

The Matter of White Racism as Self-Sabotage: A Stratification Economics Perspective

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December 31, 2025

Abstract

We interrogate the popular claim that “white racism is collective self-sabotage” by distinguishing when, for what subgroups, and over what horizons racism [White supremacy] harms white Americans. Using the stratification-economics lens, we first evaluate “incentive-free” explanations—pathology, misinformation, and stigma—that imply remedies centered on education, empathy, or clinical intervention. We then contrast these with incentive-based accounts in which racism endures because it generates concentrated rents, preserves relative status, and sustains political advantage, even in instances where it might generate aggregate inefficiency. We synthesize evidence on talent misallocation, carceral expansion, and housing markets to show how macro losses can coexist with subgroup gains and status wages, clarifying intrawhite heterogeneity and intertemporal trade-offs. We then summarize tractable microfoundations in which utility includes relative racial status concerns, drawing on existing economic literature on other-regarding preferences. We discuss implications for policy, measurement, and future directions for research. Finally, we discuss implications for policy, measurement, and future directions for research. The analysis reframes the self-sabotage of White racism claim as a distributive, salience, and horizon-dependent problem requiring systemic incentive realignment, and not merely the correction of psychological, cognitive, or phenomenological errors.

1 Introduction

The argument that everyone, or, almost everyone, loses from racism has become a popular perspective in political discourse, leading to the appealing “shared prosperity” perspective actively taken on in the public and private sectors (Buckman et al., 2021;

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Peterson, 2020; Treuhaft, 2014). One of the most prominent presentations of this line of thinking is Heather McGhee’s (2021) *The Sum of Us*, where McGhee contends racism hurts everyone materially, both the victims and perpetrators. This perspective has been reinforced by a body of work showing how racial discrimination has induced various harmful distortions on the economy (Hsieh et al., 2019, Cook, 2014) which, in shrinking the “pie,” may also impact White Americans.

This argument necessarily ascribes a certain irrationality to the practice of racism. If everyone—or virtually everyone besides a tiny White elite—is made worse off by racism there could be a quasi-Pareto improvement following its elimination. This leads to the question: if White racism is self-sabotage, why does it persist?

There are at least four major variations on the claim that White Americans’ prejudices lead persistent self-harm. The first is the claim that racism persists due to cognitive limitations. For example, Whites may hold prejudicial beliefs out of misinformation or flawed inferences—which, if corrected, would allegedly reduce behaviors that are ultimately self-destructive. An example of this is inaccurate statistical discrimination, in which a firm holds inaccurate beliefs due to misinformation about Blacks in general, leading to consistent underestimation of Black productivity, ultimately harming the [White-owned] firm (Bohren et al, 2025).

Second, racism has been argued to persist due to psychological limitations. In particular, racism is argued to be a psychopathology, a mental illness that leads its practitioners to engage in self-harm. This argument appeared as early as 1927. In an intentional provocation directed against the proponents of scientific racism who declared “the Negro” congenitally deficient, E. Franklin Frazier deemed anti-black prejudices held by whites to be a form of psychopathology—a mental illness. In his article, “The Pathology of Race Prejudice,” Frazier commented that his diagnosis might hold promise for positive change. If race prejudice is a disease, it might be cured; the proper prescription simply has to be found.

Third is the notion that historical social meaning-making along racial lines, has generated a persistent racial stigma (Loury, 2021)—through which Whites unknowingly or

unwittingly view Black people without presumption of a common humanity. Removing this more deeply-rooted social stigma would move society towards a more collectivist orientation that would be of benefit to Whites in the long term. For example, so the argument goes, Whites may have benefited from greater attention to national vulnerabilities to climate change and lead exposure if the victims of Hurricane Katrina or the Flint water crises were viewed subconsciously as equally human.

Fourth is the claim that whites—or at least the white working class—acts against its own self-interest because it has been manipulated into holding racist beliefs that preclude uniting with blacks for mutual gain. At minimum, so the argument goes, the white working class in the United States frequently votes against its own self-interest because it is influenced by vitriol and propaganda about the presumed beneficial effects for Black Americans despite potential benefits for themselves. Here White racism is induced by the hegemonic practices of a White elite pursuing a divide-and-rule strategy vis-à-vis the working class.

This paper interrogates the claim that White racism is a form of “self-sabotage,” clarifying when, for whom, and over what horizons such a characterization may be warranted. We use “White racism” to reference beliefs, practices, and institutions that create and reproduce systematic advantages for people socially classified as White relative to non-White groups. This definition follows public health and sociological literatures that emphasize structural arrangements—not merely individual animus—as causal mechanisms (Braveman et al., 2022; McMillon, 2024).

We challenge what we call *incentive-free* explanations—the aforementioned attribution of persistent racist beliefs and practices to psychological, cognitive, or phenomenological distortions, and social manipulations that purportedly induce many white Americans to act against their own material interests. We argue that these explanations generally imply remedies for unintentional errors: interventions that seek to correct mistaken beliefs, recalibrate inferences, or cultivate collective empathy. Examples include informational, educational, and public-history reforms, social contact and perspective-taking programs, social-norm messaging, and even clinical deradicalization.

These policies predict limited strategic behavior on the part of advantaged actors: once better informed or more empathetic, Whites should choose less discriminatory policies.

