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RESEARCH ARTICLE

## Silent compulsions: capitalist markets and race

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### ABSTRACT

This essay argues that the reproduction of racial categories and racial inequalities are both, in part, driven by processes fundamental to capitalist markets. Drawing from the work of Howard Botwinick and Barbara J. Fields, it suggests that racial problems are not solely the product of racial prejudice or racist institutional practices. Instead, it argues that seemingly race-neutral processes in capitalist markets are deeply racial in their implications.

### KEYWORDS

Capitalism; markets; race; racial inequality; racism

### Introduction

The rise of Right-wing parties across Europe and racially motivated shootings in America underscore the persistence of racism in the more advanced capitalist countries. In the United States, a partial list of the recently slain marks its deadly reality: Sandra Bland, Eric Garner, Tamir Rice, Freddie Gray, Romain Brisbon, Tanisha Anderson, Dontre Hamilton, Walter Scott, Azell Ford, Akai Gurley, John Crawford III, Alton Sterling, Philando Castile, and Tony Robinson.

In response, simmering private grievances about racism have been pushed into the national spotlight by disruptive public protests in many cities around the world. Thousands took to the streets in Athens to protest the brutality of Golden Dawn at the height of its violence. And in the United States, protests in Ferguson and Baltimore have been at the epicentre. The Black Lives Movement has gripped national attention in America, even bearing on the presidential election itself. Of the advanced capitalist countries of the world, America's racial divisions appear to be the starkest. Yet the sociological lessons one can draw from America's experience are applicable far beyond its borders.

Here, I offer a few thoughts on the making of race in the post-Jim Crow era. I do not attempt to understand the recent political response by activists, although that is certainly a worthy project and one that has garnered a lot of attention.<sup>1</sup> Rather, my concern is the underlying causes of the grievances that Black Lives Matter contests so publicly. Understanding the cause of a problem is the first step towards solving it, yet too often in the public discourse the causes of racial problems are presumed and not directly interrogated. To that end, this essay offers some fragments on a materialist

theory of race. I argue that the reproduction of both race as a social concept and inequality along racial lines does not depend on individual prejudice and racial animosity alone. Nor, fundamentally, is it a consequence solely of racist institutional practices within the law (although those too are certainly ubiquitous), as is the more popular view today within the social sciences. Instead, it is the process of capitalist accumulation itself that underpins the enormous racial inequality that persists in many contemporary societies like America. Underlying that inequality is something mundane, and equally, if not more, sinister than the snarling racists and broken criminal justice system we are so often led to believe drive the problem.

Racist attitudes and broken institutions are enabled by what Marx, in the 28th chapter of *Capital*, called the “silent compulsion of economic relations.”<sup>2</sup> The simple, regular, and dull functioning of capitalist markets, without the use of political coercion or force, provides the key way to understand how race ideology and racial inequality are generated, even when no explicit discrimination or racial institutional logic can be detected. Meanwhile, that same process underpins the unchecked animus that so many whites, both professional and blue collar, express towards their counterparts. This is not to say that interpersonal racism or racist institutional practices don’t exist, or that when they do they do not deepen inequality. Rather, it is that racial inequality as a phenomenon itself is not entirely dependent on them. In this sense, I argue that the dynamics of capital accumulation set the foundations for both the production of race and racial inequality and the social salience of institutional and individual discrimination.

### **Inequality from the bottom and the top**

Before I lay out the argument, some ground-clearing is necessary. I do not intend to suggest that interpersonal racism itself no longer matters. Right-wing pundits roll out this view regularly to support the responsibility politics of self-improvement. If the state no longer plays an active role in racial oppression, they argue, then it’s the job of poorer people of colour to lift themselves up in the market, our great equalizer. In America, the passing of the 1964 Civil Rights Act and the 1965 Voting Rights Act has made the state colour blind, according to this perspective. The Right argues that a fair playing field took hold once Jim Crow segregation was abolished and equal citizenship through voting was ensured by a colour-blind state. It follows that in such a meritocracy, people deserve what they get.

