Stratification Economics: The Intellectual Tradition

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Abstract

In this paper, we explore multiple intellectual traditions that inspire and inform the subfield of stratification economics – a subfield of economics that emerged out of the desire to better explain intergroup inequality among dominant and subaltern identity groups. We first examine the shortcomings of neoclassical economic theory in explaining persistent intergroup inequalities in a way that doesn't fall back on stereotypes and biases about subaltern group members. We then highlight the theories, disciplines, and traditions that stratification economics draws upon to address those shortcomings including identity economics, social stratification and social dominance theories, and critical Black and feminist epistemologies.

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Introduction

Stratification economics is a subfield of economics that emerged out of the need to better explain intergroup inequality among dominant and subaltern identity groups. As a subfield, it doesn't abandon all the tools of neoclassical economics, rather, it adapts those tools to better examine the structural and intentional processes that generate hierarchy and economic equality among and between groups. Here, the term “group” refers to identity groups within which individuals align themselves, including but not limited to race, ethnicity, caste, gender, and religion. The assumptions, tenets and theoretical conclusions of neoclassical economic theory are insufficient to consistently explain empirically observed choices, behaviors, and outcomes that lead to persistent intergroup inequalities. As a way of addressing these shortcomings, stratification economics draws upon multiple theoretical traditions to present a more consistent framework for explaining intergroup inequalities (Chelwa, Hamilton, & Stewart, 2022; Darity, 2022).

The early roots of stratification economics flow from a paper by William A. Darity, Jr. (1982) that challenged the human capital approach to looking at racial inequality. Building upon this critique Darity and Myers (1994) argued that neoclassical economic theory, which focused on behavioral explanations for economic inequalities, was inadequate to understand disparities between Black Americans at the top and bottom of the income distributions. Structural explanations were more appropriate for understanding these differences. Darity and Myers (1998) then argued empirically that most of the racial gaps in earnings are either family earnings or individual earnings that can't be explained by human capital differences but, rather, are likely due to structural impediments.

A series of papers in the late 1990s and early 2000s modeled intergroup behaviors, arguing that intergroup differences in economic outcomes can’t be interpreted simply as differences in endowments or differences in inherent traits or characteristics (Darity & Mason, 1998; Darity, Mason & Stewart, 2006). Rather, a group identity itself is endogenous and very much related to peoples' incentives to cooperate with members of their identity group. One of the key insights from stratification economics is that people at the top of a societal hierarchy (the members of the dominant group) have a particular incentive to keep their group at the top of the hierarchy. By examining these incentives, stratification economists argue that there are non-pecuniary benefits associated with identity group formation and selection that are overlooked by standard economic theories (Darity, Hamilton, & Stewart, 2015).

In this paper, we explore multiple intellectual traditions that inspire and inform the subfield of stratification economics. We begin by arguing that the racist origins of the economic profession in the United States led to the evolution of a neoclassical economic theory that was insufficient to the task of examining intergroup inequality particularly as it pertains to disparities between racial and ethnic groups. We then discuss how the Becker model of discrimination leaves unanswered the question of where discrimination comes from which stratification economics seeks to answer. Discussing these shortcomings in the neoclassical model's explanations for intergroup disparities is important because stratification economics arises as a way to address these shortcomings. Thus, the shortcomings are themselves a part of the intellectual tradition of the subfield of stratification economics, though it has evolved far beyond a critique of the neoclassical model today.

We then discuss the contribution of identity economics which endogenizes responses to identity into the model but stops short of conceptualizing an underlying theory of identity formation in the first place. To better understand group formation and categorization, we turn to sociological theories of stratification and psychological theories of social dominance. Finally, we draw upon the Black intellectual tradition and on aspects of feminist economics to explain the importance of situating current disparities in historical context to better understand the intergenerational component of intergroup disparities and recognizing positionality and bias in social scientific research.[2]

The Racist Origins of the Economics Profession in the U.S.

Stratification economics looks at inter-group inequality and racial inter-group inequality has been a persistent problem throughout US history. Many of the founders and early presidents of the American Economic Association were associated with progressive economic ideologies which some have argued were often informed by racist social ideologies (Aldrich, 1979; Cherry, 1976; Darity, 1994; Leonard, 2005; Zouache, 2016).

Francis Amasa Walker, who was a brigadier general in the Union Army, the president of MIT from 1881 to 1897, and the director of the 1870 and 1880 U.S. censuses, was the first president of the American Economic Association. He was also a staunchly anti-immigrant proponent of the race suicide theory which posited that Anglo-Saxons in the US would be usurped by what they considered racially inferior immigrants who had higher fertility rates (Cherry, 1976; Leonard, 2005). As the U.S. Commissioner of Indian Affairs in the 1870s, Walker was a key supporter of the reservation system that forcibly removed Indigenous Peoples from their lands.

