The Becker model of discrimination is anachronistic and should no longer be taught

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Becker's model as well as the statistical model of discrimination should no longer be taught. They were conceived in the twilight of the Jim Crow era, an era in which future Nobelist George Stigler could write about the "Negro in America", that they were "inferior workers and the "problem is that on average he lacks a desire to improve himself, and lacks a willingness to discipline himself to this end" (Stigler, 1965). The models prevalent in the most popular textbooks continue to trivialize that the injustices associated with discrimination are worse than anachronistic. In the era of the BLM movement, they are in bad taste and should be seen as providing scholarly support for systemic racism.

Ever since Gary Becker's 1955 dissertation, the economic theories of discrimination fail woefully to appreciate the deep ethical nature of the problem and skirt its devastating impact on minorities. Becker's coldblooded reference to discrimination as a "non-pecuniary element" in transactions or as a "disutility caused by contact with some individuals" are typical of the pretense at objectivity of this literature (Becker, 1971, p. 13). His framing of the issue nonchalantly as a "taste for discrimination" makes it appear legitimate: essentially equating it with our taste for a consumption good (Charles and Guryan, 2009). The "taste for discrimination" thereby became a component of the benign theory of free choice and part of the democratic liberal tradition of market exchange between equals (Peart and Levy, 2021).[1] The theory also supposes that firms that discriminate will pay higher wages to whites which will lower their profits. Moreover, the blacks will be hired by non-discriminating firms which can, therefore, provide the product or service at a lower price. Supposedly, the higher profits of non-discriminating firms will attract other non-discriminating firms. Hence, the discriminating firm will be at a further disadvantage so that the internal logic of Becker's analysis suggests that the discriminating firm will be outcompeted, and discrimination will be mitigated (Lang and Spitzer, 2020). This theory should have been discarded decades ago, as it has been obviously falsified by an overwhelming amount of evidence, including experimental data (Arrow, 1998; Lang and Lehmann, 2012; Neumark, 2018).

Statistics was invoked to complement Becker's theory (Moro, 2018). In this theory discrimination became a rational response to the "scarcity of information about the… characteristics of workers…. If the cost of gaining information about the individual applicants is excessive, skin color or sex is taken as a proxy for relevant data not sampled. The a priori belief in the probable preferability of a white or a male over a black or female candidate… might stem from the employer's previous statistical experience…" (Phelps, 1972, 659).[2] Kenneth Arrow also proposed this analysis simultaneously and independently (Arrow, 1971).[3]

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[1] It is also misleading, because it assumes that those who discriminate are making conscious decisions to do so based on a cost-benefit analysis, whereas the discrimination often occurs at the unconscious level (Bertrand, Chugh, and Mullainathan, 2005).

[2] To be sure, the author does add that "Discrimination is no less damaging to its victims for being statistical."

[3] However, he did not refer to its statistical nature. "Skin color is a cheap source of information and therefore may be used by an employer in discriminating against what he believes to be inferior workers." At least Arrow did express "the greatest moral outrage" and "moral indignation" at his "dispassionate" analysis (Arrow, 1971, p. 27).

This line of overtly racist reasoning has been critiqued extensively (Darity, 1995; Darity, and Hamilton, 2012; Darity, and Mason, 1998; Hamilton, 2017; Mason, Myers and Darity, 2005; Shulman and Darity, 1989). Nonetheless, these theories have not only survived but still dominate, in the main, the discussion of discrimination in almost all popular textbooks without caveats and not only at the introductory or intermediate levels but also at the more advance level including in labor economics (Borjas, 2005, Chapter 10).[4] Graduate lecture notes also focus on the mathematical elegance of these models without any caveats whatsoever (Autor, 2003).[5] A discussion of the pernicious nature and injustices of discrimination and the social ills (such as widespread imprisonment) that stem from it are lacking. None emphasizes its illegal character, the urgency of ending it, or that laissez-faire market processes failed to end it.

Instead, economists frame the issue in such a way that "the market is exonerated" (Koechlin, 2019, p. 563). For instance, even liberal economists such as Samuelson and Nordhaus reiterate without caveats Becker's argument that discrimination is self-correcting, because "Nondiscriminating firms could enter the market, undercut the costs and prices of the discriminating firms by hiring mainly brown-eyed workers, and drive the discriminating firms out of business.[6] Thus, even if some employers are biased against a group of workers, their bias should not be sufficient to reduce that group's income"[7] (Samuelson and Nordhaus, 2009, p. 261).

Subsequently, Samuelson and Nordhaus restate the concept of statistical discrimination by asserting that "One of the most interesting variants of discrimination occurs because of the interplay between incomplete information and perverse incentives." Yet, there is nothing at all interesting about discrimination, and it is illegal to boot. However, they do at least add that "Statistical discrimination is particularly pernicious when it involves race, gender, or ethnic groups" (Samuelson and Nordhaus, 2009, p. 262). That is good to know, but what other kinds of discrimination are there? Age or gender discrimination? Are those less pernicious?