Rhetorically, this has been the justification for attacks on social democratic programs associated with the welfare state as well as targeted race-based programs such as affirmative action.<sup>3</sup> As the argument goes, when the state intervenes affirmatively, it creates perverse incentives and a “culture of poverty” that fortifies barriers to exiting poverty. This argument, which was elaborated on in greatest detail in Thomas Malthus’s *An Essay on the Principle of Population* in 1798, is premised on the notion that the market’s natural state is one of perpetual struggle for a limited supply of resources, and any redistributive political intervention will create disorder in the market’s natural tendency towards equilibrium.<sup>4</sup> In the academy, Albert Hirschman famously referred to this as the perversity thesis, but it has carried great weight in race-based policy debates as well.<sup>5</sup> For instance, in the mid-1980s libertarian political

scientist Charles Murray argued in the best-selling *Losing Ground* that cash transfer programs encourage welfare recipients towards an irresponsibility and dependence that ultimately helped to perpetuate their own poverty.<sup>6</sup> Along these lines, if racial inequality persists, the only solution is some combination of the free market and boot straps.

Recent arguments about racial inequality within the social sciences are made under more nuanced pretences, but tread eerily similar waters as those above by suggesting again that racialized poverty is, in part, self-reproduced through the behaviour patterns of the poor themselves. In a 2010 special issue of *The Annals of the Academy of Political and Social Science*, titled “Reconsidering Culture and Poverty,” prominent social scientists call on their peers to put culture back on the research agenda.<sup>7</sup> Sociologists interested in the common understandings and shared perspectives of a group that encourages similar patterns of thinking and acting are typically quick to distance themselves from the more overt culture-of-poverty arguments wielded by Right-wing pundits. The editors of the 2010 volume note that a change in culture is not likely to get people out of poverty. In more recent research volumes, such as 2015’s *The Cultural Matrix: Understanding Black Youth* from Harvard University Press, researchers distance themselves from broad cultural generalizations and try instead to highlight the dynamic interplay between structure and culture.<sup>8</sup> But the new research agenda on culture and poverty is worrying nonetheless. The project that promises to offer a more nuanced view by turning our focus onto cultural mechanisms ends up doing just the opposite—privileging cultural processes and leaving other, more fundamental ones largely unexamined. Even those that aim to understand the supposed “interactive effects” at play seem to end up doing just this, inverting cause and effect, albeit with many qualifications.

These views are not without significant controversy within the social sciences. But it is a mistake to counter cultural arguments for racial poverty by pointing to evidence of the persistence of racist attitudes—which seems to be the most common response. I consider this analysis as “bottom-up racism.” Bottom-up racism says that even if the state itself might not be legislating practices that create and reproduce racial inequality, people, motivated by racist attitudes, make up their own rules on the fly. Racists organically make inequality happen through their individual decisions in intimate circumstances.

This is the agency-laden view that sees racism as the result of local and traditional, if ultimately backward, knowledge. And here this knowledge might even be “practical,” what James C. Scott calls *mētis* (drawing on the ancient Greek concept), as a means for racists to make sense of local circumstances.<sup>9</sup> Kenneth Arrow and Edmund Phelps’ theory of “statistical discrimination” fits here. According to their theory, when an employer opts out of calling back a person for a job interview solely because that person has a black-sounding name, the employer might be doing this rationally, using stereotypes based on perceived averages within groups to quicken the decisionmaking process and to lower costs.<sup>10</sup> In this view, people that discriminate do so because they think race is a marker that indicates something else about behaviour and motivations. The net result of these individual and interpersonal practices, fundamentally irrational in nature, is systematic disparities. In short, this view suggests that the most enduring racial inequality is the result of individual acts of discrimination. If

people could just stop being racist, we could happily transition to a postracial Elysium where even the idea of race itself could fade away.