Walter Willcox, who became the president of the American Economic Association in 1915. published intensely about the inferiority of Black Americans. His articles sought to establish that Black Americans were inherently inferior and that there had been no progress among them since emancipation. Although the top 10% of them were better off, the bottom 10% were worse off than they were during slavery. He also argued that racial segregation and discrimination were not the

[2] Patrick Mason's (2023) comprehensive text, *The Economics of Structural Racism*, establishes what Lefebvre (2025) calls an "interdisciplinary canon" for stratification economics. For deeper reading on the intellectual traditions that inform stratification economics see Mason's text.

underlying factors that explained the labor market disparities between Black and White Americans, rather, it was their inherent genetic, immutable, persistent inferiority (Aldrich, 1979; Darity, 1994).

John R. Commons was the president of the American Economic Association in 1917. Commons believed that wage competition lowered wages but since competition had no respect for the "superior races," and the race with the lowest necessities would be willing to work for less, the "superior races" needed to be protected from naked competition. African Americans were, for Commons, indolent and fickle, and the most inferior of all the races (Cherry, 1976; Zouache, 2016).

These are just a few examples of the racist views of many of the founders of the economics profession in the U.S. Upon the pillars of this racial bias, it is easy to see how race became viewed in neoclassical economic theory as a fixed, immutable identity and how racial disparities were then explained away as individual deficits on the part of "inferior" racial groups.

Post-WWII Economic Theories of Racial Discrimination

A turning point comes in the post-WWII period with Swedish economist Gunnar Myrdal (1944). In *An American Dilemma* a key conclusion of Myrdal's analysis is that there is a conflict between the ideal of democracy and the reality of the great disparities between racial groups in the U.S. He goes into detail capturing the empirical evidence of widespread racial economic gaps. This is an important turning point in the economics literature. Myrdal was criticized by some for not going far enough in explaining the role of racism and racial discrimination in racial disparities and by others for going too far in blaming White Americans for the problems of racial segregation. Myrdal's work begins to call into question the prevailing wisdom of inferior racial traits as explanations for racial disparities by suggesting a role for other barriers, such as racial prejudice and racial discrimination.

The dominant view in the 1950s among psychologists was that racial prejudice was irrational, that prejudice must be based on lack of critical thinking skills, or it could be based on lack of experience or interaction (Allport, 1954). Economist Gary Becker, however, begins with the premise that prejudice is not irrational, rather, it's just another factor in people's utility function (Becker, 1957).

In his book, Becker created a neoclassical international trade model with two countries, two groups and one product. There are two factors of production, labor and capital, which yields laborers and capitalists. There are also two groups of people, White and non-White. One good is traded between the two countries. Capital can cross boundaries, but labor can't, and there is no immigration. Becker describes an equilibrium where some White capitalists have a taste for discrimination – they are willing to pay a premium to avoid hiring non-White laborers. That premium is called the discrimination coefficient. In this equilibrium, the difference between the wages of Whites and non-Whites in short-term equilibrium is produced by the degree of prejudice that discriminating firms might have.

One of the noted contributions of Becker's work is to demonstrate that in the long run and in competitive markets, discrimination would disappear. The inefficient capitalists with the tastes for discrimination would be competed out of the market. The policy implications of this argument are that market interventions such as anti-discrimination laws or affirmative action laws designed to punish discriminators are not efficient because the market will work by itself. If you intervene in the market in order to try to eliminate that discrimination, then you're going to create inefficiencies from dead weight loss.

The Becker model of discrimination elegantly establishes conditions under which in the long term competitive markets with free-entry and free-exit would erode the profits of firms that exercised a "taste for discrimination" and thereby reduce or eliminate racial discrimination. But, has animus-based racial prejudice eroded over time? How does one explain the persistence of racial discrimination in a world based on rational decision making by firms and consumers? One approach, within the spirit of conventional microeconomic modeling, is to assume imperfect or asymmetric information on the part of firms. The statistical discrimination model embraces the core concepts of rationality but extends the model of discrimination to account for rational decision-making in the absence of racial animus (Arrow, 1972; Phelps, 1972).

Another approach is to distinguish between whether discriminatory behavior is due to taste based discrimination on the part of the discriminators or whether it is due to rational responses to consumer-based preferences, such as consumers who refuse to patronize an establishment if that establishment also caters to racially subaltern identity groups (Cook et al., 2023).

Marcus Alexis -- the first African American Ph.D. in economics from the University of Minnesota and one of the founders of the Caucus of Black Economists – the forerunner of the National Economic Association – reacted to neoclassical attachment to the *individual choice* assumptions. He proposed instead that attachment to one's own group and malice toward other groups explains the persistence of racial inequality, not necessarily imperfect information or individual irrationality (Alexis, 1973). Alexis – while not an explicit forerunner to stratification economics – helped to contest the conventional wisdom that intergroup inequality could be explained by individual, self-interested choices alone.