In contrast, stratification-economics advances a firm warning note of caution. Where relative status or tangible rents are meaningful, information and empathy often face materially motivated headwinds and generate fragile or domain-specific behavior change; absent incentive realignment, actors will invent, intentionally, new justifications or new mechanisms for extraction, even when explicit attitudes soften.

We therefore also consider what we call **incentive-based** accounts—which treat racism as a set of beliefs, behaviors, and institutions sustained by rational (or boundedly rational) incentives: the extraction of material rents, the protection of relative status, and the maintenance of political advantage (Darity, 2005; Darity, 2022; Chelwa et al., 2022). In this framework, what looks like self-harm at the level of aggregate efficiency may reflect “rational” attention to positional payoffs—what Du Bois called a “public and psychological wage” of whiteness that compensates some whites for foregone income in exchange for relative racial status and power (Du Bois, 1998).

From the incentive-based perspective, if racism is material self-sabotage for Whites, it is because they prefer it—whether due to present bias, devaluation of material rents, or (even if costly) the willing protection of relative status. Rather than being manipulated *per se*, working class Whites become rational preference maximizers. Racist beliefs and practices can then be sustained even with a mentally healthy, highly educated, self-aware, and collectively empathetic population. Incentive-based accounts imply that racism will diminish only when these payoffs are neutralized or reversed—a challenging but not necessarily insurmountable proposition.

Using insights from stratification and behavioral economics, we evaluate the empirical record and review some conceptual groundwork for formal models of utility over relative status that we develop in the remainder of the paper.

2 Incentive-Free Arguments: Racism as Erroneous

2.1 Racism as a Mental Illness

A long lineage—running from the work of E. Franklin Frazier (1927) to later debates in medicine and sociology—frames racism as pathology in the racist. Contemporary commentary often invokes neuroscience to portray hatred as a brain-based disorder (Hayasaki, 2018).

While racism has never been included in the Diagnostic and Statistical Manual of Mental Disorders, a long running current of belief in the idea of racism as a disease has been sustained among psychologists. Indeed, throughout the three decades between the 1920s and 1950s, psychologists investigating racism generally “considered prejudice to be a psychopathology” (Hayasaki, 2018). This belief remains embedded in much contemporary research in psychology on race and racism.

While it is crucial to recognize that racism demonstrably harms the health and mental health of its targets (Braveman et al., 2022; Lewsley & Slater, 2023), the claim that racists are, as such, mentally ill has been repeatedly critiqued for medicalizing what are known social, political, and economic projects (Poussaint, 2002; Thomas, 2014; Thomas & Byrd, 2016). Treating racism as an illness directs remedies toward clinical interventions for perpetrators and, potentially, away from incentives and institutions that generate durable advantages for Whites through racism. If White racism would survive a mentally healthy populace, it could be because Whites benefit from it materially—not merely because of psychological limitations—which would undermine the “self-sabotage” argument.

2.2 Racism as a Result of Misinformation and Flawed Inferences

A second incentive-free line of argumentation contends that racism stems from misinformation and flawed inferences that can be harmful for racists. Therefore, a more informed, well-educated, and introspective public would abandon discriminatory beliefs and behaviors, in part to the benefit of former perpetrators of racism. Yet social psychology indicates that people actively process information in identity-protective ways: motivated reasoning leads individuals to defend group-congenial conclusions and discount contrary evidence (Kunda, 1990; Kahan et al., 2017).

In the presence of material or status payoffs to a racial hierarchy, better information may be insufficient: actors can know that stereotypes are false and nevertheless propagate them because doing so helps preserve advantages. Thus, even if improved information reduces prejudice at the margins, it cannot by itself dislodge incentive-compatible structures. If White racism does lead to self-sabotage through misinformation and flawed inferences, it only does so to the extent that we ignore incentives.

Even when White Americans are misinformed, such information can lead to support for policies and practices that reinforce relative white advantage—an incentive to believe such information. For example, when presented with information suggesting a loss in relative income status for Whites relative to Blacks, White support for Welfare reform policies that disproportionately help Blacks causally decreases (Wetts, R. et al., 2018). This would help maintain Whites’ relative advantage even if it reduces their absolute position—a tradeoff we will address later through our discussion of alternative utility functions for the dominant group.

2.3 Racism as a Phenomenological Error: Racial Stigma

Racial stigma, in Loury’s account, is a socially reproduced schema that marks blackness with negative attributions and lowers the intrinsic worth of Black persons in society—shaping beliefs about desert, competence, and trustworthiness and thereby

channeling opportunity (Loury, 2021). Loury distinguishes this as something deeper than “simply” racism: it is the lack of the presumption of a common humanity for black persons.

This affects how one regards Black suffering: 1) whether it is considered an affront to society, or an acceptable part of the natural order of the world; and 2) the assignment of responsibility—whether we assign responsibility to the victim or to ourselves for allowing a society to exist in which this happens. This kind of deeply entrenched social meaning—not merely social attitudes—would require a rather grandiose project in collective empathy. It would require a socialized re-wiring through which Blackness itself socially signifies, from the perspective of White Americans, “us” rather than “them.”¹

Read this way, persistent discrimination can be sustained by widely shared but deeply psychologically entrenched, institutionally reinforced stigmas that make discriminatory choices appear reasonable to decision makers at low private cost. Yet, stigma, itself, is endogenized by rules, markets, and policies that allocate rents and structure contact; it is reproduced not only through non-strategic socialization processes, but partly because it is useful in maintaining boundaries. Thus, while fighting the schema of racial stigma is normatively vital, focusing on stigma without altering payoffs risks over-promising what collective empathy or catharsis can accomplish. Racial formation theory underscores the point: the meanings attached to race—and the stigmas they authorize—can be intentionally made and remade through state policy to preserve political power (Smedley et al., 2005). Moreover, “colorblind” approaches that suppress race-conscious remedies can entrench stigma’s material effects by foreclosing tools (e.g., affirmative action, targeted investments) that are purported to counteract its cumulative harms.

