Teaching The Economics Of Racism

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Abstract: The purpose of this paper is to offer three teaching plans in the economics of racial discrimination. It is shown that mainstream textbooks do not adequately capture the key ideas in the economics of racism. They delineate the anachronistic Becker model of discrimination. Resources like the Komlos textbook or the CORE Insight on Racial Inequality offer better alternatives on addressing systemic racism. This paper suggests how to incorporate Disney video clips from *The Princess and The Frog*; offers key ideas from the economics of incarceration; and discusses pluralist perspectives in the interest of advancing economic pluralism and decolonizing economics.

Keywords: economics of racism; John Komlos; Gary Becker; ECON 101; economic pluralism; statistical discrimination; CORE.

Biographical Notes:

Junaid B. Jahangir is an Associate Professor of Economics at MacEwan University. He is interested in economic pluralism and renewed perspectives to teaching undergraduate economics. He is a recipient of three teaching awards and has developed new courses including Humanistic Economics and Economics of Religion.

1 Introduction

In the aftermath of the financial crisis, student groups protested that they should be taught about real world economics instead of stylized mathematical problems (Earle et al., 2017). Such calls have been echoed by de Muijnck and Tieleman who argue that obsessing with technicalities is inappropriate at the undergraduate level and that economics education should deal with pressing real-world issues (2021, pp. 83, 84). Such issues include but are not restricted to climate change, economic inequality, automation, racism, populism, and war, none of which are usually covered in ECON 101, as instructors spend time on the technical details of calculating equilibrium, elasticities, profit maximizing solutions, etc. Similarly, Bowles and Carlin (2020) and Komlos (2021a) have called for changing how we teach ECON 101. This paper's objective is to focus on the economics of racism, as the issue has become particularly important in the wake of the Black Lives Matter (BLM) protests of 2020 against police violence and systemic racism.

ECON 101 textbooks do not contain much information on racial discrimination. Consider for instance, the Mankiw, Kneebone, McKenzie (2023) textbook, which I have used. While section 19-2 of the textbook addresses the economics of discrimination, it focuses largely on the gender wage gap, does not mention systemic, structural, or institutional racism, does not mention the Becker model of discrimination explicitly, expounds on discrimination by employers with a stylized example of blondes and brunettes, and simply alludes to studies that showcase discrimination against racial minorities by employers and customers (pp. 396-404). Thus, any instructor wanting to teach about the economics of racism will have to complement this textbook with additional sources.[1]

On my part, I have been restructuring the way I teach ECON 101 by limiting the mathematical number crunching in Mankiw et al.'s chapters 13 – 17 on producer theory and instead focus on pluralist understanding of the principles of economics through Disney video clips and addressing topics including economic inequality. Students find this a welcome change where instead of being preoccupied with formula sheets, they connect real-world issues with childhood memories from Disney animations. I have also been complementing intermediate microeconomics with critical heterodox content and have introduced Humanistic Economics based on Komlos (2023) as an elective topics course. In this paper, I introduce the economics of racism. To this end, I have reviewed key papers and various textbooks. I have found that the most comprehensive treatment of the topic is provided by Komlos (2023, Ch. 16)) who highlights the covert racism in blackboard economics; and Bottoroff, Logan, and Naidu (2022) in a CORE Insight that delves into the persistent racial inequality in the U.S.

My review has facilitated me in advancing three pedagogical contributions at the introductory, intermediate, and topics level respectively:

- First, the ideas of systemic racism, neighbourhood, and housing segregation can be evoked by showcasing video clips and pictures from the Disney animation *The Princess and The Frog*.
- Second, any study of racism is incomplete without delving into the economics of incarceration, which can be taught through the main ideas found in Gifford (2019).[2]
- Following de Muijnck and Tieleman (2021), and Mearman (2017), decolonizing economics and advancing pluralism entail contrasting contending perspectives. Here we contrast the differing ideas/positions of Sowell (2001), Williams (2015), and Reed (2018).

This paper is structured into six sections. Section 2 provides an overview of key ideas in the literature on the economics of racism and discrimination. Section 3 reviews how various textbooks do not adequately address the economics of racism. Section 4 highlights how alternative textbook options address the issue. Section 5 offers three teaching plans at the introductory, intermediate, and topics level. Section 6 concludes.