Acts of personal bigotry are easy to find, especially in an era flanked by the mass shooter on the one hand and mass incarceration on the other. But are not attitudes part of what needs to be explained? Why might race carry an intense charge in America when surely it poses less of a problem in countries as close as Canada? In what impersonal processes are racist dispositions grounded? An alternative view, what I call “top-down racism,” argues that race and racial inequality are the result of institutional practices—race is written into law itself. Consider what it means to be black in America versus in a place like Brazil where there are far more racial categories employed by the state. Race is not simply what people personally see, but also how we define it collectively through statutes and legal decisions. When the Supreme Court ruled in 1923 that Bhagat Singh Thind, an upper caste Indian Sikh, was not white, and, therefore, because of racialized immigration laws, was ineligible to become a US citizen, it was literally making race.<sup>11</sup> Similarly, as US states adopted “one-drop” rules in the early twentieth century, they remade the definition of blackness. These rules then made a social reality that itself allows race and racial inequality to persist. In the elegant words of Du Bois, “the black man is a person who must ride ‘Jim Crow’ in Georgia.”<sup>12</sup> Here, both formal and informal rules are active mechanisms that produce both the idea of race and unequal racial outcomes. Whether an individual is personally racist or not is of secondary concern to the institutional mechanisms, which are more fundamental to the reproduction of both the idea of, and inequality between, races, according to this approach.

The “top-down” view offers a fuller account than the view that rests on total agency, and it takes us a good part of the way towards explaining country-level differences. But this view is necessarily incomplete. It ignores the way that institutionalized racism is related to something even more mundane than law: capitalism itself. While racist ideologies and institutional rules can be traced back through America’s past—245 years of slavery, roughly 88 years of Jim Crow, and over 20 years of black male hyperincarceration—the main force behind their remaking and reproduction today is hidden within the process of capital accumulation. To put it in the strongest terms possible, capitalist social relations are much more central to racial inequality today than most people are willing to concede, acknowledge, or even consider. Much has been written about how race and enduring racial inequality need to be understood in relation to the features of the historical context in which they emerged. The origins of race are rooted in America’s early years, when slavery and capitalism had a bloody coexistence. But strangely, the current economic foundations for race today get much less attention in the public discourse.<sup>13</sup> While the current preoccupation in America’s national debate has been individual acts of racism as well as how policy drives inequities within the criminal justice system, few people pay much lip service to the underlying context that enables seemingly race-neutral policies, such as stop-and-frisk, to target people of colour disproportionately in the first place. Considering this underlying context requires moving our attention to capitalism itself.

## Neoliberalism worsens race inequality

What I am suggesting is no crude economism. In fact, a truly reductionist economic approach predicts that the development of capitalism should have resulted in the breakdown of racialized inequality altogether. In Hayekian terms, markets are akin to information processors whose prices contain all the relevant information that market actors, who may carry personal biases and ignorance, simply cannot know. “Isms,” such as racism, generate irrational information on the labour market that should be unsustainable over the long term. Ultimately, they hinder the full commodification of labour that is required in a free market that functions normally. Surely, true free markets would dissolve these differences, and people would encounter their employers solely as the bundles of skills and work capacities they bring with them when they search for a job.

Consider Walter Benn Michaels’ controversial take. He writes that:

It is neoliberalism, not racism or sexism (or homophobia or ageism) that creates the inequalities that matter most in American society; racism and sexism are just sorting devices. In fact, one of the great discoveries of neoliberalism is that they are not very efficient sorting devices, economically speaking. If, for example, you are looking to promote someone as Head of Sales in your company and you are choosing between a straight white male and a black lesbian, and the latter is in fact a better salesperson than the former, racism, sexism and homophobia may tell you to choose the straight white male but capitalism tells you to go with the black lesbian. Which is to say that, even though some capitalists may be racist, sexist and homophobic, capitalism itself is not.<sup>14</sup>

Chicago school economists—the neoliberals Benn Michaels is arguing against—come to the same conclusion by a different route. According to Gary Becker’s *The Economics of Discrimination*, market competition should punish racist companies because discrimination has negative consequences for both the person being discriminated against and the discriminator.<sup>15</sup> Imagine a firm that refuses to hire qualified people of colour. The other firms in that sector, which are hiring the qualified employees from a larger labour pool, should have access to cheaper labour and a larger consumer market. Labour supply will be larger, and people don’t normally like shopping at places that discriminate against others like them. Ultimately, the combination of these two factors should give nonracist companies a competitive advantage over the racist ones. Simply put, according to the theory of market competition, capitalism should drive racism out of the workplace.

