

# When governments go wrong

Session 13

PMAP 8141: Microeconomics for Public Policy  
Andrew Young School of Policy Studies

# Plan for today

Economics, identity, and whiteness

Public policy and the  
institutional legacies of  
white supremacy

# Economics, identity, and whiteness

# Economic principles you should care about

## Institutions

Keeping the plumbing working with norms and rules

## Public goods provision

Public goods, externalities, monopolies, information

## Redistribution

Fairness and equity

# Without these, society breaks

## Institutions

Nobody trusts anyone; hare-hare defection

## Public goods provision

Underprovision of public goods

## Redistribution

Underprovision and underinstitutionalization is unequal

# Shared national identity is essential for all three

Countries with less ethnofractionalization  
and greater identity have stronger welfare  
systems and more public goods

Unequitable public policies

Decreased public goods provision

Unequal access to institutions

Increased fractionalization

Unequitable public policies



**Noah Smith** @Noahpinion · 28 Dec 2017

4/Let's make this a little more concrete.

In America, we have had under-investment and political dysfunction for decades because a significant chunk of white Americans don't want to pay for stuff that benefits black Americans.

**Noah Smith** @Noahpinion

In the airport line. Met some Trump fans from Louisiana. They kept saying the EITC gives money to lazy black people who game the system.

# Who gets to be an “American”?

Catholics?

Irish?

Italians?

Chinese?

Japanese?

African Americans?

Mormons?

Full benefits of citizenship have  
been contingent on “whiteness”





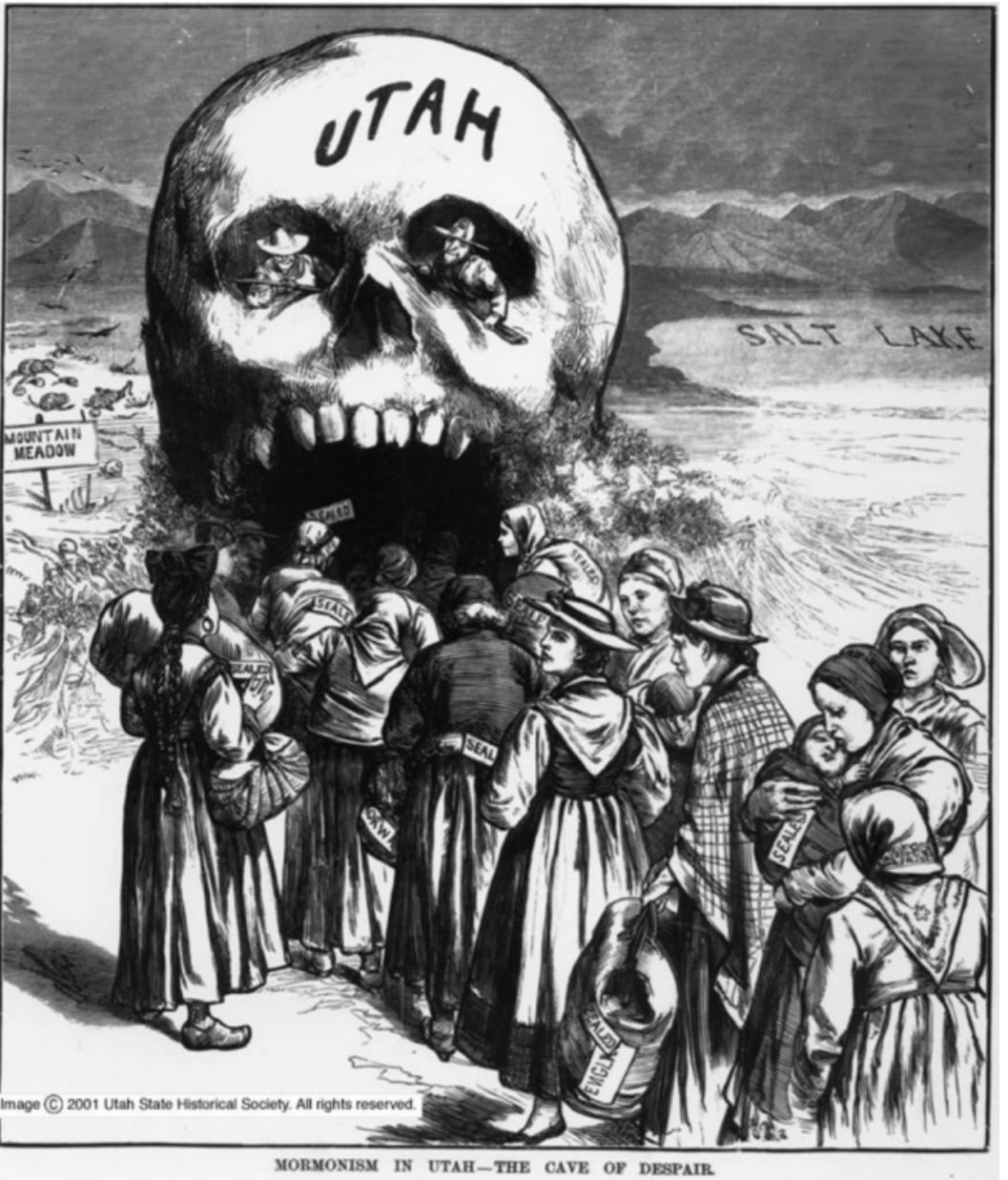
C. J. Rudd, "Mormon Elder Berry—out with his six year olds, who take after their mothers," 1904



Twin relics of barbarism

Slavery

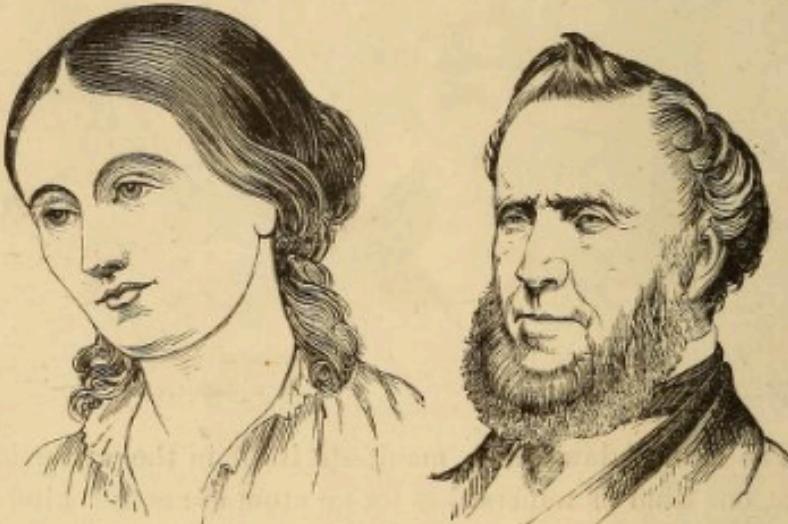
Polygamy



## MONOEROTICITY.—MONOGAMY

### THE DISPOSITION TO LOVE ONE ONLY.

*The dove or round shape of the eye openings is the most unexceptionable evidence of large mating love.*



Monoeroticity Large—Mrs. Margaret Fuller Osoli, who preferred to drown rather than to leave her husband.