James Stewart's dissertation (1976) lays the framework for much of his future work on stratification economics. In it he details three competing models of racial discrimination: the conventional rational choice (Becker) model, Marxian models, and collective bargaining models of discrimination. The dissertation identifies the unique departure from both the rational choice models and Marxian models of racial discrimination:

> *It appears, then, that a useful theoretical advance in terms of increasing the understanding of the phenomenon of economic discrimination would first recognize the criticality of social cohesion to subjective welfare considerations. Such a framework should allow for the possibility that group identity or, more generally, social relations are produced concurrently with material goods and services. Such a framework should be able to show how the phenomenon of discrimination emerges in inter-group interaction and how discriminatory arrangements become embodied in particular institutional structures via differential bargaining power among groups. Such a framework would appear to be applicable to a wider range of social environments than existing models of discrimination.* (Stewart, 1976 p. 6).

Another critique relevant to the subfield of stratification economics is that Becker's model doesn't explain where prejudice comes from. Stratification economics addresses this shortcoming by explicitly modeling the rationale for discrimination as an incentive to provide advantages to in-group members and to exclude out-group members as a way of maintaining the group's relative position in the social hierarchy. But how are identity groups formed to begin with? To understand how stratification economists treat identity group formation, we now turn to a discussion of institutional economics followed by a discussion of identity economics.

Institutional Economics

A part of the challenge to conventional microeconomics is understanding why people join teams, why people join groups, and to what extent does group membership itself help explain differences in economic outcomes. Institutional Economics and early institutional economists grappled with the failure of neoclassical economics to explicitly explain intergroup inequalities that arise as a result of group preferences as opposed to individual preferences.

Institutional Economics as a school of thought laid a very clear foundation that rational individual choices are not the driving forces in the economy. Thorstein Veblen (1899), a forerunner of economic analyses of deviations from individual maximizing choices in favor of group preferences, explains the concept of *conspicuous consumption* in *The Theory of Leisure Class:*

Conspicuous consumption of valuable goods is a means of reputability to the gentleman of leisure. As wealth accumulates on his hands, his own unaided effort will not avail to sufficiently put his opulence in evidence by this method. The aid of friends and competitors is therefore brought in by resorting to the giving of valuable presents and expensive feasts and entertainments. Presents and feasts had probably another origin than that of naive ostentation, but they required their utility for this purpose very early, and they have retained that character to the present; so that their utility in this respect has now long been the substantial ground on which these usages rest. Costly entertainments, such as the potlatch or the ball, are peculiarly adapted to serve this end. The competitor with whom the entertainer wishes to institute a comparison is, by this method, made to serve as a means to the end. He consumes vicariously for his host at the same time that he is witness to the consumption of that excess of good things which his host is unable to dispose of single-handed, and he is also made to witness his host's facility in etiquette (Veblen, 1899 p. 76).

Thorstein Veblen would have said, no, they're engaging in a form of irrational behavior that is the underpinning of a pursuit of social status and prestige. Conspicuous consumption is not engaging in individualistic, rational, self-interested behavior, but rather it is engaging behavior designed to secure approval and standing with respect to members of the group that you are a part of. You care about the group that you're part of. You might not care about the other group. You might care about what your standing is relative to the other group. But, you also care about membership in your group, so that you would engage in those sorts of behaviors where your consumption isn't really maximizing your benefit, but rather it's increasing your standing and your status within the group that you're part of.

Veblen is a forerunner to important work on institutional economics. And Veblen has a little commentary about the origins of the stratification in society, particularly the origins of the leisure class. It went to ownership and profit property. His argument was that the concept of ownership that's linked to private property is grounded into the historic domination of men of women. He writes:

…the early differentiation out of which the distinction between a leisure and working class arises as the division maintained between men's work and women's work and the lower lower stages of barbarianism. Likewise the earliest form of ownership is an ownership of women by the able-bodied men of the community. The facts may be expressed in more general terms, and true to the import of

the barbarian theory of life, by saying that it is the ownership of the woman by the man. (Veblen, 1899 p.)

In other words, the stratification between the class of individuals, the leisure class and the working class is grounded in the concept of private property ownership. But the private property ownership finds its roots in the concept of men owning women.

Veblen's work is impressive in the sense that it locates the stratification between classes within the institutional structure of property ownership. His work establishes the foundations for much of modern institutional economics but its impact and influence on stratification economics may be indirectly through the University of Texas, Austin branch of institutional economics.