¹An analogy would be shifting the social meaning of green lights, which we have collectively signified as “go.” The social meaning of green lights is distinct from our attitudes towards green lights. Shifting attitudes towards green lights does not change their deeper collective social meaning. Similarly, racial stigma can persist even without racial prejudice due to the “othered” social meaning of Blackness. Loury (2021) carefully distinguishes racial attitudes from the deeper social signification of race—which lies at the root of racial stigma.

3 Incentive-based Arguments: When Racism “Pays”

3.1 Racism and Material Gains

A major part of the argument behind the self-sabotage of White racism is that it is economically inefficient—that is, it suppresses innovation, productivity, and aggregate output, and causes arbitrage opportunities and market failures. There is substantial evidence: anti-Black violence reduced patenting by Black inventors (Cook, 2014); discriminatory barriers misallocated talent across occupations in ways that presumptively lowered growth (Hsieh, Hurst, Jones, & Klenow, 2019); segregation and place-based disadvantage depressed black mobility and human-capital formation (Chetty, Hendren, Jones, & Porter, 2020; Johnson, 2019; Durlauf, 2004); and many punitive, often discriminatory policies that reinforce the School-to-Prison Pipeline can increase crime and reduce human capital (McMillon et al., 2014; McMillon, 2025a; McMillon et al., 2025b). As an additional example, “Blockbusting” involved deliberately manipulating racial fears to induce White homeowners to sell at depressed prices, followed by reselling those homes to Black families at inflated prices. Prices ceased to aggregate accurate information about neighborhood quality because intermediaries profited precisely from distorting beliefs rather than revealing fundamentals. This is reflective of a market failure, possibly threatening macroeconomic output.

The crucial point is inefficiency at the macro level can coexist with rents for those positioned to capture them. For example, real-estate intermediaries—who were predominantly white—extracted gains from blockbusting, while Black households lost housing wealth (Hartley et al., 2023).² Similarly, carceral expansion has imposed large social costs while conferring concentrated benefits—budgetary, political, and labor-market—to actors embedded in the carceral economy (McKay & Darity, 2024; Ea-

²Arguably Whites did not “lose” since this process led them to relocate to American’s suburbs in the most intense phase of their development where public resources were used to promote development of those “bedroom” communities. This includes insulation from having highways run through their neighborhoods and from being subjected to urban renewal. In fact, the highways made it easier for them to get into the cities for employment they held there (Avila and Rose 2009). There is no ambiguity about who wins and who loses from the more recent wave of white re-urbanization that takes the form of gentrification supported by government policies (Kirkland 2008, Kent-Stoll 2020).

son, 2017). Federal data indicate that the correctional workforce is disproportionately White, which is consistent with stratification-congruent employment rents.

Therefore, even when racism does introduce economic inefficiencies, that does not guarantee that any, let alone all Whites, will be worse off materially. Ostensibly the cost of the inefficiency could be passed on mostly, or entirely, to non-Whites. To show that White racism is self-sabotage even materially, one must specify which White subgroups are negatively impacted by these inefficiencies.

One common argument is that the costs of racism are shared not among all Whites, but particularly among Whites whose economic status is below the economic elite, described in the next subsection.

3.2 Class Manipulation Versus Shared Gains.

A widely cited class-based view holds that White elites stoke racial division to prevent cross-racial working-class coalitions, an argument often linked—historically—to the post-Bacon’s Rebellion codification of race in colonial Virginia (Morgan, 1975). This argument begins with the presumption that White elites do have material incentive to maintain the oppression of non-Whites, but that working-class Whites do not—and are psychologically manipulated by White elites to reinforce discrimination against their material interests.

The stratification economics perspective reframes the puzzle in two ways. First, it challenges the notion that working-class Whites necessarily lack material incentive to maintain the oppression of non-Whites. Even if the oppression of non-Whites may be harmful for working-class Whites overall or in the long run, history is wrought with contexts in which there were at least short-term material benefits. In the aftermath of Bacon’s rebellion, for example, working-class Whites received something far more tangible than a purely psychic benefit: former indentures were given land under the headright system (Morgan 1975).

Second, the stratification economics perspective recasts “manipulation” as incentive. If racism preserves relative advantage, working-class Whites may not be “manipu-

lated” so much as presented with a package in which status rents offset, and sometimes outweigh, foregone material gains in utility terms. Du Bois’s account of the “psychological wage of Whiteness” formalized how elites could trade status for solidarity (Du Bois, 1935).³ Contemporary research on status politics helps explain why appeals to perceived status threat can mobilize advantaged-group support, even when policy outcomes are economically costly in the aggregate (Mutz, 2018; Koenig & Mendelberg, 2025; Gest, 2016). If working class Whites value relative racial status, then even when there is no immediate material benefit for discrimination against non-Whites, the preservation of relative group status is an incentive to maintain discrimination.