2 Overview of Key Ideas

This section will not provide a comprehensive literature review but instead will highlight the key ideas in the economics of racial discrimination. In a recent paper, Lang and Spitzer (2020) mention that racial discrimination can emanate from employers, coworkers, or customers. They distinguish between the canonical Becker model based on 'taste-based' discrimination and the models based on statistical discrimination. In the Becker model, market forces drive out discriminating firms, as they pay more for preferred race workers, which reduces their profits relative to the non-discriminating firms (Becker, 1957). In the statistical discrimination models, firms engage in statistical discrimination, using race as an indicator of imperfectly observed characteristics like productivity or criminal conduct (Phelps, 1972; Arrow, 1972).

However, with taste-based discrimination models, Lang and Spitzer (2020) state that accounting for labour market frictions and market power of firms, discriminating firms may not face lower profits and therefore may not be driven out of the market. Komlos (2023) also points out that peer pressure can prevent non-discriminating firms from entering the market. Consequently, there may not be any pressure on the profit of discriminating firms. Additionally, Lang and Spitzer allude to a positive feedback loop where discrimination leads to segregation, which increases group differences and feeds into more discrimination. They underscore that economists have ignored such systems that perpetuate intergenerational discrimination through the labour, credit, and housing markets.

Lang and Spitzer (2020) caution that statistical disparities do not prove discrimination. As such, they critique audit and correspondence studies. In audit studies, individuals who are identical but differ on race apply for jobs whereas; in correspondence studies, resumes that are identical but differ or race are sent to potential employers. These studies show that white applicants are more likely to be hired or receive a job interview call-back. For audit studies, Lang and Spitzer state that the presentation of a white applicant may be unrelated to race, whereas for correspondence studies, they state that a black name may signal social class instead of race. On discrimination in the U.S. justice system, they argue that the statistical disparity between drivers more likely to be stopped or searched could reflect the higher frequency with which black drivers break speed or other traffic laws. Similarly, they argue that the statistical disparity on black individuals more likely to be convicted may reflect their having fewer resources and therefore inferior legal representation.

Referencing the early critiques of the Becker model, Ikeda (2018) mentions that black workers can be restricted to unstable and intermittent work, which prevents discrimination from being eliminated in the market. He adds that neoclassical economic theory does not address institutional discrimination and that it does not account for government policies in encouraging or preventing racism and discrimination. Similarly, Alexis (1999) critiques neoclassical theory based on assumptions of competitive markets, full employment, and fully mobile factors of production by alluding to market power, unemployment, and immobility of labour due to immigration barriers. In contrast to taste-based discrimination models where firms are driven by profits, Alexis alludes to psychic benefits, peer group pressure, group identity, and fear of ostracism or reprisal that prevent discrimination from being eliminated.

He adds that without political power to change institutions, discrimination against black individuals will remain unabated.

Overall, this overview of the key ideas indicates that while discrimination is difficult to demonstrate through statistical studies, markets do not drive out racism and discrimination. This is because the canonical Becker model is built on assumptions that do not hold because of market power, unemployment, and factor immobility. Moreover, neoclassical theory has long been critiqued for not accounting for systemic discrimination and of the role of power and government policy in perpetuating or curbing racism and discrimination.

3 Review of Textbooks

Ragan (2020, pp. 328-330) discusses discrimination in section 14.1 on wage differentials. Labour market discrimination is discussed in the context of men and women though it is stated that the analysis applies to race and other characteristics as well. Based on supply-demand analysis, he states that in the long run women will learn not to invest in high skills and are relegated to low-skilled jobs. However, he also assumes the standard neoclassical view that in the absence of government mandated discrimination, competition will drive out discrimination. Overall, he predominantly discusses the Becker model without expressly naming it.

Karlan et al. (2017, pp. 600-604) have a section on discrimination in the last chapter. The authors delineate the Becker model without expressly naming it. However, they take a nuanced position by stating that "discrimination can be consistent with an efficient market" (p. 603), as in the past where a shopkeeper that treated black customers equitably risked losing the patronage of white customers. The authors add that neighbourhood segregation persists even after the end of official discrimination. Finally, they state that affirmative action is warranted, as children who grow up in such neighbourhoods receive poor education and limited human capital.[3]

Hubbard et al. (2015, pp. 419-423) have a section on discrimination in the penultimate chapter. They illustrate the Becker model without naming it and state that markets will undermine discrimination in the long run, as discriminating employers will "pay an economic penalty" (p. 422). Finally, they state that many economists have questioned the finding that black job application resumes receive fewer call backs, as employers may be responding to productivity rather than race. Overall, the authors seem to justify the standard neoclassical position on racial discrimination. Similarly, Parkin and Bade (2016, p. 450) illustrate the Becker model in the last chapter and offer the standard belief that market forces would eliminate discrimination. Like other textbooks, they use the example of discrimination against women.