Clarence Ayres is often credited for being the patriarch of branch of institutional economics who "kept the distinct and confrontational character of American Institutionalism intact." [3] Ayres' tenure at the University of Texas at Austin was largely one of antagonizing the legislature. There were several instances where the Texas Legislature attempted to have him fired. They felt that his economic theory was contrary to the notion of free enterprise and the notion of limited government intervention and also the various aspects of liberty and freedom and the role of property ownership and being a strong support for capitalist society. He survived many of these fights, and one of the perhaps unintended effects of the efforts to fire him from the University of Texas is that he became even more prolific in explaining why institutions matter, why stratification matters, and why structure matters. One of his biggest contributions has to do with the idea of evolution. Clarence Ayres is one of the forerunners of evolutionary economics.

He begins with the concept of dualism where you've got these two different behaviors or processes. One is the technological process, and another is ceremonial behavior. The technological is very much related to the changing means of using tools and technology in the production process.

[3] https://www.hetwebsite.net/het/profiles/ayres.htm

Ceremonial behavior is the link to the way we do things. We do things, not because this is what is best for production, but rather we do things because this is what we have established– we set these rules and these patterns and practices, and they work.

Through the concept of dualism, Ayres makes a distinction between inventions and inherited aspects of the economic structure. The inventive aspects of the economic structures are frequently rooted in efforts to make things work better, whereas the inherited aspects of the economic structure were the things that were done in the past. Related, is the theory of institutional lag - that technological changes inevitably keep economic technology one step ahead of inherited social economic institutions. The lag here is that the institutions are lagging behind what the technological innovations are demanding..

Ayres posited about the evolutionary processes that technological changes don't come in one consistent flow of innovations, but rather they tend to come through spurts of instinctive activity. This process is slow because the inherited socioeconomic structures don't adapt very quickly. When institutions eventually do respond to the new technology, there is usually a whole new round of inventions or technology that has happened. As a result, there's a permanent lag and incongruity between social structures and economic technology.

What does this have to do with the intellectual foundations of Stratification Economics? A little personal history is relevant here. Ayres was at the University of Texas from the 1920s until well into the early and mid-1970s. He helped to define the University of Texas Economics Department, which for a long time was considered to be the leading institutional economics department in the world.

A unique and underappreciated link exists between MIT at the University of Texas. David Kendrick, who was a native of Texas, worked the MIT as a macroeconomist. His dissertation adviser was

Robert Solow. He assumed the position of chair of the economics department sometime in the early 1970s, partly with the mandate to bring the department into the 20th century neoclassical revolution. David Kendrick was a neoclassical economist. He was a macro economist, but a neoclassical economist. His thesis advisor, Robert Solow, Nobel Prize winner, was one of the founders and a spokesperson for neoclassical economists, particularly as it relates to economic growth. One of the key contributions of Robert Solow was to talk about technology and how technology affects economic growth and how the labor, capital, and land interact, and why you should be more concerned about the way to turn to technological change as opposed to other types of institutions like schooling and infrastructure and other things.

Kendricks, a died-in-wool neoclassical economist successively hired four African American MIT graduates: Samuel Myers, William Darity, Rhonda Williams, and Julianne Malveaux. To put things into context: Robert Solow is a neoclassical economist. David Kendrick is a neoclassical economist. The Texas Economics Department at University of Texas was an institutional Economics Department. The whole purpose of bringing more MIT economists down to Texas was to try to move beyond the institutional economics legacy and to strengthen mathematical economics. Although Myers, Darity, Williams and Malveaux were hired into a department internationally known for its leadership in institutional economics, they were all trained at a top neoclassical economics school. Still, they were all influenced directly or indirectly by Michael Piore whose research in labor and industrial relations is more accurately characterized as flowing from the institutionalist tradition with a strong foundation in economic stratification as conceptualized by modern sociologists. A student of John Dunlop, former Secretary of Labor under President Gerald Ford and former Dean at Harvard University and an early critic of Afro-American Studies, Piore's foundational research relevant to intergroup inequalities includes Piore and Doeringer (1971) on "Internal Labor Markets and Manpower Adjustment," and his contributions to the notion of dual labor markets. He thought about the fact that labor markets do not operate the way neoclassical economists think labor markets operate, but rather labor markets are stratified, and this stratification is frequently along the lines of the type of work that people engage in. He developed the concept of dual labor markets - the idea that you can simultaneously have competitive labor markets, like the labor markets for people who work in factories or people who work in industries and another type of labor market that was flat, that didn't have a hierarchical structure, where there were really no opportunities for advancement.. The only way that you could get a pay increase in the flat labor market was to leave the job.