The 1970s and 1980s offer a kind of natural experiment that casts doubt on this view. Since much of the capitalist world turned sharply towards more market-oriented mechanisms to drive economy in the 1970s, neoliberalism, inequality along racial lines has persisted, and at times even worsened. Quite simply, the opposite of what Becker predicted in 1957 occurred in the neoliberal era. Consider income inequality, a harder case as disparities in wealth are much worse and much more generationally durable because of inheritance. In the Reagan era, black families did more poorly than white families. Despite some uplift during the 1990s, by the turn of the twenty-first century the median income of black families rose to just 63.5 percent of that of white families.<sup>16</sup> This is an increase of only 10 percent since 1947. By 2005, real median income declined to 60 percent of that of whites, a mere one percentage point higher than the

same measure in 1967—the same year the inner cities of Newark and Detroit saw urban upsurges over poor social conditions.

### Free markets are another kind of prison

That black men are incarcerated at a rate of nearly 1 in 15 is a true American tragedy. In the state of Wisconsin, it is a jaw-dropping 1 in 8. But an invisible and no less menacing prison holds an even higher percentage of people of colour in America in a different kind of captivity—the economy itself. And as what little remains of the social wage in the tiny vestiges of social democracy that have survived the neoliberal onslaught breaks down, to be replaced with free markets, opportunities for freedom from the cage of poverty will be diminished. There are several ways that ostensibly racially blind free markets can both reproduce and worsen racial discrimination from the past without the presence of active discrimination in the present. Here are three.

First, racial inequalities accumulate over time in capitalist markets. A now classic example of this is the critical moment after the Second World War when white veterans were situated in new homes through the Serviceman's Readjustment Act of 1944, known today simply as the GI Bill, whereas blacks and Latinos faced systematic housing discrimination through red lining. Mortgage lending practices after the war limited the capacity of black families to generate wealth through the home, while doing the opposite for whites. Although the GI Bill itself, in the first instance, was certainly a top-down form of state-led discrimination, the initial access to home ownership in neighbourhoods with good property values allowed whites to accumulate more and more wealth over time. At the same time, the opportunities for blacks disaccumulated—blacks were eventually moved into inner city housing projects that offered no chance for accumulating wealth in the form of home equity.<sup>17</sup>

Second, markets can recreate the effects of discrimination even after active discrimination is actually ended. In labour markets that historically contained discrimination, blacks invested less in the skills needed to be competitive for those kinds of jobs. Investing in those skills would have been irrational—why put the effort into becoming skilled in a trade for which there were no job opportunities? But once active employer discrimination is erased, populations formerly discriminated against will find that they have a deficit of skills needed to compete for jobs. As a result, even in the absence of discrimination in action there might be racial inequalities in outcome.<sup>18</sup>

Third, periods of boom and bust, impersonal cycles of growth and decline in capitalism, tend to intensify competition for jobs between workers of different racial groups. During these periods, the status of better paid workers—who, historically, have been whites because of institutional racism—can be threatened, either because job opportunities for whites are becoming scarce or because blacks have acquired the new skills to be competitive in historically white workplaces. Such competition can be a source of racial antagonism. Historically, the group that has more resources and political influence (again, typically whites) will use those points of leverage against the group that is threatening their higher status. Far from dissolving racial inequality, these market processes reproduce it. This is done through entirely impersonal means and within the context of a colour-blind legal system, via the silent compulsion of the market. The market processes happen as a result of people simply going

about their business; there is no need for bureaucratic puppet masters or Little Eichmann's.

### Capitalist accumulation and race ideology

More critically, are there processes underlying these market interactions that are even more key to explaining the idea of race itself? Is race a legacy from the past that capitalist markets merely help along, or does capitalism actually help make the racial myth of cultural or biological difference as well?

The fiery debates about race are often marred by an implicit assumption. We take for granted the existence of racial divisions. But all social scientists or biologists worth their salt will quickly tell you that race itself has no basis in biological reality. What we think of as races are merely crudely differentiated subpopulations of our modern species, *homo sapiens*. There is no scientific basis for the racial categories that we use, nor for the way we allocate individuals into those categories. That process is entirely social, proven simply by looking at how it varies so much from place to place and time to time. What is white in one context is different in another. So the problem of explaining racial inequality is also the problem of explaining race itself. It is not enough to simply call it a social construct and move on.