We expand on both of these arguments using simple historical examples: desegregation of public goods such as swimming pools and schools, and the privatization of prisons.

Desegregation of Public Goods A canonical example of practices that were ostensibly materially harmful to Whites but compensate relative status, is the closure of public swimming pools rather than their integration (Palmer v. Thompson, 1971). On its face this looks like collective self-sabotage in that materially, poor Whites gave up amenities to preserve segregation that they would have had access to under integration. However, lower-income Whites did not necessarily incur an absolute loss of access to swimming opportunities. The expansion of whites-only YMCAs subsidized by local municipal governments gave poor Whites admission to private swimming pools at the partial expense of Black tax dollars.

The strategy of using public funds, inclusive of tax revenue collected from Black citizens, to support private institutions limited to White extended beyond the swimming pool example. In an instance where an all-White local school board in Prince

³It is worth noting that Du Bois cited both material and psychic benefits. Du Bois (1935, p.700) listed being “admitted freely with all classes of white people to public functions, parks, and the best schools. The police were drawn from their ranks, and the courts, dependent upon their votes, treated them with such leniency as to encourage lawlessness. Their vote elected public officials, and while this has small effect upon the economic situation, it had great effect on their personal treatment and the deference shown them. White schoolhouses were the best in the community, and conspicuously placed, and they cost anywhere from twice to ten times as much per capita as the colored schools. The newspapers specialized on news that flattered the poor whites and almost entirely ignored the Negro except for crime and ridicule.”

Edward County, Virginia shut down the public schools rather than desegregate, private white academies were opened with publicly funded vouchers for needy White students. Private provisioning coupled with the use of public monies meant White evasion of desegregation did not invariably lead to abandonment of a public good (Darity, 2024).

It is possible that relative status was maintained without short-term absolute deprivation for poor Whites in these examples. However, even if that weren't true, destroying a shared good can be privately rational if integration would erode the relative status premium of exclusivity. Although private provisioning appears to restore the benefit only for those able to pay, even if the costs of lost public infrastructure fall disproportionately on both non-Whites and lower-income Whites, lower-income Whites are indirectly compensated through relative racial status preservation. Whether material or psychic due to the valuation of relative racial status, it is possible that racism persists in part due to incentives even among working-class Whites.

Privatization of Prisons It is also instructive to return to the example of mass incarceration in the case of class-based White racism. Even if mass incarceration depresses aggregate output and imposes costs that also harms Whites materially (for example, due to suppressed productivity of non-Whites), it may endure because it delivers concentrated material and status rents to pivotal White constituencies (McKay & Darity, 2024; Western & Pettit, 2010). Privatization financed by public monies converts punishment into a revenue stream for private prisons and a web of contractors from which White Americans disproportionately benefit. This is due to additional employment opportunities associated with [mostly White] prison administration and prisoner “supervision,” coupled with reduced job competition due to grossly disproportionate Black imprisonment.

Even if it could be argued that no White subgroups benefit materially from the privatization of prisons, the concern about relative racial status as an incentive remains. The broad “collateral consequences” that harm communities—ostensibly including some White taxpayers and low-income Whites—may be outweighed politically

by “psychic rents” in the form of group-status preservation and localized gains to White workers, firms, and officeholders (McKay & Darity, 2024; Western & Pettit, 2010). Thus, what appears as collective self-denial again resolves into a distributive trade-off: elites and strategically positioned White communities capture rents through carceral expansion (public or private), while Black communities absorb the most direct harms and poorer Whites tolerate absolute losses for the sake of maintaining a relative racial status premium (McKay & Darity, 2024; Eason, 2017).

3.3 Economic “Harms”

Showing that racism is harmful to Whites fundamentally depends on how “harm” is defined. What is harmful materially may not be harmful in a Welfare sense when utilities depend on relative racial status preferences.

However, it is still possible that racism can be harmful to Whites even in utility terms in the longer run (McMillon, 2025). Suppose, for example, that uncertainty and time-inconsistent preferences, as discussed in behavioral economics, lead White Americans to reject equitable policies that would eventually improve their material well-being so much as to compensate their preferences for relative racial status in the distant future. There may still be a short-term incentive for racism even if it is regretted in the long run. Appropriate policy solutions would need to consider advances in behavioral economics for reducing perceived uncertainty, loss aversion, and “self-control” issues—such as regularly paying projected dividends from equity-focused interventions in the shorter run, insurance, and money-back guarantees. These considerations would be missed under purely “incentive-free” explanations of racism. For an extended discussion, see McMillon (2025), which formalizes conditions for reparative reforms to improve material conditions or Welfare of advantaged groups, accounting for patience (discounting) and the strength of preferences for relative racial status.

Calling racism [White Supremacy] ‘self-sabotage’ is descriptively tempting when it can be reduced to a set of cognitive, psychological, phenomenological errors, especially as it relates to its alleged impact on the White working class. But this label obscures

the role of incentives in maintaining racial hierarchy. First, a careful account of history reveals many instances in which the White working class—not just elites, extracted material rents from the exclusion of non-Whites. Second, preferences for relative racial status, though psychological payoffs, are incentives for White Americans to engage in racial exclusion even when some are made worse off materially. Third, time-scale matters: discriminatory practices that depress innovation and growth may be sustained if the near-term rents to advantaged groups exceed discounted long-run losses. Hence the mistake is not merely empirical but diagnostic: if we infer that racism persists because it is a psychological, social, or cognitive error, we may miss the opportunity to design remedies that account for incentives, and how they interact with relative racial status, impatience, uncertainty, loss aversion, and salience (Darity et al., 2017; Chelwa et al., 2022; McMillon, 2025).