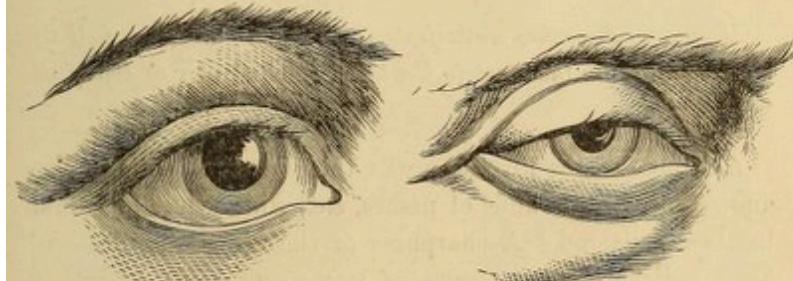
Monoeroticity Small—Brigham Young, the noted polygamist.

The attention is riveted upon the being on whom we have lavished our love and affection, to the exclusion, for the time-being, of any other object that may be within the range of vision, and we find that a tendency to unity

## POLYEROTICITY.—POLYGAMY.

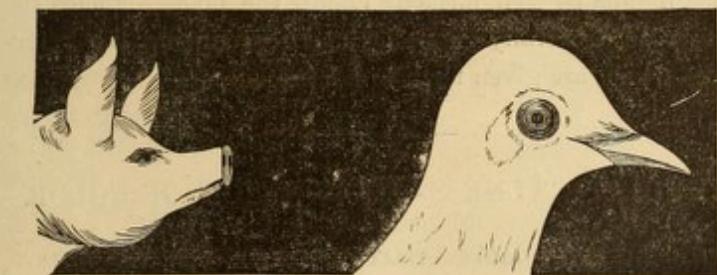
### THE DISPOSITION TO LOVE MANY.

*The amount of love for the opposite sex may be known by the fulness of the eyes, and its quality by the shape of the commissures, or opening between the lids of the eyes. When the opening is quite almond-shaped, promiscuous love prevails in that form; if the commissure has great vertical measurement, the love is connubial.*



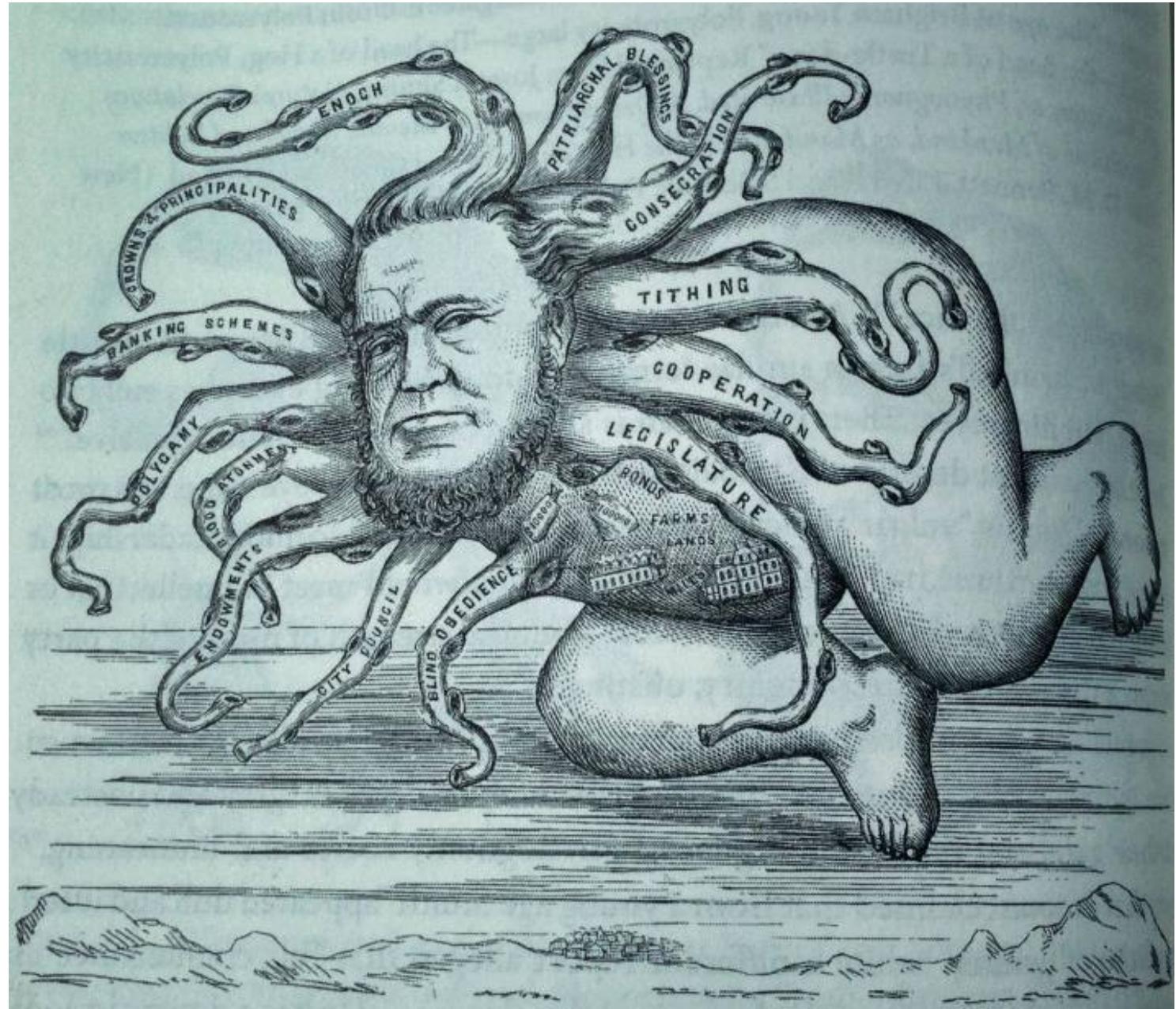
Polyeroticity Small—The eye of Mrs. Margaret F. Osoli.

Polyeroticity Large—The eye of Brigham Young.



Polyeroticity Large—The head of a Hog (*Genus Sus*).

Polyeroticity Small—the head of a Turtle-dove (*Turtur Auritus*).



Mormons had to prove their  
“whiteness” to gain access to  
political and economic  
institutions

So have many other ethnic  
and religious groups

**MASSIVE GLARING EXCEPTIONS**

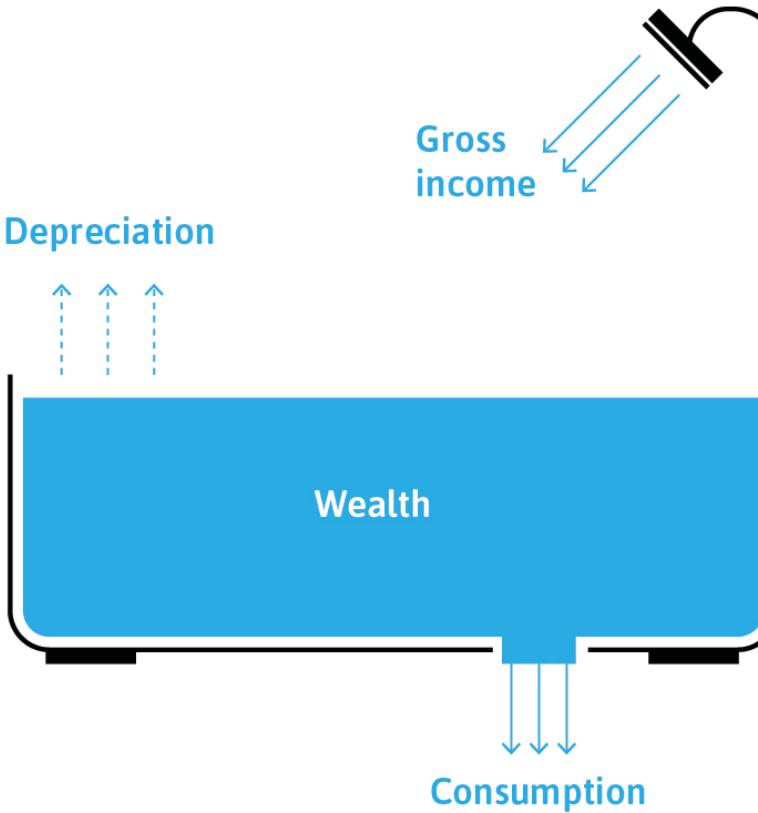
# Public policy and the institutional legacies of white supremacy