Above all else, race is an ideology. As historian Barbara Jeanne Fields writes, "All ideologies are real, in that they are the embodiment in thought of real social relations. It does mean that the reality underlying racial ideology cannot be found where the vocabulary of racial ideology might tempt us to look for it."<sup>19</sup> What Fields occasionally implies elsewhere is that capitalism itself is that underlying reality today. At its very heart, capitalism is inequality, an irrational inequality driven more by previous advantage than by merit, as the story tends to go. Ordinary people in capitalist markets are encouraged not to simply tolerate the notion of race as an explanation for that inequality, but to actively propagate it at work and across the dinner table. It helps people make sense of the irrationalities they see all around them for which there is no good explanation other than capitalism itself. In other words, race is most fundamentally capitalist dogma come to life.

So what are the mechanisms within capitalism, at its most basic level, that simultaneously create race and the racial inequality that we so clearly see? Consider the process by which income is determined. Howard Botwinick's neglected book, *Persistent Inequalities: Wage Disparities under Capitalism*, shows that similarly skilled labour can be paid very differently—a direct challenge to the neoclassical wage theory reflected in Becker's theory of discrimination. He argues that this is a critical aspect of the normal functioning of capitalist markets. In other words, Botwinick suggests that differentiation is a key outcome in capitalist labour markets, and not homogenization, as ideas such as McDonaldisation, once *en vogue*, might suggest.<sup>20</sup>

Botwinick shows that across the entire economy, wages tend to increase as the levels of investment increase; in effect, the labour supply is becoming smaller. But rising wages run into limits when they begin to meaningfully eat into profits. When this occurs, it increases the incentive for firms to develop new technologies that can thin out their workforces. Once new technologies are incorporated into a firm's production process, a portion of the workforce is laid off. Once again, the aggregate effect is a

general decline in wages because of an increasing labour supply. As more people get laid off, two things occur. First, the last hired are the first fired—new unemployment nearly always falls on workers of colour because of historical disadvantage. Second, workers recently laid off are willing to work for much lower wages. This drives the re-emergence of labour-intensive, low-wage sectors in the economy, where, again, workers of colour are concentrated.

At the industry level, Botwinick suggests that part of the competition between firms is fought with what Marx called the “heavy artillery of fixed capital”—labour-saving machinery that reduces a firm’s cost per unit output. An increase in wages provides further incentive for firms to search out new innovations. However, once a firm invests in a given technology or labour process, the firm cannot immediately jettison it when new, more capital-intensive and competitive technologies become available. There are often sunken costs in older technologies necessary to realize their initial investment. In other words, competition does not, as in the fantasy land of neoclassical economics, lead to uniform changes in the labour process, profit rates, and wages. Instead, it produces constant differentiation of labour processes, profit rates, and wages both within and between industries.

Capitalist differentiation in the labour market is racialized. Throughout this process, white workers tend to be concentrated in more efficient firms and capital-intensive industries whereas the opposite is true for people of colour. This is the essence of the argument. Capitalism inherently produces unequal economic outcomes that do not always correspond to effort or skill level. Although it varies to what degree, social and economic inequality is a fundamental feature of all capitalisms, both social democratic and neoliberal. As Fields’ work shows, race is the mental roadmap that people use to navigate this unequal terrain. It is:

The descriptive vocabulary of day-to-day existence, through which people make rough sense of the social reality that they live and create from day to day. It is the language of consciousness that suits the particular way in which people deal with their fellows. It is the interpretation in thought of the social relations through which they constantly create and re-create their collective being.<sup>21</sup>

To put it another way, race is the half-baked logic we use to make sense of capitalism’s irrationalities. So when some argue that we need to decouple race from the economy to treat it as its own separate phenomenon, not only are they misunderstanding what race is, they are further reifying it as a cultural or biological reality. What else could it be other than a *post hoc* justification for inequality—be it the inequality that is a result of slavery or the inequality that is a result of capitalist processes? European settlers needed to justify slavery in a new world built upon the new and rather lofty idea that “all men were created equal.” But still today, ordinary people need to make sense of a market experience based on the notion that access to the means of economic success is egalitarian, available to everyone willing to take them.