For the remainder of the paper we turn to the concern of modeling relative racial status preferences in utility functions that may represent distinct social theories regarding racial hierarchy. Psychic rents can be difficult to measure, and to our knowledge, the measurement of preferences for relative racial status advantage remains an untapped area of economic research.

4 Relative Racial Status Preferences: Theory, Evidence, and Policy Implications

This section discusses modeling issues concerning *relative racial status preferences*, considering the literature on other-regarding preferences, status, identity, and racial resentment, and highlights its relationship with the political economy of reparative reforms and related concerns from behavioral economics. The objective is to encourage a research program that connects behavioral primitives to observables—policy support, willingness to trade off own resources to block closing racial gaps, and the consequences of alternative policy designs—so that empirical work can speak cleanly to competing

specifications. We view this as a pragmatic step towards harnessing the tools of economics for racial equity, in a way that respects an incentive-based view of racism per our previous discussion.

4.1 Relation to existing literatures on social preferences, status, and identity

A large economics literature models other-regarding preferences (ORPs) by augmenting utility to include terms such as aversion to inequity (Fehr and Schmidt, 1999), equilibrium concepts based on equity, reciprocity, and competition (Bolton and Ockenfels, 2000), and identity-driven utility components (Akerlof and Kranton, 2000). General-equilibrium analyses with ORPs establish existence, comparative statics, and the failure of standard welfare theorems when payoffs depend on others' utilities or allocations, clarifying when market data may or may not identify social preferences (Dufwenberg et al., 2011). Rank-based status models show how relative position enters preferences and changes behavior, with welfare and policy consequences depending on whether status is measured in differences, ratios, or ordinal ranks (Hopkins and Kornienko, 2004, 2009). Social identity theory in political economy provides mechanisms for endogenous identity choice, outgroup derogation, and redistribution preferences (Shayo, 2009), while experiments demonstrate that induced group identity reshapes altruism, envy, and punishment (Chen and Li, 2009).

Political science research on *racial resentment* documents the enduring explanatory power of race-linked ideological beliefs for policy attitudes and vote choice (Kinder and Sanders, 1996; Henry and Sears, 2002; Feldman and Huddy, 2005). Recent evidence links information about demographic change to conservative shifts through perceived status threat (Craig and Richeson, 2014) and highlights status concerns, rather than economic losses per se, as drivers of political behavior (Mutz, 2018). Together, these literatures imply that preferences over *relative racial standing* are central in policy formation, even as absolute incomes rise or fall.

4.2 Primitives: Individual and Group-Comparative Racial Status

Suppose a White (advantaged-group) individual i exhibits relative racial status preferences and consumes $c_i > 0$. Let $m_B(\cdot)$ be a statistic summarizing the Black consumption distribution \mathcal{D}_B and $m_W(\cdot)$ a statistic of the White consumption distribution \mathcal{D}_W . In the *individual-comparative* case, a White individual compares c_i with overall Black consumption statistic

$$f_B \equiv m_B(\mathcal{D}_B).$$

This statistic is used in calculations of one's own relative advantage over that of an out-group. In contrast, in the *group-comparative* case, a White individual compares, instead of their own consumption, overall White and Black consumption statistics

$$F_W \equiv m_W(\mathcal{D}_W), \quad F_B \equiv m_B(\mathcal{D}_B).$$

In this scenario White individuals care about the advantage of their overall group relative to that of an out-group.

These are distinct ways of conceptualizing relative racial status preferences. In the individual-comparative case, a White individual does not care how well their White counterparts are doing relative to Blacks, but how well they are doing relative to Blacks. This distinction is most closely related to a deep literature in social psychology on individual relative deprivation vs. group relative deprivation (Runciman, W., 1966; Smith et al., 2012). This literature contests whether behaviors are driven by an individual's deprivation relative to an out-group, or a group's deprivation relative to an out-group. We are not aware of this exact debate being discussed at length in economics, but it is worth considering both perspectives as they may relate to relative racial status preferences. A key finding from that literature is that collective action is best predicted by group-relative deprivation, while individual action is best predicted by individual relative deprivation. The distinction is somewhat subtle, but has impli-

cations for the political economy of reparative reforms: individual-relative deprivation allows more flexibility for building coalitions through the compensation of a critical mass of individuals.

Throughout, $m_g(\cdot)$ can represent the mean, median, a quantile, or another salient statistic. Preferences will combine a standard increasing, concave material term $u(\cdot)$ with nonnegative status weights that capture *relative racial status preferences* among advantaged-group members. We will not consider the case in which disadvantaged group members have relative racial status preferences here.⁴

Individual-comparative status. A difference specification,

$$U_i^{\text{diff}} = u(c_i) + a_i(c_i - f_B), \quad a_i \geq 0, \quad (1)$$

is *translation-invariant*: equal-dollar changes to both c_i and f_B leave the status term unchanged. A ratio (log) specification,

$$U_i^{\text{ratio}} = u(c_i) + b_i \log\left(\frac{c_i}{f_B}\right), \quad b_i \geq 0, \quad (2)$$

is *scale-invariant*: equal-percentage changes to both c_i and f_B leave the status term unchanged.