His concept of a dual labor market suggested that some labor markets had concentrations of African Americans, Hispanics and Indigenous Peoples while other markets had concentrations of unionized White workers. Part of the concept of dual labor markets, as well as the internal structure of labor markets, was looking at stratification and the origins of why and how labor unions played an actual role in securing high wages and mobility for members in their part of the market. The resulting residual and low income markets frequently didn't pay the minimum wage, didn't have regular hours, and didn't have lots of structure or rules – so people got fired. But the cost of hiring new people for those low-wage jobs was relatively low. As a result, employers didn't have an incentive to invest in these workers in order to improve their skills, as opposed to more hierarchical markets where there's an incentive to try to keep workers because there's on the job training and you lose all the benefits associated with investing in your workers with on the job training if people should leave (Piore 1983, Piore 2018).

The Piore model of dual labor markets has its roots in institutional economics. Despite the fact that Kendrick hired Myers, Darity, Rhonda Williams and Julianne Malveaux to join the economics department at the University of Texas, which was an institutional economics department, and despite the fact that Robert Solow was a very prominent neoclassical economist who influenced all these people, because all these people took courses with Solow, because Solow was a dominant faculty member at the time— they all flourished at the University of Texas precisely because of its embrace of alternative views about intergroup inequality.

Perhaps this explains why William Darity, one of the architects and founding fathers of stratification economics never explicitly abandoned all of the core assumptions of neoclassical economics. But, like Marcus Alexis, he and founders of stratification economics understood the importance of alternative models – e.g. models of intergroup behaviors vs individual choices alone—and understood how conventional economic models may distract from producing remedies of policy interventions that actually reduce intergroup inequalities. Hamilton, Chelwa, and Green (2025) extend this thought by arguing stratification economics provides a framework for a "moral political economy" that has evolved far beyond a mere critique of neoclassical economics.

Identity Economics

One of the key shortcomings of neoclassical economic theory in explaining intergroup inequality is that it assumes that identity is exogenous, or in other words, identity is formed outside of the model. It might be inherited, like skin color, hair texture, or body shape. Or it might be culturally transmitted like customs and traditions. It is assumed that individuals born with or born into certain identities cannot change those identities.

But suppose that a person's group identity is influenced by what other people think about their group? Suppose, for example, there are two groups: purple and green. Suppose the purple group is from a cold climate and the green group is from a warm climate. And the purple group is just convinced that people from a warm climate are less motivated to work. They lie on the beach, eat coconuts, sway to the music, and sleep a lot, even in the middle of the day. With this belief of the purple group, the green group might begin to believe that about themselves too. This is called a self-fulfilling prophecy (Merton, 1948). The action on the part of the green group is very much related to beliefs about the green group by the purple group. This is an instance where identity, in other words, how members of one group see themselves, is very much endogenous, and not exogenous, to the model.

Another example of how identity may be seen as endogenous comes from the literature on stereotype threat (Steele and Aronson, 1995). Individuals subject to societal stereotypes are more likely to exhibit the ramifications of those stereotypes when primed about their identities and the stereotype. In Steele and Aronson's foundational research in this area, they found that Black students who were told that their performance on a verbal test was being evaluated in a way that could confirm negative stereotypes about Black students performed worse on the test than a control group who was not primed with that information. Making identity – and the stereotypes attached to that identity salient changed the outcome for the treatment group students.

One question that arises when we begin to think of identity as not fixed and not exogenous is why do people associate or identify with a subaltern group if they can avoid it? For dimensions of identity that are less physically apparent, such as caste, religion, or sexual orientation, individuals may have incentives to change their identities to join the socially dominant group and gain access to societal privileges they otherwise would not have access to. In India, for example, individuals may attempt to change their caste status by adopting caste-neutral surnames and moving to a different city (Dutt, 2019; Wilkerson, 2020).

Akerlof and Kranton (2000, 2002) extend neoclassical economic theory to incorporate aspects of identity by bringing self-image into a person's utility function as an additional aspect they care about. They include the notion that people are influenced by social norms about their identities, such as gender expectations for women, and part of what they attempt to optimize is how closely they adhere to those societal expectations. Incorporating identity into the utility function can help explain seemingly irrational behavior, like why a person would make a choice that is financially harmful but brings them social acceptance. This conception of identity, however, falls short of explaining why people form or adhere to certain identities to begin with and often falls back on cultural explanations for identity-based behaviors. For this, stratification economics draws on social stratification and social dominance theories.

Social Stratification and Social Dominance

Sociologists define stratification as the unequal distribution of people across social categories that differ based on access to resources (Massey, 2007). From a neuropsychology perspective humans are cognitively wired to engage in categorizations, often along the lines of ascriptive traits. This, coupled with the pursuit of control over scarce resources, leads individuals to form alliances among identity group members with which they are similarly categorized (Grusky & Weisshaar, 2007). But identity group formation alone is not enough to explain why groups become stratified. To understand the importance of relative group position, stratification economists draw upon Thorstein Veblen's (1899) *Theory of the Leisure Class* (Darity, 2022). For Veblen, once individuals' subsistence needs are met and absolute deprivation is not a concern, they may turn to a type of "conspicuous consumption" characterized by the desire to avoid the potential for relative deprivation brought about through social comparison with similarly situated individuals.