# Slavery

...the most intractable and longest lasting aspect of American ethnofractionalization

...an area where public policy has (very) often been (very) detrimental

# Assets vs. income



Why are assets important for wealth?

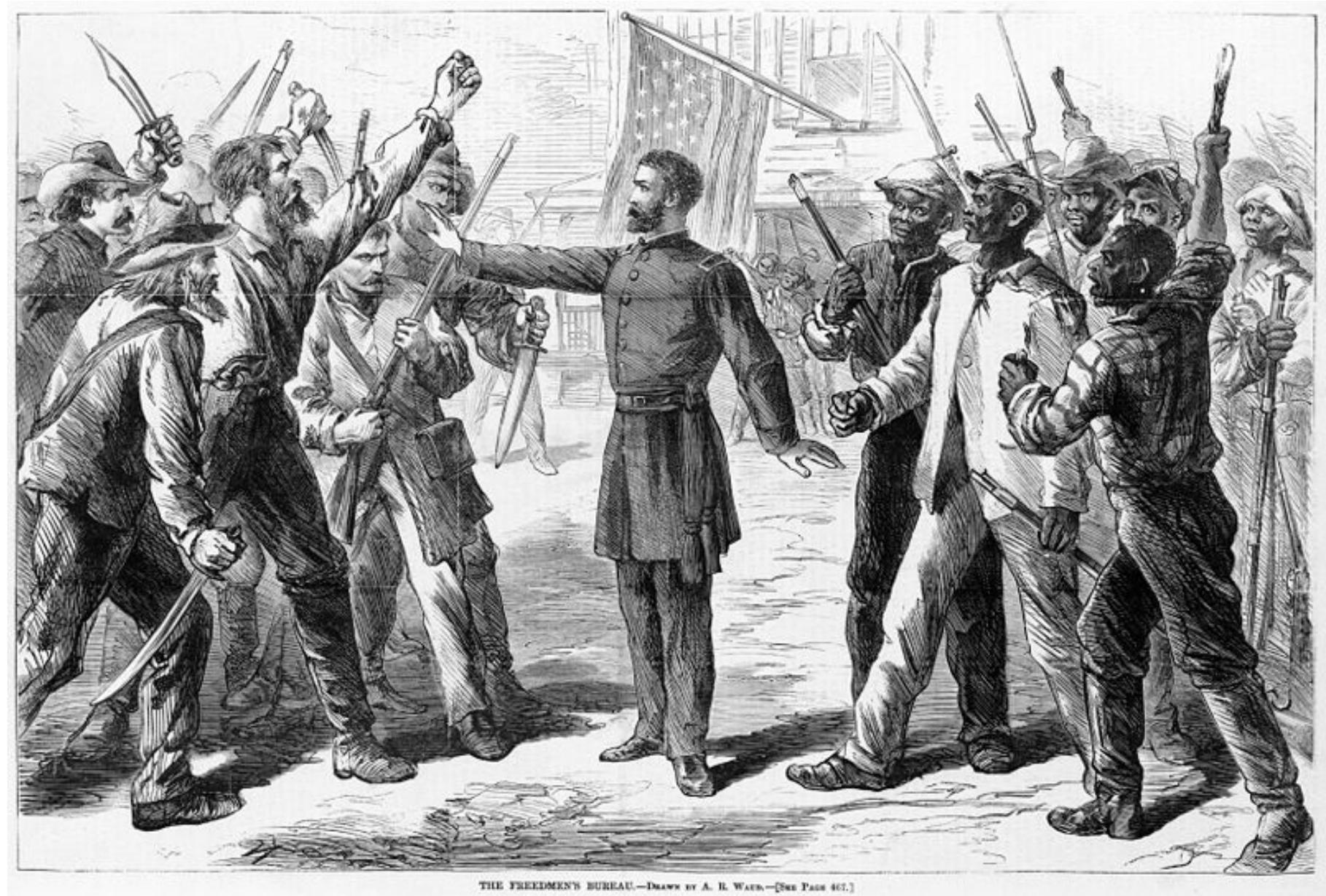
**“It’s all right to tell a man to lift himself by his own bootstraps, but it is a cruel jest to say to a bootless man that he ought to lift himself by his own bootstraps.”**

—Martin Luther King, Jr.  
May 8, 1967 NBC interview

“40 acres  
and a mule”

## The Freedman's Bureau

Designed to  
promote  
assets



THE FREEDMEN'S BUREAU.—DRAWN BY A. R. WAUD.—[SEE PAGE 40.]

Repeal of inconsistent laws.

SEC. 20. *And be it further enacted*, That all acts and parts of acts heretofore passed, which are inconsistent with any of the provisions of this act, are, for the purposes of this act, hereby repealed, so far as the same are inconsistent herewith.

APPROVED, May 17, 1862.

May 20, 1862.

CHAP. LXXV.—*An Act to secure Homesteads to actual Settlers on the Public Domain.*

Certain persons may enter certain quantities of certain unappropriated public lands.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That any person who is the head of a family, or who has arrived at the age of twenty-one years, and is a citizen of the United States, or who shall have filed his declaration of intention to become such, as required by the naturalization laws of the United States, and who has never borne arms against the United States Government or given aid and comfort to its enemies, shall, from and after the first January, eighteen hundred and sixty-three, be entitled to enter one quarter section or a less quantity of unappropriated public lands, upon which said person may have filed a pre-emption claim, or which may, at the time the application is made, be subject to pre-emption at one dollar and twenty-five cents, or less, per acre; or eighty acres or less of such unappropriated lands, at two dollars and fifty cents per acre, to be located in a body, in conformity to the legal subdivisions of the public lands, and after the same shall have been surveyed: *Provided*, That any person owning and residing on land may, under the provisions of this act, enter other land lying contiguous to his or her said land, which shall not, with the land so already owned and occupied, exceed in the aggregate one hundred and sixty acres.

Such persons to make affidavit.

Contents of affidavit.

Certificates and patents, when to issue and upon what proof.

Affidavit.

Provision in case of death of applicant, &c.