Group-level status. In group-level status models, i 's private consumption enters only through $u(\cdot)$ and status depends on group aggregates:

$$U_i^{g\text{-diff}} = u(c_i) + A_i(F_W - F_B), \quad U_i^{g\text{-ratio}} = u(c_i) + B_i \log\left(\frac{F_W}{F_B}\right), \quad (3)$$

⁴As long as disadvantaged group members lack political power, our analysis of support conditions for reparative reforms under relative racial status envy for the advantaged group remain if disadvantaged group members have the same kinds of relative status preferences. These support conditions are based on whether a reform generates a Pareto improvement in Welfare across groups. Purely relative terms can cancel in a utilitarian aggregation (for example, sums of deviations from an average are zero), but such cancellation is a statement about welfare accounting under particular normative weights and symmetry assumptions—not a statement about political feasibility when one group is decisively more powerful.

with $A_i, B_i \geq 0$. This distinction is politically consequential because own gains can offset status losses very differently across the individual versus group-level frameworks.

4.3 Political feasibility of Reparative Reforms

The analysis in this subsection is written for the case in which advantaged-group (White) relative racial status preferences are politically decisive. A simple benchmark is majority rule with the advantaged group holding majority electoral power, so that a reparative reform passes if the pivotal advantaged-group voter (e.g., the median White voter) weakly prefers adoption. By *reparative reforms*, we are referring to a set of interventions that can improve both equity and the material conditions of White Americans, consistent with the "self-sabotage"/"shared prosperity" perspective critically examined in this chapter. The goal is to consider how the passing of such reforms depend on how we model relative racial status preferences and to suggest future directions for empirical work.

Consider a reparative reform that changes the relevant Black statistic by $\Delta f_B > 0$ (individual-comparative case) or $\Delta F_B > 0$ (group-level case), and changes White i 's consumption by $\Delta c_i \geq 0$; allow also for any spillover effect ΔF_W on the White group statistic. Define a *signed compensating payment* p_i^* as the amount that makes i indifferent between (i) accepting the reform and (ii) blocking the reform while making a payment p that reduces consumption to $c_i - p$ and leaves group statistics at their pre-reform values:

$$U_i(\text{block with } p_i^*) = U_i(\text{reform}).$$

This single object unifies support and intensity:

$$\text{Support} \iff p_i^* \leq 0, \quad \text{Willingness to pay to block} \equiv \max\{0, p_i^*\}.$$

A positive p_i^* means the individual strictly prefers the status quo and is willing to give up resources to prevent gap closing; a negative p_i^* means the individual prefers reform

and would require compensation to block it.

Ratio-based Relative Status Envy is More Difficult to Overcome Because (1) is translation-invariant, an equal-dollar package (holding fixed beliefs and salience) attenuates status opposition mechanically: if a reform raises c_i and f_B by the same number of dollars, the status component does not change, so support hinges primarily on the material term. In contrast, under (2) the same equal-dollar package typically produces a *status loss* for advantaged-group members because $f_B < c_i$ implies $\Delta f_B / f_B > \Delta c_i / c_i$; the Black gain is a larger percentage change, reducing c_i / f_B and tightening support.

Conversely, because (2) is scale-invariant, an equal-percentage package reduces status opposition mechanically: if a reform raises c_i and f_B by the same percentage, the ratio status term is unchanged. Under (1), equal-percentage packages typically change the status term because the absolute gap $c_i - f_B$ expands when $c_i > f_B$.

These invariances therefore imply different “political technologies” for reparative reform. For a given underlying policy that delivers similar dollar gains across groups but larger percentage gains for the disadvantaged group (common when baselines differ), ratio status predicts systematically lower support than difference status. Whether relative racial status preferences are best represented by differences or ratios remains, to our knowledge, an open empirical question in economics.

Individual-comparative status. Using first-order approximations around c_i ,

$$p_i^* \approx \frac{a_i}{u'(c_i) + a_i} \Delta f_B - \Delta c_i \quad \text{under (1),} \quad (4)$$

and

$$p_i^* \approx \frac{b_i}{u'(c_i) + b_i/c_i} \frac{\Delta f_B}{f_B} - \Delta c_i \quad \text{under (2).} \quad (5)$$

Equivalently, these imply minimum own-gain requirements for support:

$$\Delta c_i \geq \frac{a_i}{u'(c_i) + a_i} \Delta f_B \quad (\text{difference status}), \quad \Delta c_i \geq \frac{b_i}{u'(c_i) + b_i/c_i} \frac{\Delta f_B}{f_B} \quad (\text{ratio status}).$$

The ratio case is especially constraining when f_B is low: for fixed dollar changes, $\Delta f_B/f_B$ is mechanically large, pushing p_i^* upward and making reform harder to pass.

Group-level status. When status is group-level, blocking does not reduce the status term directly because the status argument is (F_W, F_B) rather than c_i . First-order approximations yield

$$p_i^* \approx \frac{A_i}{u'(c_i)} (\Delta F_B - \Delta F_W) - \Delta c_i \quad \text{under (3) (difference),} \quad (6)$$

and

$$p_i^* \approx \frac{B_i}{u'(c_i)} \left(\frac{\Delta F_B}{F_B} - \frac{\Delta F_W}{F_W} \right) - \Delta c_i \quad \text{under (3) (ratio).} \quad (7)$$

Relative to (4)–(5), group-level status is typically more politically constraining because own payments and own gains affect utility only through $u(\cdot)$, while status losses from gap closing are not “self-mitigated” by lowering c_i in the status term. As a result, for a given mapping from reform to the relevant gap movement, group-level specifications predict larger $\max\{0, p_i^*\}$ and therefore stronger blocking incentives. This formalizes our earlier claim regarding the political economy implications of group-relative deprivation.