Veblen (1899) demonstrates the importance of relative group position as well as relative individual position through an extended example of the spoils of conquest. When one group conquers the other, they take ownership of their property (including women who were viewed as property) and enslave or subjugate their men. These subjugated populations serve as the identity groups against which the dominant (conquering) group compares themselves, excluding out-group members and hoarding resources and power among in-group members.

Veblen's theory provides the link to modern sociological theories of stratification which posit that group level stratification occurs when some groups are able to capture and control an unequal share of societal resources whether through force, political control of institutions, or other means (Grusky & Weisshaar, 2007; Massey, 2007). The unequal allocation of resources persists when dominant groups are able to exclude other groups from resources through exploitation, opportunity hoarding, and other means (Massey, 2007).

An illustrative example can be found in *An American Dilemma* by Gunnar Myrdal (1944). Myrdal applies lessons from his theory of cumulative causation to explain dynamic processes by which inequality has been reproduced between Blacks and Whites in America. Cumulative causation was introduced as a dynamic way to understand business cycles at a time when most models were static. In the context of American racial inequality, Myrdal posits that one of the ways racial hierarchies are reproduced in the United States is through the socialization of immigrant groups into anti-Black views. Immigrants, who may have had no antagonism toward Black people before they came to America developed that antagonism partly to become assimilated among White Americans, and partly to have a group that they can feel superior to (*a la* Veblen's relative group status theory).

Thus, one of the components of the cumulative causation thesis is that you can have a group which is already in America, which is a small group, and which has anti-Black sentiments. Then a new group of immigrants can arrive and see that White Americans are the dominant economic, political, and social group, and Black Americans are at the bottom of the social hierarchy. With whom would they want to associate with? They would associate with the White group because the White group is dominant. The fastest way to distance themselves from the lowest group is to adopt the anti-Black sentiments of the dominant group. As more groups entered the United States, more groups faced this social dynamic, multiplying exponentially the number of people with the potential to hold anti-Black sentiments in the U.S. (Darity, 2019).

Myrdal also identifies a dynamic reinforcing cycle of race relationships between anti-Black sentiment and the depressed economic and social position of Blacks Americans. In a 75th anniversary review of *An American Dilemma*, Darity (2019) explains that Myrdal "argues that anti-black sentiment on the part of whites contributes to the depressed economic and social position of blacks. In turn, the depressed economic and social position of blacks constitutes the evidence that whites need to support their anti-black sentiments, so they continue to take steps that further undermine black status. The further deterioration in black status gives additional confirmation for whites' anti-black beliefs and a greater justification for keeping blacks down. The system progresses toward a low-level trap with wide (and perhaps widening) inequality between the races."

One of the critiques of Myrdal's research is that Myrdal posits that stereotypical beliefs against Blacks arise out of ignorance and/or irrationality and he rejects a materialist explanation for race prejudice (Darity, 2019). This is in line with early psychological theories on racial prejudice (Allport, 1954). Blumer (1958) challenges this orthodoxy. He argues that race prejudice is related to group position in social hierarchies rather than as tastes or preferences. Prejudice isn't just "I don't like this group." It isn't just irrational. But rather, it is related to group position. Prejudice serves a fundamental role in establishing and maintaining group positions (Darity, Mason & Stewart, 2006). In a way, Blumer's proposition about racial prejudice is a coupling of Veblen's relative group position theory and Myrdal's racial hierarchy reproduction theory. People care about their relative group status, and racial identity groups follow a distinct hierarchy in the United States. Racial prejudice then serves to maintain dominant group members' positions in the racial hierarchy. This position comes with material benefits and is not just about tastes and preferences.

Social dominance theory, most often associated with the psychologists Sidanius and Pratto (1999), encapsulates many relevant tenets of social stratification that are of interest to stratification economists. Similar to the social stratification theories already discussed, social dominance theory starts with group-based hierarchies and unbalanced resources. In social dominance theory the hierarchies are maintained through "legitimizing myths" that perpetuate the stereotypes and cultural narratives that justify the current social hierarchies; through institutional discrimination; through behavioral differences between dominant and subordinate groups with dominant group members adopting more suppressive behaviors; and through socialization into accepting and maintaining group-based hierarchies.