Fields writes that:

[Ideology] is not a material entity, a thing of any sort, that you can hand down like an old garment, pass on like a germ, spread like a rumour, or impose like a code of dress or etiquette. Nor is it a collection of disassociated beliefs—‘attitudes’ is the favoured jargon among American social scientists and the historians they have mesmerized—that you can extract from their context and measure by current or retrospective survey

research...Nor is it a Frankenstein's monster that takes on a life of its own.<sup>22</sup>

Underlying race ideology and racial inequality to which people find themselves subjugated, we find capitalism at work everywhere. To address deep and persistent problems of racial inequality, we must turn our attention to the ways that the seemingly impersonal and silent work of capitalist markets creates racialized inequality, almost by design.

In reaction to the prevalence of the myth of “the black underclass,” a notion popular in the early 1990s but present in today's debates albeit under different monikers, Adolph Reed, Jr. stressed the need to refocus the public debate onto “the role of public policy in reproducing and legitimating” racialized wealth, income, and opportunity polarization.<sup>23</sup> Indeed, policy is key for certain questions; my point here is not to try to counter this fact. Policy helps to explain important differences between capitalist societies. That America has large racialized ghettos while its neighbour Canada does not is largely a result of public policy choices. The disproportionate increase of black male incarceration rates in the United States, in comparison to rates in other capitalist democracies, is also explained by government decisions. The funding of prisons, a budgetary expansion that has been described as the “carceral Marshall Plan,” was possible only by the bipartisan defunding of the welfare state.<sup>24</sup> The only source of support for those floundering at the bottom of the labour market continues to be undercut. As programs like Aid for Families with Dependent Children have been transformed into Temporary Assistance for Needy Families, people are forced to find new ways to feed themselves. These are all the result of policy choices.

We cannot get outside of policy. It is nearly impossible to imagine a context in which policy does not matter—this was the failed fantasy of neoliberals. But policy does operate in a context. When we cast that context as capitalism itself, we can identify processes of racial categorization, stratification, and reproduction that play out beyond, and oftentimes in spite of, policy interventions. Technical fixes or reforms can alter the conditions under which capital is accumulated and, as a result, race remade. These are certainly worthy goals. But in a context of markets for labour and private ownership of productive assets, we will continue to see the generation of inequality in the labour market among similarly skilled groups. This core feature of capitalist markets begs for an explanation—at times, it is gender, nationality, or ethnicity, but it is also race itself.

## Notes

1. See Taylor, *From #BlackLivesMatter to Black Liberation*.
2. Marx, *Capital*, 899.
3. Bonilla-Silva, *Racism without Racists*.
4. Block and Somers, *Power of Market Fundamentalism*, 102.
5. Hirschman, *The Passions and the Interests*.
6. Murray, *Losing Ground*.
7. “Reconsidering Culture and Poverty,” *The Annals of the American Academy of Political and Social Science*.
8. Patterson and Fosse, *The Cultural Matrix*.
9. Scott, *Seeing Like a State*, 7.

10. Arrow, "The Theory of Discrimination." Phelps, "The Statistical Theory of Racism and Sexism."
11. López, *White By Law*.
12. <http://www.webdubois.org/dbSuperiorRace.html>.
13. See Bonacich, "A Theory of Ethnic Antagonism"; Camfield, "Elements of a Historical Materialist Theory of Racism"; Tolnay and Beck, *A Festival of Violence*.
14. Michaels, "Against Diversity."
15. Becker, *The Economics of Discrimination*.
16. Mishel et al., *The State of Working America 2006/2007*, 51–52.
17. Brown et al., *Whitewashing Race*.
18. Sunstein, *Free Markets and Social Justice*, 158.
19. Fields, "Ideology and Race in American History," 152.
20. Botwinick, *Persistent Inequalities*.
21. Fields, "Slavery, Race and Ideology in the United States of America."
22. Fields, "Slavery, Race and Ideology in the United States of America."
23. Reed, *Class Notes*.
24. Wacquant, "Class, Race, and Hyperincarceration in Revanchist America."

## Disclosure statement

The author reports no conflicts of interest. The author alone is responsible for the content and writing of this article.

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