Benjamin et al. (2017, pp. 333-371) has a chapter on discrimination and male-female earning differentials. The authors present the standard belief that market competition should undermine discrimination, although they qualify that discrimination can persist, as firms respond to pressures from employees and customers.[4] They add that the government sector can continue discrimination as they do not face competitive pressures. Similarly, labour unions can persist in discrimination based on the wishes of their members. While the authors predominately focus on discrimination against women, they mention that racial discrimination can be explained by differing human capital investment and social networks. However, they also allude to systemic discrimination where hiring is based on the "old-boy system" (p. 339). Finally, they state that affirmative action may be warranted as equality of opportunity may be insufficient given historical and systemic discrimination.

Overall, these discussed neoclassical textbooks present the Becker model without naming it, discuss discrimination in the context of gender, and relegate the issue to the final chapters. While some textbooks justify the standard result that market forces undermine discrimination in the long run, others present a more nuanced view that discrimination could persist because of co-worker and customer preferences. However, even this nuanced view is incomplete, as it leaves out social elements like peer pressure. Moreover, the discussion of systemic discrimination against racial minorities and especially the black community is limited or absent. This means that alternative options have to be explored to address issues of systemic, structural, or institutional racism, especially in wake of the 2020 BLM protests.

4 Review of Alternative Options

3.1 John Komlos

In contrast to neoclassical textbooks, Komlos (2021b; 2023. ch. 16) argues that the assumptions of standard economic theory reinforce structural, systemic, or institutional racism. This manifests in higher imprisonment and unemployment rates, and lower financial security and upward social mobility of minorities, such as Black, Hispanic, and Native Americans. He elaborates that neoclassical economic theory feeds into systemic racism by not accounting for power that favours elites and inhibits upward social mobility; noting the high costs of acquiring information that prevent the poor from making effective decisions, the role of corporations in influencing poor children through advertisements, the role of firms in exploiting individuals with lower cognitive abilities through fine print in contracts, and by ignoring neighbourhoods with high crime, poor schools, and unemployment that trap people in intergenerational poverty.

Komlos critically evaluates the Becker model of discrimination, stating that it trivializes racism by using the stylized example of blue eyed and brown eyed workers, that it does not emphasize the urgency of eliminating racism, that it does not account for social pressures and violence that explain why markets fail to curb racism, and that it does not account for the role of government policy and civil right laws that attenuate racism (2021c). Moreover, he argues that the Becker model as well as the statistical discrimination models "should no longer be taught", as they provide "scholarly support for systemic racism" (p. 87). Moreover, Komlos (2020) suggests that African American economists should abandon mainstream economic theory. Finally, Komlos (2023) consolidates the discussion on the economics of racism in chapter 16 and concludes that in a "post-racist society", economic outcomes on factors like wealth, education, unemployment would be "comparable along racial lines" (p. 332).

3.2 CORE Insight

The online CORE textbook has been promoted by Bowles and Carlin (2020) (and others) as an alternative to mainstream textbooks. While it does not have a module on the economics of racism, a supplementary CORE Insight by Bottoroff, Logan, and Naidu (2022) delves into the persistent racial inequality in the U.S. The authors showcase statistical disparities where Blacks have lower wealth and income but higher unemployment and incarceration rates. Moreover, in contrast to mainstream textbooks, they emphasize systemic or institutional racism, segregation, and political exclusion, all of which operate in a positive feedback loop that exacerbates racial inequality and inhibits upward mobility.