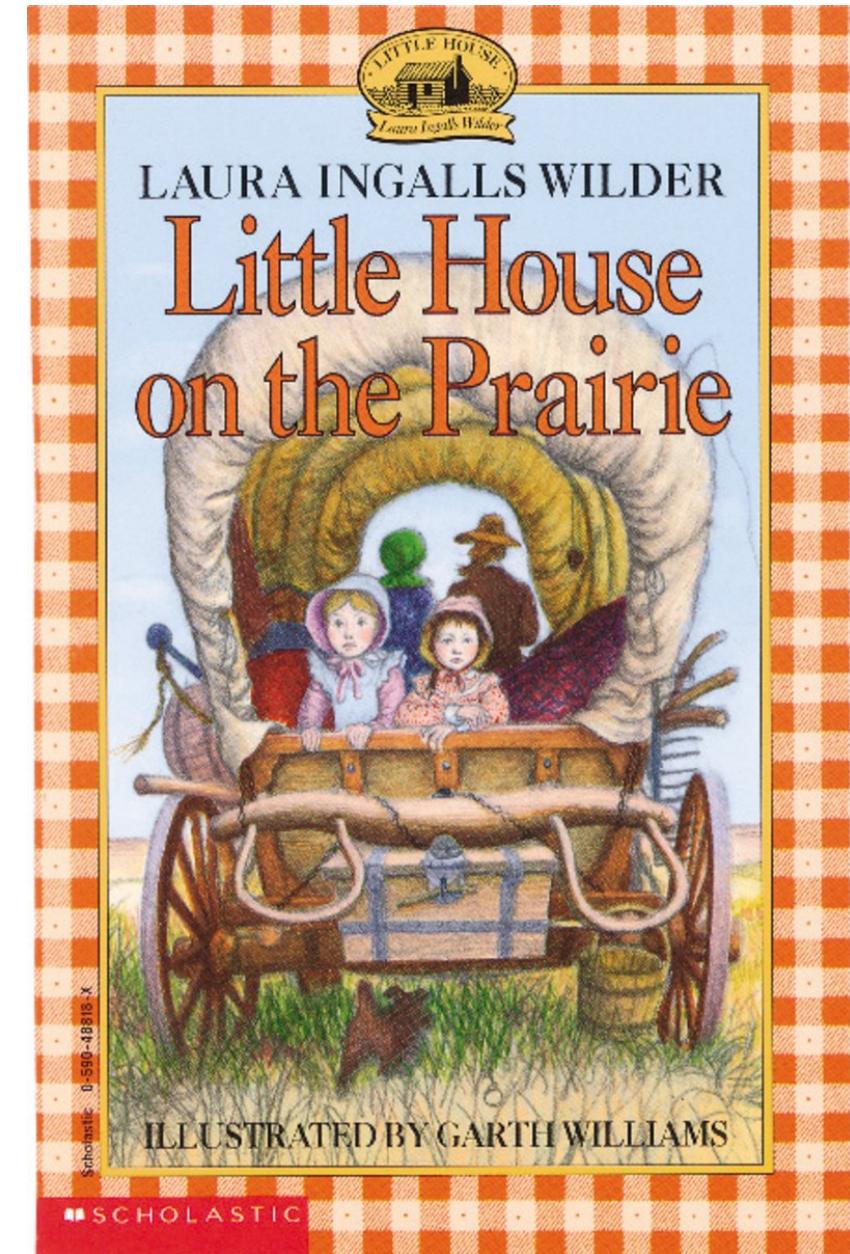
SEC. 2. *And be it further enacted*, That the person applying for the benefit of this act shall, upon application to the register of the land office in which he or she is about to make such entry, make affidavit before the said register or receiver that he or she is the head of a family, or is twenty-one years or more of age, or shall have performed service in the army or navy of the United States, and that he has never borne arms against the Government of the United States or given aid and comfort to its enemies, and that such application is made for his or her exclusive use and benefit, and that said entry is made for the purpose of actual settlement and cultivation, and not either directly or indirectly for the use or benefit of any other person or persons whomsoever; and upon filing the said affidavit with the register or receiver, and on payment of ten dollars, he or she shall thereupon be permitted to enter the quantity of land specified: *Provided, however*, That no certificate shall be given or patent issued therefor until the expiration of five years from the date of such entry; and if, at the expiration of such time, or at any time within two years thereafter, the person making such entry; or, if he be dead, his widow; or in case of her death, his heirs or devisee; or in case of a widow making such entry, her heirs or devisee, in case of her death; shall prove by two credible witnesses that he, she, or they have resided upon or cultivated the same for the term of five years immediately succeeding the time of filing the affidavit aforesaid, and shall make affidavit that no part of said land has been alienated, and that he has borne true allegiance to the Government of the United States; then, in such case, he, she, or they, if at that time a citizen of the United States, shall be entitled to a patent, as in other cases provided for by law: *And provided, further*, That in case of the death of both father and mother, leaving an infant child, or children, under twenty-one years of age, the right and fee shall enure to the benefit of said infant child or children; and the executor, administrator, or guardian may, at any time within two years after the death of the surviving parent, and in accordance with the laws of the State in which such children for the time being have their domicil, sell