Research by Nobel Laureate Sir Arthur Lewis (1985) provides a foundational example of how social stratification and group-based hierarchies operate in a competitive market environment. Chelwa, Hamilton & Stewart (2022) sum up Lewis's contribution from his book *Racial Conflict and Economic Development* as follows:

> *He explains that in the* premarket stage*, when individuals acquire skills and credentials to compete in the marketplace, the dominant group tends to use their power to limit subordinate group members' access to such skills and credentials, so as to ultimately render them noncompeting at the market stage.*
>
> *According to Lewis, when members from subordinate groups are able to overcome premarket barriers and become competitive, dominant groups deploy new strategies in a second stage, called the* market stage. *The first strategy in the market stage is to change the credentialing criteria so as to favor their own attributes (i.e., changing the rules in the middle of the game); the second strategy is to simply discriminate against competing members of the subordinate group.*
>
> *The Lewis conception of rendering groups* competing *and* noncompeting *presents discrimination as a strategic behavior with the intent to preserve group-based social hierarchy.*

Additionally, Rhonda Williams's (1993) important work on competition and racial wage disparities is seen as an early illustration of using models of intergroup conflict to understand the dynamics and persistence of labor market inequalities. David Swinton's (1978, 1993) early work also examines the role of intergroup conflict and racial discrimination.

These social stratification perspectives on persistent inequality directly inform tenets of stratification economics. They rest on concepts of power, dominance, exclusion and relative group position, which stands in sharp contrast to neoclassical theories of persistent inequality, which rest on behaviors, choices, and skills.

Black Intellectual and Feminist Economics Traditions

Many of the guiding principles of stratification economics have ties to the intellectual lineages of the Black intellectual tradition and critical race theory, (Chelwa, Hamilton & Stewart, 2022; Darity, 2022). Black economists, whether they identify as stratification economists or not[4], have often been the most vocal in a choir of voices that critique the assumptions and conclusions of neoclassical economic models (Francis, Hardy, & Jones, 2022). Perhaps one of the most prolific intellectuals writing in the Black intellectual tradition was W. E. B. Du Bois (2018 [1903]; 2023 [1899]) .

There is a lively debate among stratification economists about whether W.E.B Du Bois should be considered a precursor to the subfield. In his pioneering sociological study of the economic conditions of Negroes in Philadelphia, Du Bois articulates a form of stratification or intergroup inequality between migrants from the south and native residents (often the descendants of free Blacks). Some of the language describing the behaviors and characteristics of the migrants mirrors the racialized language of Walter Wilcox and other contemporary leaders of the American Economic

[4] Lefebvre (2025) argues, "It is not necessary for an individual to be self-consciously doing [stratification economics] for their work to be consistent with [stratification economics]."

Association. In this sense, Du Bois' early work reproduces precisely the themes of behavioral deficits that permeate much of contemporary deficit theories of racial inequalities. William Darity (1994) points out that while Du Bois might have once viewed Willcox as an objective and disinterested analyst of racial inequalities in America, Du Bois' views evolved and changed.

James Stewart (2022), however, argues in contrast that Du Bois should be considered a progenitor of stratification economics. He writes that Du Bois's work incorporates aspects of within-group differences in racial identity based largely on social class. He also argues that Du Bois also points to the role of capitalism in producing and perpetuating racial stratification.

In a recent in-depth analysis of the life and works of Du Bois, Numa and Zahran (2025) argue that the "core themes of stratification economics — economic inequality and social hierarchies, group-based inequality and disparities, systemic racism and discrimination — are all present in Du Bois's work. Moreover… the innovative methodologies employed by Du Bois — focusing on group-based disparities — are similar to those used by stratification economists" (Numa & Zahran, 2025 pp. 41-42). They add further:

> *Du Bois's alignment with the views and methods of stratification economics transpires …[in] his analysis of labor markets and health disparities, and his analysis of poverty and class strata. …Du Bois's framework and stratification economics [overlap] on the structure and functioning of Black families, and the role of historical determinants on the racial wealth gap. The significance of Du Bois's scientific work is twofold. He rejected cultural explanations for group disadvantage. Du Bois's message is that race/ethnicity and socioeconomic status are powerful determinants of disparities both within and between groups.*

In a review of Mason's (2023) *Economics of Structural Racism*, Lefebvre (2025) makes a strong case for the reading of Du Bois as a stratification economist in retrospect:

> *What of Du Bois's writing speaks to economists working today? That racial hierarchy is central to capitalism. That we can see group agency (possibly Marx's "General strike") in the spontaneous, unplanned behavior of enslaved Black Americans joining the Union army during the Civil War. That Blackness has an important international component and that racism in the United States is related to geopolitical conflict. That Whiteness, in some contexts, provides a psychological "wage"*

> *(Roediger 2007). That double consciousness, "the sense of looking at one's self through the eyes of others," provides a useful way of thinking about the experience of marginalized peoples. The breadth of this work suggests the possibility for a distinctive economistic reading of Du Bois* (Lefebvre, 2025 p. 1029).