The authors provide a detailed history of racism in the U.S. by highlighting violence and segregation of social networks. They emphasize current racism by highlighting discrimination in the credit, housing, and labour markets. In credit markets, they show that Blacks are more likely to be rejected for a credit card, and black firms are more likely to be denied loans or given higher interest rates. In housing markets, they demonstrate that Black home ownership is significantly lower than that of Whites, and that managers of rental properties are less likely to respond to inquiries by Blacks. In the labour market, they found that low quality resumes with white sounding names were more likely to receive a callback than high quality resumes with black sounding names. Moreover, ceteris paribus, a white man with a criminal record was more likely to receive a callback than a black man without one.

In the justice system, Bottoroff et al. (2022) highlight that black individuals are more likely to be arrested, wrongly convicted, given the death penalty, killed by police officers, and less likely to be released on parole. The higher incarceration incidence breaks up social networks, families, and communities. The authors state that given the higher black incarceration rates, they are excluded from voting rights and that black votes are diluted by racial gerrymandering. The authors explain that U.S. schools are funded through local property taxes that translate to fewer resources for schools in black neighbourhoods. Moreover, black students grow up in neighborhoods with lower networks that inhibit upward social mobility.

Bottoroff et al. (2022) provide an interesting model on intergenerational racial inequality by tracing through the subsequent generations of a black person with a positive income shock and a white person with a negative income shock. They show that discrimination, segregation, and political exclusion can undo the respective impacts of the positive and negative shocks so that racial inequality persists intergenerationally. Finally, they underscore that a one-time wealth redistribution is not enough and that policies to combat racial inequality should include universal healthcare, equitable education funding, full employment policies like a job guarantee,[5] and reduction in wealth inequality through taxation. Whereas Komlos critiques mainstream economic theory for perpetuating systemic racism, the CORE Insight emphasizes historical and current racial discrimination, segregation, and political exclusion of Blacks across the justice, political, and education system and across the credit, housing, and labour markets without implicating mainstream economic theory.

Overall, in contrast to the neoclassical textbooks, both Komlos and the CORE Insight focus on systemic racism and statistical disparities instead of minimizing racial inequality.

Often, racism is minimized based on the arguments that statistical disparity does not prove racism, that it is difficult to prove racism, or that meritocracy explains racial inequality.[6]

4 Three Pedagogical Contributions

While neoclassical textbooks do not provide a critical and detailed outlook on the economics of racism, instructors can draw material from the CORE Insight or Komlos (2023, ch. 16). Additionally, the following suggested activities based on showcasing YouTube video clips and guided discussions can usefully address racial discrimination at the introductory, intermediate, and topics level, respectively. The Disney animation helps at the ECON 101 level; the economics of incarceration can be broached as an effective lesson in an intermediate microeconomics class; and critical discussions on multiple ideas are effective at an elective topics course level.

4.1 The Princess and The Frog

Bottoroff et al. (2022) provides exercises that ask students to delve into the criticism of audit studies where identical individuals except for race apply for jobs. Other exercises include working with an online map, reading journal articles, or working with data and models. While these seem to be appropriate exercises for intermediate students, they are a bit advanced for ECON 101 students. Additionally, emphasizing technicalities is reminiscent of the Mankiw et al.'s (2023) emphasis of the technicalities of measuring inequality instead of highlighting discussions on the political influence and tax evasion of the Top 1%. Instead, instructors can introduce ECON 101 students to all or some of the ideas of equality of opportunity, equality of outcome, upward social mobility, the impact of neighbourhood, segregation, assortative mating, and discrimination in credit and housing markets.[7] These ideas can be best introduced by connecting with the childhood memories of students through the Disney animation *The Princess and The Frog.* The story is set in 1920s New Orleans and shows the contrast between the wealthy neighbourhood where the protagonist Tiana's mother works as the help, and her segregated neighbourhood of working-class black families. The story continues through Tiana's adulthood when she works double shift at a local diner whereas her wealthy childhood friend, Charlotte, grows up to be an elite socialite.