Similarly, Mankiw concludes that "at least some of the difference between the wages of whites and the wages of blacks can be traced to differences in educational attainment… In the end, the study of wage differences among groups does not establish any clear conclusion about the prevalence of discrimination in U.S. labor markets. Most economists believe that some of the observed wage

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[4] "Statistical Discrimination" brings up 21,000 hits on google scholar and "taste for discrimination" brings up 3,500 hits.

[5] Kevin Murphy's laudation of Becker's work has a similar tone: "Becker's analysis would extend the reach of economics, and completely reshape the field—and social-science research in general." And the discrimination also hurts those who discriminate: "the discriminating employer incurs greater expense to obtain the same productivity" (Murphy, 2015).

[6] In addition, they support Becker's theory by framing the question of discrimination in terms of "blue-eyed" versus "brown-eyed workers", which is, of course, ridiculous, and belittles its deeply corrosive nature, thereby avoiding the emotionally charged issue of real-world racial discrimination on the basis of skin color and not on eye color, especially as it pertains to the descendants of American slaves and all the social injustices that stem from that (Samuelson and Nordhaus, 2009, p. 261).

[7] Becker's theory has many hidden assumptions including that productivity is easily ascertainable prior to hiring someone. However, if that is not the case, then the mechanism he invokes may not work because the non-discriminating manager could assume that people are willing to work for less because they are less productive. Furthermore, it also assumes that non-discriminating firms which have enough capital to enter the market actually exist and that there are sufficient number of entrepreneurs who can withstand the social pressure of going against the cultural norm of discrimination and the violence of the klu-klux-klan. So, there are many reasons for refuting the theory rather than reproducing it.

differentials are attributable to discrimination, but there is no consensus about how much" (Mankiw, 2018, pp. 392, 393). Yet, of the circa 21% differences in wages about half is due to education (11%) and half to outright discrimination (10%) (Altonji and Blank, 1999, Table 5). Of course, the difference in educational attainment is also due to (pre-market) discrimination (MacLean, 2021). Mankiw continues with Becker's argument that, "the profit motive is a strong force acting to eliminate discriminatory wage differentials, but there are limits to its corrective abilities. Two important limiting factors are customer preferences and government policies" (Mankiw, 2018, p. 395). Note that in this framing of the issue, the government is part of the problem that limits the market's ability to shed itself of discrimination. Such perspectives are repeated in other contexts as well: "employers who discriminate pay an economic penalty" (Hubbard et al., 2013, p. 388).[8] That, in the main, is the tenor of most of the canon on discrimination.

Another overlooked factor in the above assertions is the use of violence in suppressing upward mobility of minorities. It does not need to be practiced on a daily basis to be effective. One lynching can stifle ambitions for generations. For instance, the destruction of "Black Wall Street" in Tulsa in 1921 sent a signal that still resonates (Darity and Mullen, 2020). The unmistakable message, that it is useless for blacks to attempt to accumulate wealth, does not fit well into the above narratives.

In contrast, some progressive economists do strike a different tone (Bruegel, 2018; Schneider, 2019, p. 519).[9] They point out that discrimination "was based on racist beliefs that certain groups were innately inferior" and that it has been against the law since 1964. They also refer to a case study of FedEx which was fined $3 million for violating that law (Goodwin et al., 2015, pp. 238-240). Nonetheless the dominance of orthodox theory means that "a student is likely to leave ECON 101… with a sense that 'economic science' has 'shown' that discrimination is not that big a deal…" (Koechlin, 2019, p. 563).

To be sure the recognition is growing that "economics has a diversity problem" (Bayer, Hoover and Washington, 2020, p. 217; Kvangraven, Harvold, and Kesar, 2020), but they fail to acknowledge that a discipline that trivializes discrimination and dubs prejudice a "taste" will be naturally shunned by minority students. It should also be obvious that market mechanisms were incapable of reducing, let alone eradicating the evils of discrimination. Therefore, a canon that adulates unfettered markets will likely appear objectionable to the descendants of slaves. Thus, to continue to teach the Beckerian or the statistical models of discrimination, conceived in the twilight of Jim Crow era, that trivializes the injustices associated with discrimination is worse than anachronistic. In the era of the BLM movement, it is in bad taste and should be seen as providing scholarly support for systemic racism (Komlos, 2020, 2021). These unsubstantiated and covertly racist theories should be expunged from the canon of the 21st century and relegated to the dustbin of history.

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[8] "Do not underestimate the power of markets to offer at least a degree of freedom to oppressed groups. In many countries, cohesive minority groups like Jews and emigrant Chinese have managed to carve out a space for themselves through their economic activities, despite legal and social discrimination against them" (Taylor, Greenlaw, and Shapiro, 2018, p. 341).

[9] Even liberal economists confirm the conventional reasoning that markets are beneficial and government is not: "market forces tend to work against discrimination…. Discrimination has sometimes been institutionalized in government policy. This institutionalization of discrimination has made it easier to maintain it against market pressure…. Companies that engage in workplace discrimination but whose competitors do not are likely to have lower profits as a result of their actions" (Krugman, Wells, Olney, 2007, pp. 229-230). Never mind that this institutionalization ended in 1964 in the U.S. so why has the market not ameliorated the problem in the intervening half century?

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