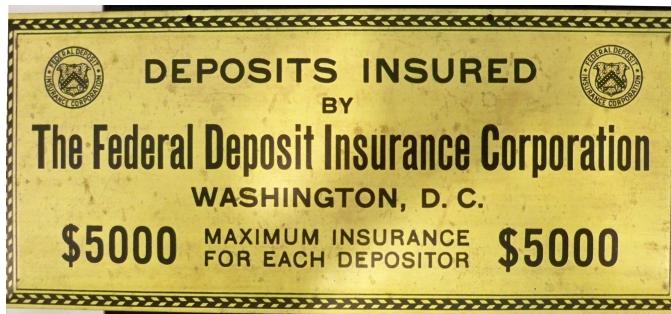
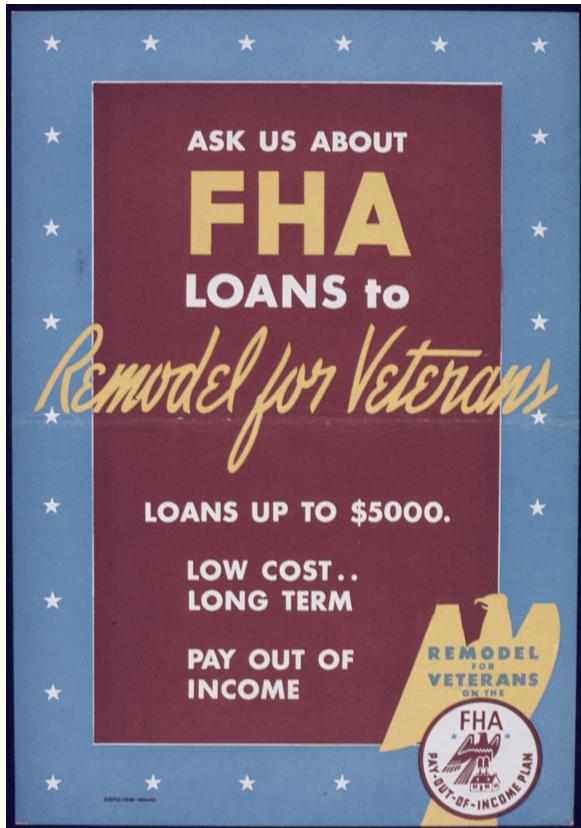
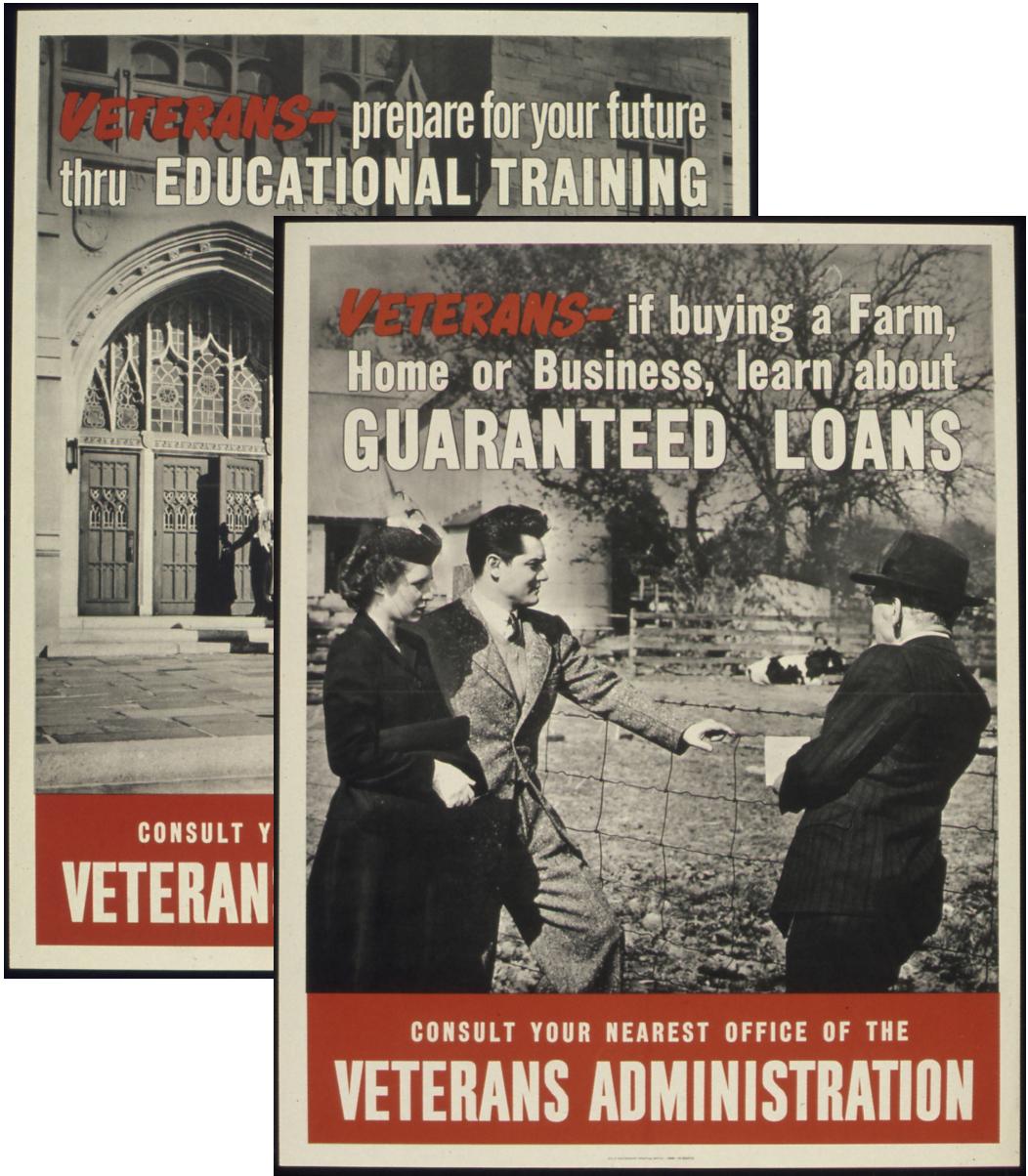
# Homesteading Act of 1862

160 acres  
in the west

Distributed 80 million acres by 1900, mostly to white settlers

(Promoted assets)