Suggested Activities:

Instructors do not have to watch the full-length animation to showcase two short video clips from the Disney animation. All they need to know is that Tiana and Charlotte grow up in segregated neighborhoods. The former in a black neighborhood with less amenities and the latter in a posh neighborhood with abundant resources. This difference becomes clear over time when the two girls end up as working-class server and rich socialite respectively. Moreover, Charlotte, the rich socialite is interested in marrying Prince Naveen whereas Tiana works double shifts to save every penny to open her own restaurant. These YouTube video clips , whose links are provided below Video Clip1 and Video Clip 2, are 5:08 and 2:38 minutes respectively and can be easily shown in class based on Fair Share laws that allow showing the video for non-profit educational purposes in a closed classroom (as opposed to public viewing) in places where such laws exist.[8] The video clips can be used as a hook to facilitate discussions on racial discrimination and the impact of luck on one's life course. Instructors may guide the discussion for relatively indifferent students as follows:

1. Based on video clip 1, instructors can ask students to contrast the starkly different neighbourhoods of the two girls. Instructors can then discuss segregation and discrimination in the housing and credit markets that do not allow Tiana's parents to live in a white neighborhood with better education facilities and which inhibits upward social mobility. Moreover, they can broach the issue of some equality of outcome that can be achieved through transfer payments to Tiana's parents to afford some equality of opportunity for Tiana.

2. Based on video clip 2, Charlotte can spend money in a single day that would take Tiana a long time to save. Instructors can use this observation to discuss discrimination in the credit market in that Tiana would face incredible hurdles in obtaining a bank loan to open her restaurant. Instructors can make the point that Tiana's working-class background precludes her from a bank loan. Thus, even in the absence of overt racism, Tiana's upward social mobility is systemically undermined.

3. Based on video clip 2, Charlotte seems interested in Prince Naveen. Instructors can use this plot line to discuss assortative mating that further contributes to class-based segregation where class and race often intersect in that Blacks are more likely to fall in the working class. Thus, the rich marry the rich and wealth is concentrated by class, exacerbating racial inequality.

Video Clip 1: Tiana's Place

Source: https://www.youtube.com/watch?v=ySmprrDXutw
Credit: DISNEY

Video Clip 2: The Diner Scene

Source: https://www.youtube.com/watch?v=pUk4qEKOz-w
Credit: DISNEY

4.2 Economics of Incarceration

A criticism of the CORE Insight is that while it mentions statistics that showcase racial discrimination against USA Blacks, it does not delve into the economics of incarceration. However, instructors can elaborate on the economics of incarceration based on Gifford (2019). The author focuses on the benefits and costs of incarceration and argues that by failing to account for crimes while in prison, economic analysis overstates the benefits of incarceration.[9] This is important as the USA is the world leader in incarceration, which is heavily borne by the black community. Gifford mentions that the benefits of incarceration include prevented crime, and the tangible cost of money spent on security and the intangible cost of suffering. The costs of incarceration include the construction and operation of correctional facilities and the lost productivity of incarcerated individuals. Additionally, there are costs of disruption of the prisoners' families and increased reliance on public welfare. Here, it is important to note Robert Merton's strain theory that poor people are more likely to be forced into crime if they are not able to realize their aspirations in legal ways due to structural racism (Merton, 1938).

Gifford (2019) argues that cost-benefit analysis of incarceration does not account for crimes like sexual abuse in prisons that impact the mental and physical health of inmates. The author critiques arguments that crime in prisons is deserved or that it is better to have crime against criminals than against innocent civilians. He argues that prison crime is not deserved, as the least hardened inmates like young people, who are at the highest risk of experiencing prison sexual abuse, are targeted. Finally, apart from nuancing the discourse on the economics of incarceration, he critiques the ideas of Gary Becker that crimes like fraud and theft do not involve social costs as resources are simply transferred from the victim to the criminal, and crimes like rape and murder where the benefit of criminals does not nullify the suffering of victims.

Suggested Activities:

1. Instructors can:
   - present the cost-benefit analysis delineated above that shows that the benefit of incarceration is overstated.
   - Engage intermediate students to question whether Gary Becker's views downplay the social cost of crime.
   - Make the connection between Becker's views on crime and racism by questioning whether Becker's model downplays racism, as it treats prejudice as taste and assumes textbook conditions of competition for the elimination of racial discrimination.

2. For ECON 101 students, instructors can use the following short 2:50 minute video by civil rights advocate Anthony Kapel Jones popularly known as Van Jones on the justice system as a hook to reiterate Gifford's (and others') ideas (2019), i.e., the U.S. incarcerates more than any other peer country in the world, that black communities are disproportionately targeted, that former prisoners face discrimination in the

credit, housing, and labour markets, and that too many resources are wasted through incarceration.

