavery made most of the contribution to American expansion and early Industrial America. The benefits whites gained in status and wealth. Blacks were not human enough to receive compensation for their effort and that began the unequal share of wealth on basis of race. Racism benefited whites a great deal economically. Racism provided a sense of security for whites that others will not be able to take what is their “divine right” of the white man. Problems of scarcity created “a have and have not” type relationship in American society shortly after. As Wealthy and middle-class whites concentrated wealth amongst themselves they conversely concentrate poverty amongst other racial groups in America.

Government intervention policies continued to rely on the few, the greedy and the selfish to promote equity in the economy. Prime example being the current President Trump administration. The current President and his Administration mark the rise of a kleptocracy⁹³ with the desire to insight racial and political tension. The administration aims to benefit from all mechanisms promotion of inequity. These people do not want equality because there is evidence suggesting that they stand to benefit from high inequality in the economy and the society. They pass bills(i.e. The GOP Tax Budget Plan) that evidently benefit their quartile of the economy and disadvantages the rest. Capitalist behavior tends to make the barriers to entry more rigid for

⁹³ “Kleptocracy(Greek origin)” refers to a government or state in which those in power exploit national resources and steal; rule by a thief or thieves.

certain class and demographic types. Intervention policies have encouraged more discrimination on basis of race, wealth and income, and class.

The ever growing racial wealth inequality in the country is a reflection of the mechanisms of racism and how they were used to coerce wealth into the hands of white and decimate black wealth and social status. The incidents of Racism has been covered up but not forgotten. The residue of racist behaviors are all dwelling in the Urban areas of the city. Even though Racial segregation is over, Economic Segregation is growing more and more exponential. Black Ghettos are facing issues of mental health, low-life expectancy, poor education, low-employment; the list continues. Economic segregation has had far reaching effect on Black families, especially black children. The Black youth are facing major performance and behavior issues with little to no help or assistance around them. There has not been true reconciliation programs put into place to assist Blacks and whites transition into a more equal economy after Segregation. Although, prejudice and discrimination doesn't promote efficiency employers and markets engage in discrimination because they have specific preferences. Some of which do not include blacks or other colored people in the mix. The Racial wealth gaps shows this disconnect between wealth accumulation and American citizens of African descent. It is also evident that whites stand to benefit from Racism so they would be reluctant to actively try and eliminate racism.

Market discrimination forced black men to limit their life trajectory trickling into black boys lack of investment in human capital⁹⁴. While whites are trying to figure out how to discriminate against entire social groups of poor Blacks, Black men were turning to crime to combat poverty. The crime would typically consist of theft and drug abuse(which would be punished heavily stereotyped over the years by the War on Drugs sponsored by former U.S. presidents Nixon and Reagan). Poverty rationality affected blacks decision making process and it reproduces itself in and out of the prison system. Blacks people engage in criminal activity because they don't perceive greater benefit from legitimate forms human capital or wealth accumulation because they expect to face extreme market discrimination. Racially charged policies incriminated the criminal behaviors of Black men allowing the mass imprisonment of black males to take place in America's Criminal Justice System.

The reason why Hamilton propose the idea that a “post racial America is not possible so long as the racial wealth gap persist” is because racism itself is an economic construct but the mechanism of racism is social, thus policy cannot separate racism from the economy Although the both appear to be distinct entities. The Residues of Racism will show more and more in the economy as the racial wealth gap increases—the poorest blacks are literally 382x less wealthy that the 1% of the 1% of the—that in itself is a problem. The consequences of this type of wealth concentration has been a 400 year long struggle for economic freedom and mobility of the black working class. The reason is because black labor continues to be the most rational choice for labor, as long as they are doing low skill work that can be exploited through bandage solution

⁹⁴ For more information on reduced performance of black boys see Noguera, Pedro A. "The Trouble with Black Boys: The Role and Influence of Environmental and Cultural Factors on the Academic Performance of African American Males." Urban Economics, 2003

policies. As long as capitalist keep extending their agenda onto the people who they control through the markets black will stay in poverty. And longer blacks stay in poverty. The worst it will get for them, their kids, and future generations to come.

The first step towards economic equality is destroying racism. Racist institutions like the prison system must be regulated and monitored for racist activity. All racist acts and all tools of mechanisms of racism should be criminalized and punished severely the same way other crimes against people are prosecuted. Since the rich care to maximize profits only, we have to make it cost for them to discriminate. Those cost may not be fines because they have not proven to deter capitalist motive to discriminate because they stand to earn more by doing so. More in terms of money and more interns of power. I propose if there is a higher cost associated with racism than benefits then employers and capitalist will be less likely to engage in discrimination. Racism should be tried as a constitutional offense: an infringement upon a person god given right to liberty, freedom, and pursuit happiness. Racism in the economy has removed freedom of black, stolen their liberties, and cause them to take action that adds more to their stress than their happiness.

In order for racial wealth inequality to lessen both the public and fiscal sector must work together to make racism less attractive in the economy. The only way to do this is to undo all the racist policies that made racism economically beneficial for whites in the first place. This is not an argument for policy reformation, but reinstitution by undoing the effects of historically racial policies instead of covering them up. The purpose of Public policy must be to promote equal economic opportunity for all persons participating in the free market domestically. It will take a

bottom-up approach to relieving income inequality⁹⁵(Tcherneva 2012). From a Minskian point of view government must step in to regulate issues of discrimination and inefficiency in the markets. encourage a higher base level of wages adjusted to fit the living standards of respective locations. Fiscal Policy should strengthen labour unions and reduce the power of businesses to lobby in American government affairs, especially if it involves the public well-being. These approaches will hopefully lead to a more democratic workforce and eventually eradicate the need for racism and inequality in the economy⁹⁶.

⁹⁵ For more information on bottom-up fiscal approach see Tcherneva, Pavlina R. "Reorienting Fiscal Policy: A Critical Assessment of Fiscal Fine-Tuning." *Levy Economics Institute of Bard College*, no. 772, Aug. 2012, pp. 1-28

⁹⁶ Minsky, Hyman P. "The Financial Instability Hypothesis." *The Jerome Levy Economics Institute of Bard College*, no. 7, May 1992, pp. 1-10.

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