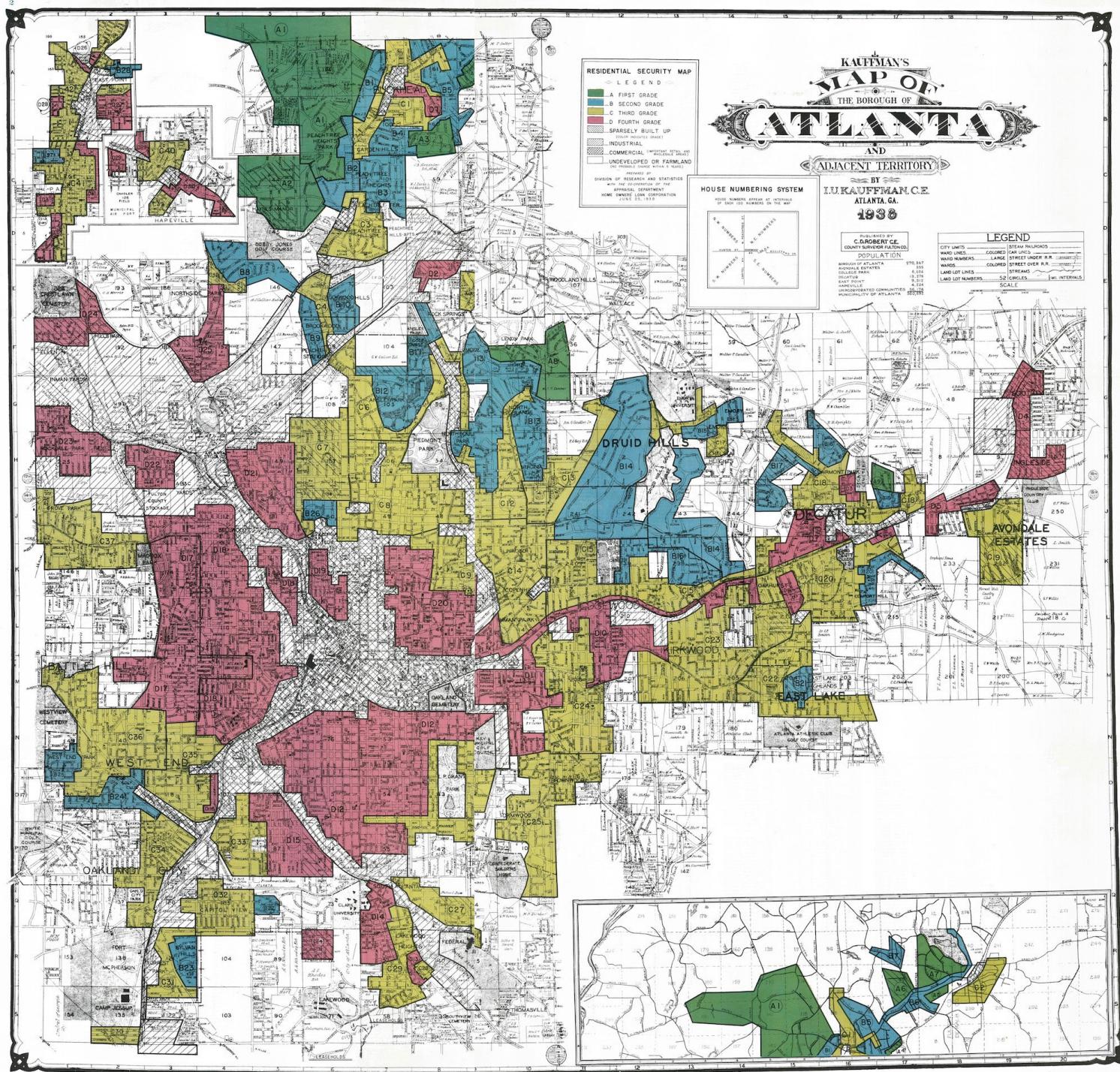
Designed  
to boost  
assets

Access to  
programs was  
unequal and  
racialized

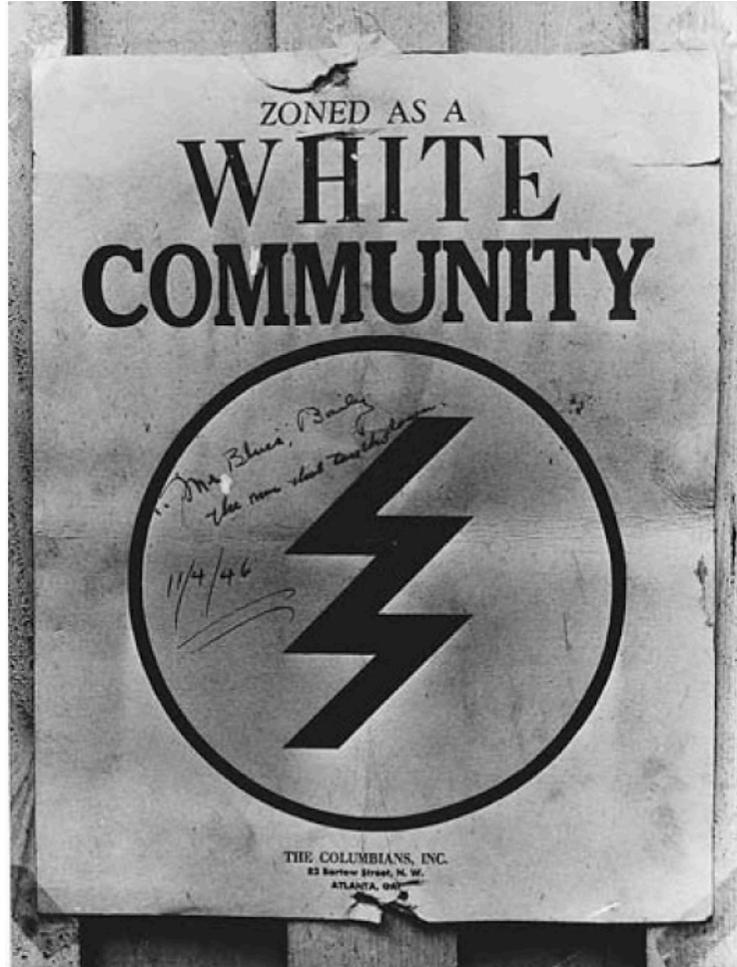
# Implementation of FHA was systemically racist

[andhs.co/atl-redlining](http://andhs.co/atl-redlining)

[andhs.co/atl-airport](http://andhs.co/atl-airport)



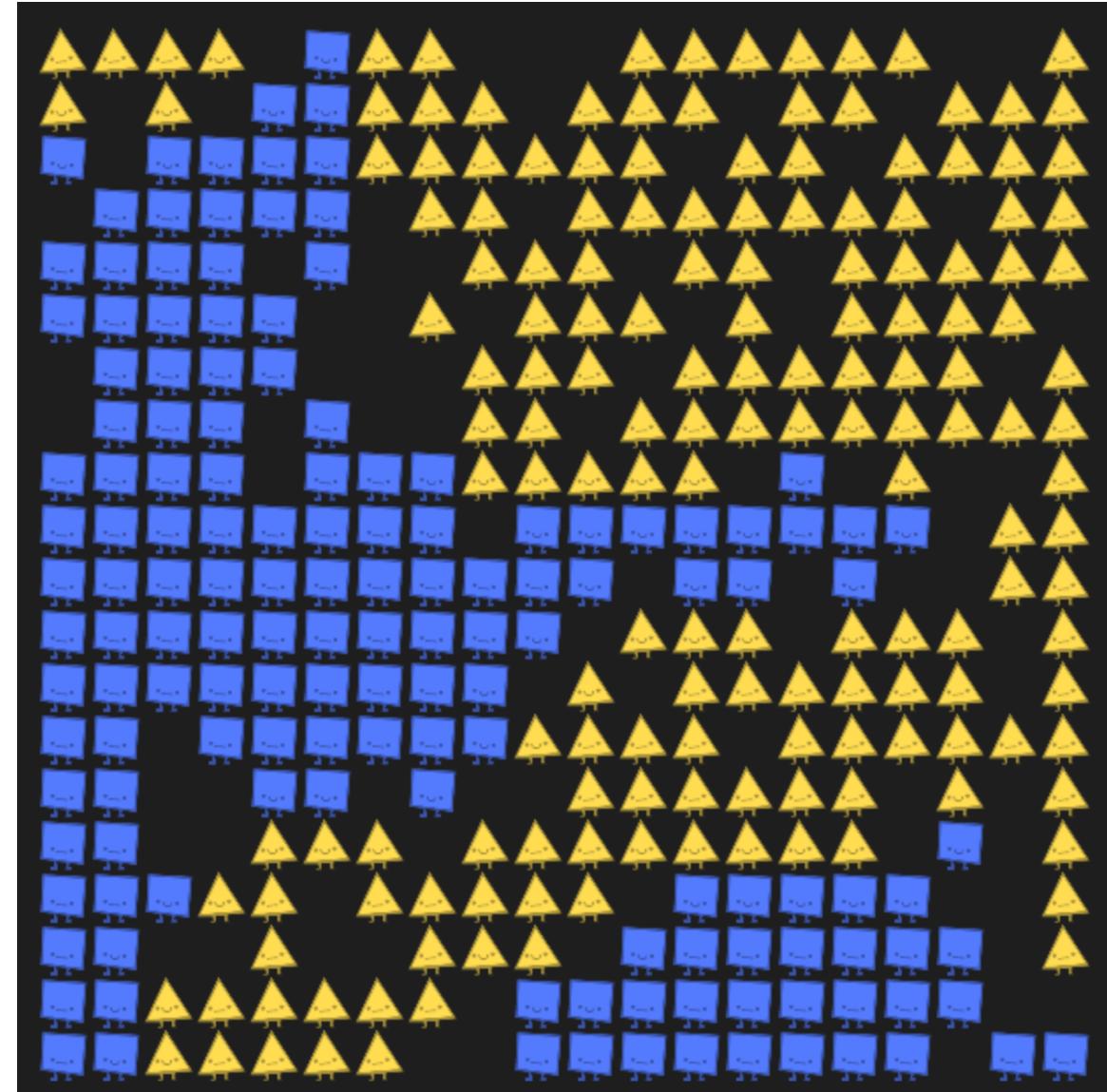
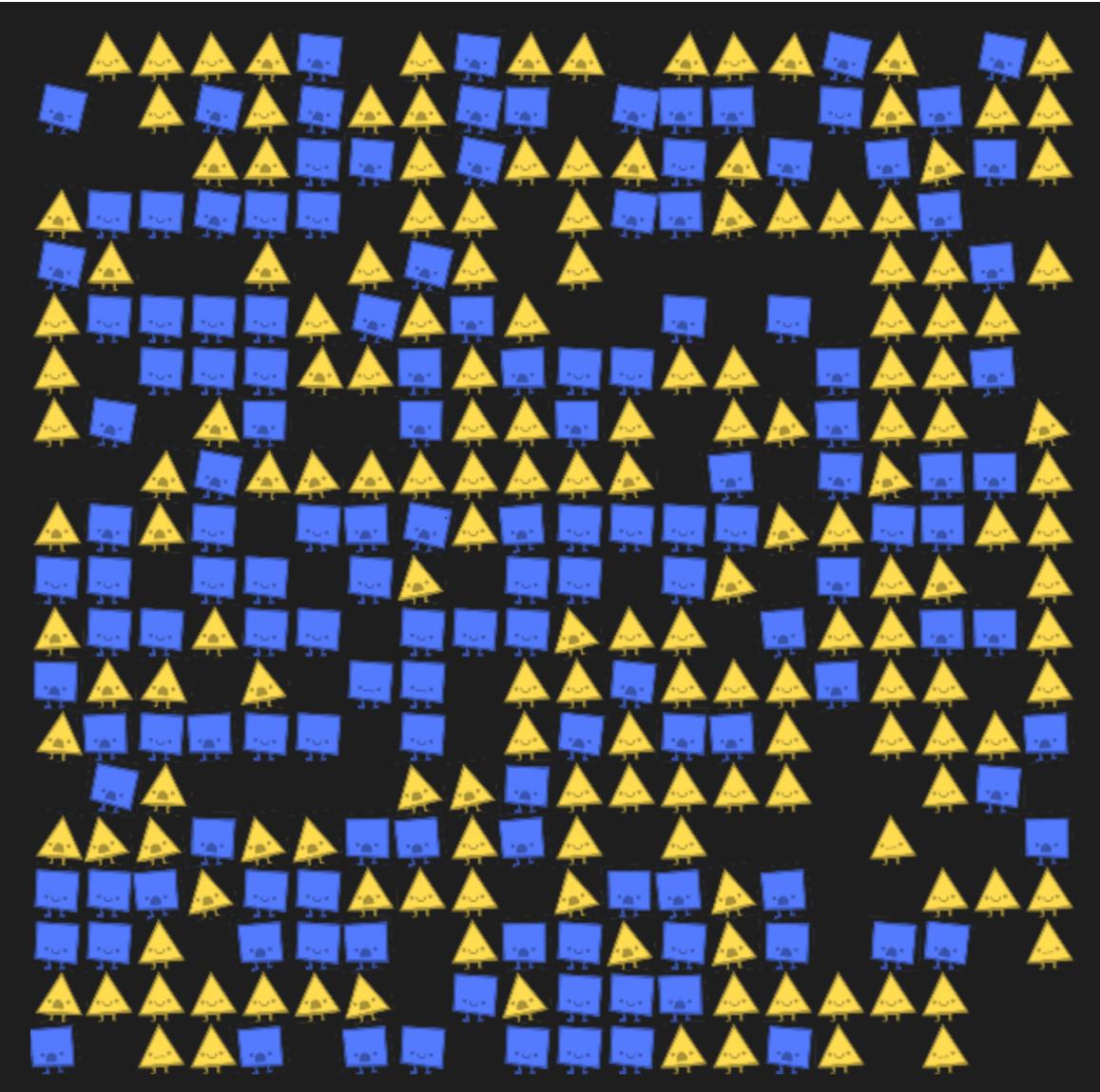
# HOAs, zoning, and white flight in Atlanta