Video Clip 3: How Our Criminal Justice System Targets Communities

Source: https://www.youtube.com/watch?v=hZZmMrFQzVs

4.3 Economic Pluralism and Decolonizing Economics

de Muijnck and Tieleman critique the CORE online textbook for advancing pluralism whereby conflicting ideas are excluded (2021, p. 65). They view pluralism as facilitating critical evaluation of diverse ideas and as supporting interdisciplinarity that is often celebrated in social sciences other than economics (pp. 69-71). They argue for including the work of minority economists: including such voices allows addressing topics like power, discrimination, racism, colonialism, exploitation, and unequal life chances, which have been ignored in the theories constructed by privileged white men (pp. 111, 112, 120). Thus, they call for economic pluralism and decolonizing economics. However, black economists and scholars are not a monolith. Thus, the literature on systemic, structural, or institutional racism can be contrasted with the work of black scholars including Sowell (2001), Williams (2015), and Reed (2018). This comparison brings multiple perspectives in class and facilitates critical thinking.

Both Komlos and the authors of the CORE Insight focus on statistical disparities and systemic racism. To illustrate, they highlight the disproportionate impact of the COVID pandemic on Blacks. Komlos (2021b) mentions that Blacks perished at twice the rate of Whites, as they were essential workers and could not afford to isolate and miss work.

Similarly, Bottoroff et al. (2022) state that black-owned businesses received fewer funds than white firms to stay afloat during the pandemic. Yet, the literature on systemic racism indicates that unconscious bias allows some to have the illusion that white people experience more discrimination or that black people are responsible for their own situation (Banaji et al., 2021). Additionally, even people of other races are noted to hold implicit race bias against black people (ibid, 2021).

Williams (2015) argues that there is no evidence that there will be proportional representation by race across income, education, and other outcomes in the absence of discrimination. He illustrates this by referring to the disproportionately higher number of Black basketball players, Jewish Nobel Laureates, Asian top scorers in the SATs, and the higher incidence of different diseases in various ethnic communities. However, according to Komlos, these are tiny groups where such differences can arise normally. The law of large numbers is different. The point is that one expects that in the absence of discrimination income would not depend on skin colour unless there was a fundamental difference in intelligence. Since there is no difference in intelligence by skin color, it must be discrimination that accounts for differences in income.

Similarly, Sowell (2001) criticizes defining a level playing field as equalizing probabilities of success. He refers to the disproportionate representation of Chinese ancestry billionaires in Southeast Asia, beer producing firms by people of German ancestry in the U.S., attributing this to cultural differences. However, the connection between these examples and income distribution is not clear. Regardless, he states that we cannot prove discrimination from statistical disparities. He mentions that the same data that is used to showcase discrimination against Blacks in the credit market can be used to show that Whites were also turned down on loans at a relatively higher rate than Asian Americans. Moreover, he argues that simply attributing statistical disparities to racism draws attention away from the real causes that need attention like cultural differences where Asian American students who get Bs are more likely to be rebuked by their parents than black students who receive Cs. However, in the absence of evidence, this seems anecdotal.

Similarly, Reed (2018) argues that attributing statistical disparities of less wealth, higher unemployment, and higher incidence of disease among Blacks to race emphasizes rhetoric at the expense of combating racial inequality through egalitarian redistribution. He illustrates that ideological activists were concerned more with racial parity under neoliberalism than the policy agenda of Bernie Sanders during the 2016 election (i.e., a tax on billionaires, free public higher education, and a $15/hr. minimum wage). Moreover, Reed argues against this race reductionism by stating that it diverts attention from the more complex causes of racial inequality (Reese, 2021).[10] For instance, he argues that attributing some Blacks' resistance to taking the COVID vaccine to the collective memory of the Tuskegee experiments, which led to the death of black patients, detracts from the issue of inequitable access to COVID vaccines. Finally, he reiterates focusing on neoliberalism instead of race and argues that the focus should be on the right to a job and a living wage whether it is called socialism or capitalism with a human face.

Overall, black scholars like Sowell (2001), Williams (2015), and Reed (2018) do not share the same view on statistical disparities as others in the literature on systemic, structural, or institutional racism. Moreover, while Sowell highlights cultural attitudes, Reed focuses on egalitarian redistribution. While at the centre right and centre left respectively, each remains critical of ideological anti-racism activists.