4.4 Which Part of the Black Distribution Matters?

Because f_B and F_B are generic moments, political feasibility depends on which parts of the Black distribution move first or are most salient to those with relative racial status preferences.

Mechanical implications. Policies that disproportionately raise the upper tail of the Black distribution tend to move the mean more than the median, while broad-based

bottom or middle improvements tend to move the median more than the mean. Hence, if advantaged-group comparisons are anchored on mean-like moments, early top-tail Black gains raise Δf_B or ΔF_B sharply and increase p_i^* in (4)–(7); if comparisons are anchored on median-like moments, early top-tail gains have a smaller mechanical effect on p_i^* .

Lower-tail programs and the racialization of redistribution. A long tradition in political economy and political behavior shows that support for lower-tail social spending is highly sensitive to racial attitudes and stereotypes about “deservingness,” with welfare and antipoverty policy often treated as racially coded (Gilens, 1995, 1996, 1999; Kinder and Sanders, 1996; Feldman and Huddy, 2005; Wetts and Willer, 2018). In the present framework, this corresponds to two distinct empirical possibilities that matter for identification:

1. the relevant Black moment $m_B(\cdot)$ is median- or bottom-sensitive, so bottom-tail gains directly raise Δf_B or ΔF_B and increase blocking incentives; and/or
2. bottom-tail gains raise perceived status losses even holding $m_B(\cdot)$ fixed, because some respondents map lower-tail gains into group-position narratives.

Distinguishing these channels is an opportunity for future research: one can experimentally hold fixed the change in the salient moment while varying whether gains accrue to the lower tail.

Upper-tail shifts, elite competition, and status threat. Upper-tail shifts are politically salient for a different reason: they touch positions that are socially visible and often treated as zero-sum markers of rank (elite universities, prestigious occupations, high-status offices). Empirically, the Obama era provides a canonical example that high-status Black advancement can activate racial attitudes for some segments of the electorate, including the election of Obama himself to, ostensibly, the single most powerful status in the world (e.g., Tesler, 2013; Tesler, 2016; Welch and Sigelman, 2011). Debates about affirmative action in highly selective institutions (including

the prominence of Harvard and similar schools in litigation and public discourse) are consistent with the idea that upper-tail allocation problems are particularly likely to trigger group-position concerns, even when the number of direct beneficiaries is small.

Who benefits from reparative reforms first? If equity-focused reforms first deliver visible gains to relatively advantaged Black subgroups (for example, because uptake is easier for those with more resources or proximity to elite institutions), then $\Delta\bar{c}_B$ may move before $\Delta\tilde{c}_B$. In models where the advantaged-group electorate compares mean-like moments, this front-loads the status-relevant movement and raises p_i^* , making early-stage passage and persistence more difficult. Even when median-like moments are salient, early top-tail gains may still elevate perceived threat by increasing the salience of intergroup competition at elite margins.

These considerations yield a concrete research agenda for economists, including but not limited to studying which aspects of the Black consumption distribution relative racial status preferences are most sensitive to—and why. This will likely require interdisciplinary collaborations with political scientists, sociologists, and psychologists.

4.5 Considerations from Behavioral Economics

Standard behavioral primitives tighten the inequalities embedded in p_i^* in predictable directions. Loss aversion, for example, would make members of an advantaged group even more likely to reject a reparative reform that could reduce their relative racial position. We are unaware of empirical work in behavioral economics that has identified heightened disutility from relative loss vs. relative gain in racial group comparisons.

Loss aversion over relative racial status. Let Δg denote the relevant perceived status movement (e.g., $\Delta g = \Delta f_B - \Delta c_i$ under individual-comparative difference status, or $\Delta g = \Delta F_B - \Delta F_W$ under group-level difference status). Define loss aversion

as

$$\ell(\Delta g) = \begin{cases} \Delta g, & \Delta g \leq 0, \\ \lambda \Delta g, & \Delta g > 0, \end{cases} \quad \lambda > 1. \quad (8)$$

Implementing loss aversion in the advantaged group effectively magnifies the status-loss component when the reform closes the gap in the relevant metric (i.e., when $\Delta g > 0$), which increases p_i^* and therefore makes $p_i^* \leq 0$ harder to satisfy. In the individual-comparative difference case, a reduced-form way to capture this is to replace a_i by λa_i in (4) whenever $\Delta f_B > \Delta c_i$; analogously, replace A_i by λA_i in (6) whenever $\Delta F_B > \Delta F_W$. The political implication is immediate: reforms that are “small” in material terms but salient as status losses can become much harder to pass under loss aversion.