# Civil rights laws in 1960s banned redlining



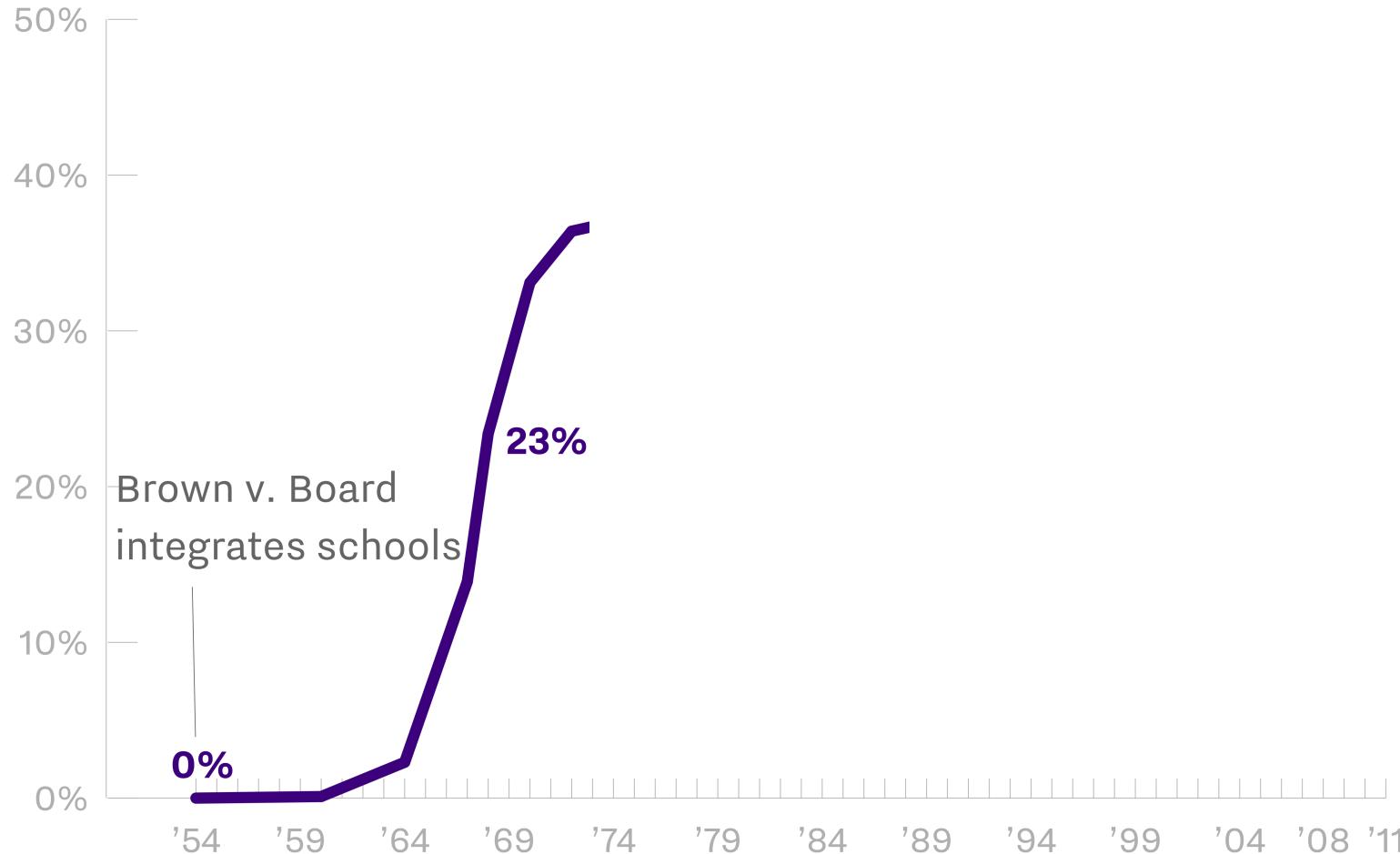
For people of color, banks are shutting  
the door to homeownership



[ncase.me/polygons/](http://ncase.me/polygons/)