Suggested Activities:

The ideas highlighted by Komlos and the CORE Insight on the one hand and those emphasized by Sowell (2001), Williams (2015), and Reed (2018) on the other hand provide space for economic pluralism by facilitating the comparison of multiple perspectives. Instructors can assign Sowell (2001), Williams (2015), and Reed (2018), which make for short readings, and guide students through various discussions as follows:

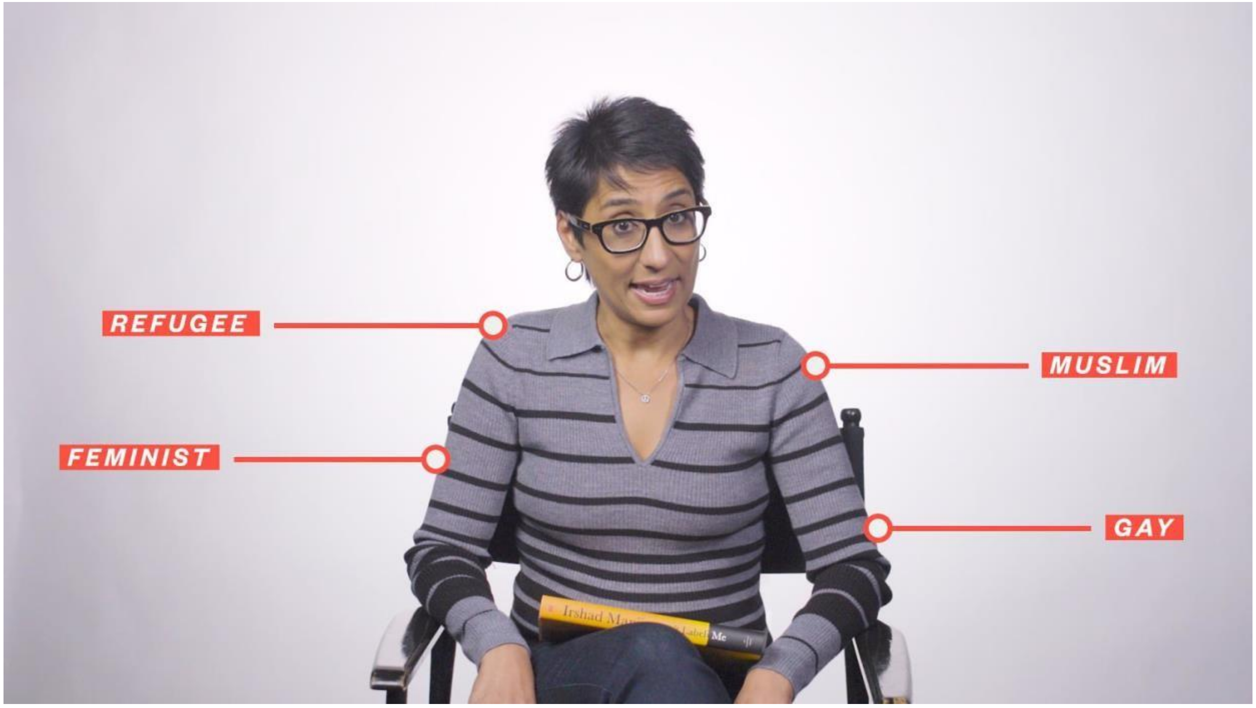
1. Black scholars like Sowell (2001) criticize the focus on statistical disparities, as it draws attention away from issues like cultural attitudes. Instructors can ask students if emphasizing cultural differences is warranted considering the thesis by Ha-Joon Chang (2022, pp. 7-11) that culture has both positive and negative elements and that cultural explanations are often ex-post rationalizations. For instance, Confucian culture can be characterized by hard work, education, and saving but also as discouraging creativity and upward social mobility. Thus, instructors can ask students to question the relative importance of minority culture versus the larger societal systemic/institutional racism.

2. Instructors can argue from Banaji et al. (2021) that racism is widespread, as people of various races are noted to hold implicit race bias. This is important, as it removes excessive criticism or defensiveness situated in the context of the white community. As an exercise, instructors can ask students to explore a short online article by Sharma (2022) that showcases that in Indian cities, Muslims and Dalits face residential segregation with poor public services for piped water and sewage. Instructors can ask students to draw any parallels with the housing segregation experienced by black communities in the U.S.