Last-place aversion. Last-place aversion has also been discussed extensively in behavioral economics. Distinct from general loss aversion, people may experience a sudden jump in resistance to landing at the bottom of a ranking system. A simple representation adds a discrete penalty for crossing a salient boundary:

$$U_i^{\text{LPA}} = u(c_i) + a_i(c_i - f_B) - \kappa_i \mathbf{1}\{c_i \leq f_B\}, \quad \kappa_i \geq 0. \quad (9)$$

If a reform increases f_B enough (relative to Δc_i) that some advantaged-group individuals newly satisfy $c_i + \Delta c_i \leq f_B + \Delta f_B$, then p_i^* jumps upward discretely for that margin. This makes support especially fragile near parity-like thresholds and suggests that “small” shifts in the salient Black statistic can have outsized political effects when many advantaged-group individuals are close to the boundary. This is another alternative explanation for the “class manipulation” argument discussed earlier. Under last-place aversion, poor Whites may experience a discontinuous jump in disutility towards reparative reforms even if they stand to benefit materially-if poor Blacks are elevated to parity. We are unaware of this specific dynamic being studied in racial terms in behavioral economics.

Time inconsistency and delayed material gains. Many reparative reforms plausibly deliver advantaged-group material gains with delay (through productivity, fiscal externalities, innovation, or reduced social costs), even if the perceived status movement occurs immediately at adoption. If the advantaged-group evaluation is quasi-hyperbolic, adoption-time utility places weight $\beta\delta^T$ on a gain arriving at horizon T , with $\beta \in (0, 1]$ and $\delta \in (0, 1)$. Present bias ($\beta < 1$) attenuates the effective Δc_i term in p_i^* , raising blocking incentives relative to a time-consistent benchmark. Qualitatively, the more back-loaded the advantaged-group material gains, the more reforms must rely on either front-loaded co-benefits or reduced perceived status losses to satisfy $p_i^* \leq 0$.

We note that in behavioral economics, time-inconsistent preferences have often been studied in the context of self-control problems related to addiction. If there exist reparative reforms that are welfare-improving for a critical mass of White Americans, an analogous self-control problem may exist along racial lines in the practice of delayed gratification to attain such long-run improvements. If so, findings from policy solutions to such self-control problems may apply to the political economy of reparative reforms. We are unaware of empirical work that have studied this dynamic in the context of reparative reforms.

Risk aversion and uncertainty about reform effects. If advantaged-group gains are uncertain, Δc_i is a random variable. Under expected utility,

$$\mathbb{E}[u(c_i + \Delta c_i)] - u(c_i) \approx u'(c_i) \mathbb{E}[\Delta c_i] + \frac{1}{2} u''(c_i) \text{Var}(\Delta c_i),$$

so concavity ($u'' < 0$) shrinks the perceived material benefit holding the mean fixed. With status terms unchanged, uncertainty increases p_i^* and makes support harder. This implies that credible information, guarantees, or insurance-like provisions can raise support even when the mean economic effect of reform is unchanged.

5 Future Directions and Conclusion

The unified object p_i^* provides a disciplined target for measurement: experiments must identify how policy attributes map into (i) perceived changes in the salient Black reference moment(s) (e.g., Δf_B or ΔF_B), (ii) perceived changes in advantaged-group consumption (e.g., Δc_i), and (iii) the preference parameters that translate those perceived changes into acceptance versus blocking. This shifts the empirical task from cataloging attitudes to recovering a small set of marginal tradeoffs that predict support across policy packages.

A first design priority is to separate the underlying comparison structure. Treatments should orthogonally vary own gains and the relevant group moments so that researchers can distinguish individual-comparative status (where own gains can mechanically offset status loss within the comparison term) from group-level status (where own gains operate only through $u(\cdot)$ and are therefore less effective at buying support). In the same spirit, experiments should exploit the translation versus scale invariances implied by difference and ratio formulations by contrasting equal-dollar with equal-percentage packages: difference-based status predicts sensitivity to absolute-dollar relative advantage, whereas ratio/share-based status predicts sensitivity to proportional gains. These contrasts are not cosmetic; they are direct tests of what the comparison object is.

A second priority is to identify which moments of the Black distribution are behaviorally salient and whether opposition depends on where gains occur in the distribution. Designs should vary whether reforms primarily shift lower-tail outcomes, upper-tail outcomes, or broad-based outcomes, and should separately manipulate information about whether the mean, median, or another statistic moves most.

Third, behavioral economics principles should be applied to the study of relative racial status preferences and reparative reforms. Economists should test whether relative positional losses create more disutility than equivalent gains generate utility (loss aversion). We should consider time-inconsistent preferences and risk aversion in light

of long run Pareto-improving reparative reforms. Because last-place aversion implies discontinuities, experiments should oversample advantaged-group respondents near relevant boundaries and test for non-linear responses to small increases in the salient Black statistic. Finally, because perceived Δf_B , ΔF_B , and Δc_i depend on beliefs and on the timing and certainty of effects, designs should elicit posterior beliefs about incidence and mechanisms and randomize whether advantaged-group benefits are immediate versus delayed and certain versus uncertain; otherwise estimated “status” parameters will confound preferences with misperceptions, present bias, and risk aversion.

Stratification economics helps reconcile two truths: racism can impose large social costs, often including costs on many Whites; yet it also generates rents—material and psychological—that make persistence rational, or at least boundedly rational for others. Incentive-free accounts that treat racism as an error can miss how institutionalized status competition sustains hierarchy even under aggregate inefficiency. The appropriate policy corollary for reducing White racism is not merely to correct psychological, cognitive, sociological, and phenomenological errors, but—to the extent possible—to redesign institutions so that racial exclusion no longer confers advantage, material or otherwise. That is, to design systems such that, even in a future-discounted Welfare sense, White racism is truly self-sabotage.

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