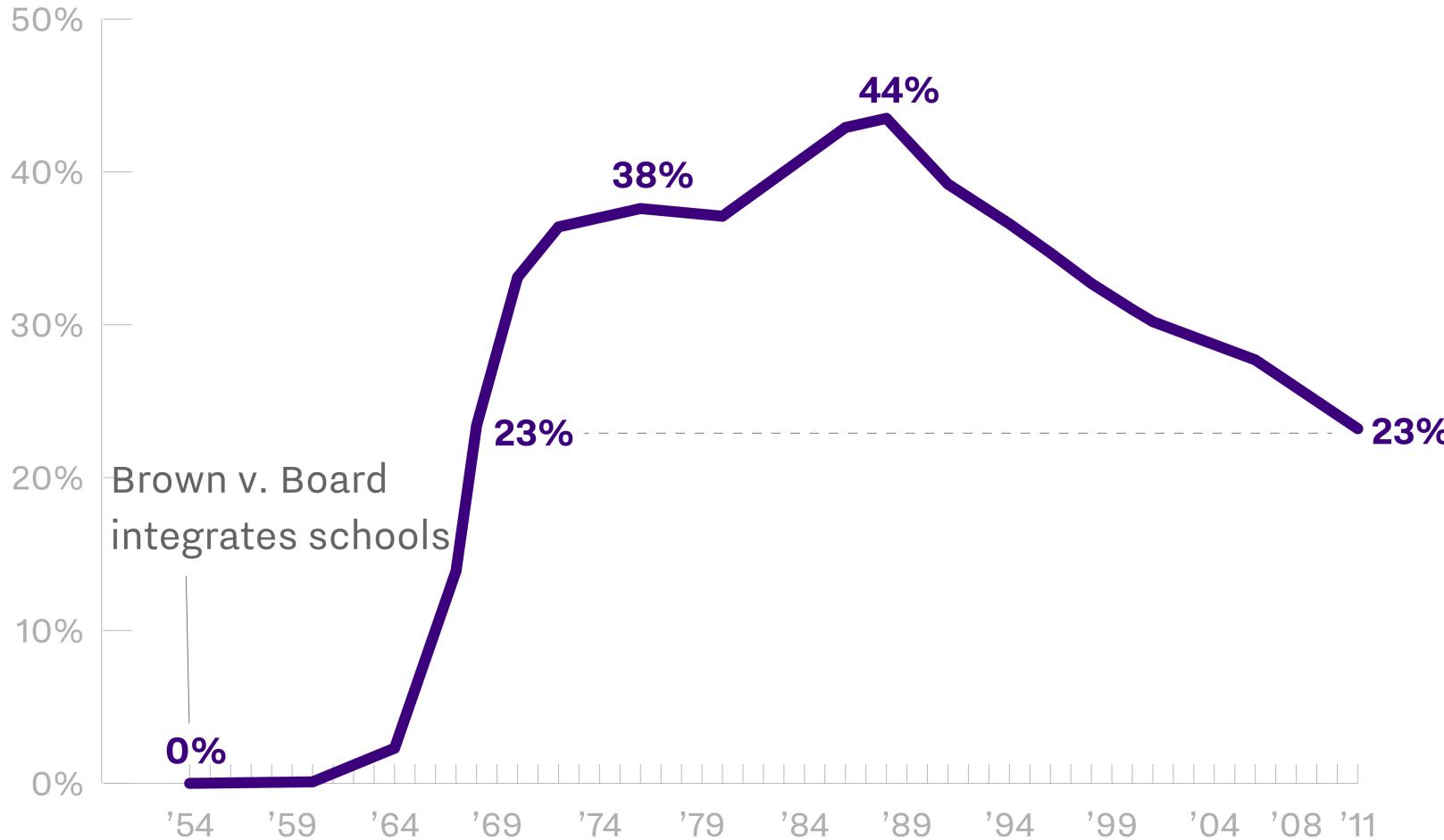


# Percentage of black students in the South who attend schools that are at least 50 percent white



Data from the National Center for Education Statistics, via UCLA's Civil Rights Project

# Percentage of black students in the South who attend schools that are at least 50 percent white



Data from the National Center for Education Statistics, via UCLA's Civil Rights Project



norman rockwell

**“It is the unearned birthright of inheritance or other family transfers that has the greatest effect on wealth accumulation, and likewise is the largest factor erecting barriers to wealth accumulation for people of color.”**

Darity, et al., 3

**“There’s no amount of lattes and avocado toast that you can forego that will take the place of an FHA mortgage to your grandfather.”**

Mehrsa Baradaran

# Policy solutions

**Capitalism and the free market?**

Opinion

# The Real Roots of ‘Black Capitalism’

Nixon’s solution for racial ghettos was tax breaks and incentives, not economic justice.

By Mehrsa Baradaran

Ms. Baradaran is the author of “The Color of Money: Black Banks and the Racial Wealth Gap.”

March 31, 2019



Opinion

# The Real Re

Nixon's solution for racial justice and economic justice.

By Mehrsa Baradaran

Ms. Baradaran is the author of "The Color of Money: Black Banks and the Racial Wealth Gap."

March 31, 2019

Before the 1968 presidential election, the choices for reform seemed clear: housing integration, reparations or both. One Republican candidate, George Romney, called for an integration plan to loosen the “high-income white noose” of white suburbs around black ghettos. Several candidates presented reparations proposals, one of which, introduced in Congress with Republican sponsors, called for federal capital investment and Treasury financing to build up capital in the ghetto.



Opinion

# The Real Re

Nixon's solution for racial justice was economic justice.

By Mehrsa Baradaran

Ms. Baradaran is the author of "The Color of Money: Black Banks and the Future of Racial Wealth." She is a professor at the University of Illinois at Chicago.

March 31, 2019

Before the 1968 presidential election, the choices for reform seemed clear: housing integration, reparations or both. One Republican candidate, George Romney, called for an integration plan to loosen the “high-income white ghettos” of the time. Several candidates introduced in Congress capital investment in the ghettos.



Opinion

# The Real Re

Nixon's solution for racial economic justice.

By Mehrsa Baradaran

Ms. Baradaran is the author of "The Color of Law."

March 31, 2019

Before the 1968 presidential election, the choices for reform seemed clear: housing integration, reparations or both. One Republican candidate, George Romney, called for an integration plan to loosen the “high-income white noose” of white suburbs around black ghettos. Several candidates presented reparations proposals, one of which, introduced in Congress with Republican sponsors, called for federal

capitalism to end racial segregation. While a generation of white Americans had gained wealth through discriminatory government-sponsored credit subsidies for student and mortgage loans, Mr. Nixon pointed blacks to the free market and wished them luck. Black capitalism was so politically appealing, every administration since Mr. Nixon’s has adopted it in some form. Black capitalism morphed into Ronald Reagan’s “enterprise zone” policy, Bill Clinton’s “new market tax credits,” and Barack Obama’s “promise zones.”

# Policy solutions

## ~~Capitalism and the free market?~~



Postal banking

Black banks

The New York Times

***Netflix Moves \$100 Million in Deposits to Bolster Black Banks***

The streaming giant will permanently shift a share of its cash to financial institutions that serve Black communities, allowing them to lend more.

# Policy solutions

~~Capitalism and the free market?~~



Baby bonds

Federal job guarantee

Reparations

# Policy solutions

Target assets, not income,  
for lasting change

Institutional reform/replacement  
more effective than individual actions