3. Reed (2018) is critical of the multibillion-dollar diversity industry, instead emphasizing policies that combat racial inequality through egalitarian redistribution. However, a non-binary approach that rejects an either/or framing would allow common ground between those who highlight racism and those who focus on policy change.

In this regard, instructors can show educator Irshad Manji's 3:34 minute short video to emphasize the point that diversity is not based on fitting people into a box and that it is important to listen to different perspectives to find common ground instead of jumping on the bandwagon of a trendy narrative. This becomes clear from the video, as Manji shows how a biracial hip hop artist and a white confederate symbol supporter find common ground by listening to one another instead of engaging in identity or purity politics. Although, it must be noted that such an atypical approach does not necessarily work in all contexts and places.

Video Clip 4: Diversity Based on Labels Is Not Diversity At All



Source: https://www.youtube.com/watch?v=yo4OBDmlkRY

5 Conclusions

Teaching the economics of racism has become particularly important after the 2020 BLM protests against police violence and systemic racism. The literature indicates that markets do not drive out racism and discrimination, because the stylized ECON 101 assumptions of competitive markets, full employment, and perfect factor mobility are not obtained in the real world. Moreover, neoclassical theory has long been critiqued for not accounting for systemic discrimination. Gary Becker, for instance, completely disregarded the social, psychological, and moral aspects of discrimination. However, neoclassical economics textbooks continue to provide stylized theory instead of more nuanced positions in the economics of racism literature. As alternative options, both the Komlos textbook and the CORE Insight highlight systemic racism and statistical disparities. The difference is that where Komlos focuses on critiquing mainstream economic theory, the CORE Insight authors elaborate on historical and current racial discrimination, segregation, and political exclusion of blacks in the U.S.

The activities provided by the CORE Insight include reading journal articles, working with an online map, and working with data and models. However, instead of delving into technicalities of methodology, the three pedagogical contributions in this paper are based on short YouTube videos and guided discussions aimed at the introductory, intermediate, and elective course levels:

- The Disney animation attracts student attention at the ECON 101 level, broaching ideas including upward social mobility, neighbourhood segregation, assortative mating, and discrimination in credit and housing markets.
- No discussion of racism is complete without discussing incarceration; therefore, the economics of incarceration can be broached at an intermediate microeconomics level.
- Contrasting the literature on systemic, structural, and institutional racism with the work of Black scholars like Sowell (2001), Williams (2015) and Reed (2018) allows for multiple perspectives and facilitates critical thinking. However, tackling controversial ideas is more suitable for an elective topics class where non-binary thinking allows to highlight that racism is a widespread phenomenon and that Black scholars do not share the same view on systemic racism.

Instructors only have to set aside a 50-minute class session to address the economics of racism at the ECON 101 or intermediate microeconomics level. They can delve into greater detail in an elective topics course. Whether as an optional topic or as one of the main topics in class, students would be receptive to discussing this issue given social media that amplifies trendy narratives. What better way to make economics relevant to students than delving into the pressing issues of our times including the economics of racism.[11]

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[1] However, American textbooks stress the Becker model. For a critique, see Komlos (2023, pp. 320-322).
[2] Also see, Strenio (2019).
[3] Piketty (2022, p. 10) notes that the Civil Rights movement ended legal racial discrimination without ending discrimination; i.e., deeply entrenched societal discrimination does not end just because the law is changed.
[4] It does not have to be customers or employees. According to Komlos (2023, p. 321), there can be organized pressure from society such as the Klu Klux Klan and the associated threat of violence.
[5] See Todorova et al. (2025, forthcoming).
[6] Although, it is difficult to prove anything in the social sciences; the best that we can do is to demonstrate causality.
[7] See Chetty and Hendren (2018) and Chetty et al. (2020).
[8] See Fair use on YouTube: https://support.google.com/youtube/answer/9783148?hl=en
[9] See Strenio (2019) for an interesting discussion on what to do during incarceration, especially pluralist teaching and the acquisition of human capital.
[10] Reese (2021) interviews Reed on race reductionism.

[11] The use of the term ‘economics of racism’ may raise the issue of economic imperialism where the neoclassical economic approach is applied to explain various facets of life. My purpose here is to co-opt that usage and use it to mean it what I want it to say. It’s like progressive Muslims wresting Islamic ethics away from neo-traditionalists.