Writers in the Black intellectual tradition have also sought to demonstrate how Black laborers have been consistently subjugated for the economic gain of European and European-descended populations. Economist and statesman Eric Williams in *Capitalism & Slavery*, originally published in 1944, challenged the orthodox view of European development in the industrial revolution, arguing that the advances came as the direct result of the exploitation of enslaved Black labor (Williams, 1994). Recognizing the subjugation of Black labor relative to White labor in the U.S., Sadie T. M. Alexander (2021) was one of the first economists to advocate for full employment policies like a federal jobs guarantee as a way to address racial economic disparities (Banks, 2005). Lefebvre (2025) argues that Alexander should be read in conjunction with Du Bois as a contemporary, with both of them taking group dynamics as their bases for analysis. Common among all of these researchers from the Black intellectual tradition is a rejection of the assumptions of Black inferiority and a commitment to demonstrate the structural barriers that contributed to the relative economic disadvantage of Black people.

Cheryl Harris (1993), a legal scholar and critical race theorist, coined the term "property rights in Whiteness." The term relates to the pecuniary and nonpecuniary benefits that accrue to White Americans because of laws and policies that only granted property rights, voting rights, and other freedoms to individuals classified as White. The existence of these laws forced courts in the U.S. - all the way up to the Supreme Court - to adjudicate who is White. This adjudication, in turn, fed into the false narrative of a fixed, immutable, biological definition of race. The benefits of being classified as White have also influenced immigrant groups who have aspired to assimilate into Whiteness over time. A key requirement for being admitted into the White identity group is the willingness to hold anti-Black sentiments (Roediger, 2005). Harris' work attempts to unmask the benefits and privileges that accrue to Whiteness (and the related costs and barriers that are incurred by Black identity), to recast the orthodoxy's deficit framing of racial economic disparities. Many stratification economists engage in economic history research to illuminate these hidden barriers and privileges, using historic data to demonstrate connections between racial violence and political disenfranchisement, land dispossession, and segregation for example (Cook, Logan, & Parman, 2018; Francis et al., 2022; Logan, 2023; Williams, 2022). Uncovering historic barriers is directly related to the focus of stratification economics on the intergenerational effects of past discrimination. Historic intergroup disparities in wealth, when passed down intergenerationally, can be too large to overcome even when members of the subordinated group engage in all the right choices and behaviors (Derenoncourt et al., 2024).

The theory of racial capitalism provides a framework that relates worker exploitation under capitalism to racial hierarchies that see Black and Brown workers as the most likely to be subjugated and exploited (Kelley 2024). Hamilton, Chelwa, and Green (2025) point out, however, that stratification economics is distinct from racial capitalism for multiple reasons, but primarily because, instead of taking capitalism as the origin and impetus for exploitation, in stratification economics "the causation is iterative and bi-directional. That is, identity groups organize themselves in such a way as to establish hierarchy, and although capitalist systems may be a potent mechanism to reinforce these hierarchies, it is not the sole means of establishing dominance. Hierarchical dominance around identity groups exists under socialist economic regimes."

One of the key underlying assumptions or tenets of stratification economics is that research itself is not value neutral. The assumptions made in economic models and the research questions that are asked are assumed to be the products of biased processes and value-laden decision making that reflect the backgrounds and positionalities of the researchers asking the questions and making the assumptions. This is a key insight from the field of feminist economics (Nelson, 1995).

Feminist economics also recognizes the importance of communities as contributors to economic activity through the maintenance of culture, norms, and values driven by social capital and the (typically unpaid) labor of women (Banks, 2020). Economists like Nina Banks (2021) and Rhonda Williams (1987), often work at the intersection of feminist economics and the Black intellectual tradition, combining insights from multiple interdisciplinary frameworks to understand the uniquely disparate position of Black women in societal hierarchies while simultaneously examining the agency these women exercise to resist dominant power structures. These concepts of power, agency, and intersectional identity formation are all intellectual kin to the subfield of stratification economics.

Discussion

Stratification economics shares an intellectual kinship with multiple disciplines and traditions. Kinship evokes a familial connection without implying direct descent. It suggests shared ideas, values, or methods. Stratification economics takes as a starting point the shortcomings of the neoclassical economic framework and builds a theory that better explains persistent intergroup inequalities without assuming deficient behaviors, cultural attributes, or innate traits on the part of the subordinate group. It draws from identity economics, social stratification theories, critical race theory and the Black intellectual tradition.

An increasing number of scholars are working in the field of stratification economics and identifying as stratification economists. While many stratification economists focus on racial and ethnic intergroup disparities, there are an increasing number who are interested in intergroup disparities across multiple identity groups, including caste, gender, and religion, for example. However, even as the field grows, stratification economists face barriers to publishing in top five ranked economics journals - which still have an outsized impact on tenure and promotion decisions for academic economists (Heckman & Moktan, 2020). This too, stratification economists have in common with many of their intellectual predecessors and kin, many of whom also swam upstream against the orthodoxy of their disciplines.

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