Insights into Racial Discrimination from a Sociological Lens

***Dr. Rishi Kumar Sharma**

Race discrimination has been a key area of research in sociology. Sociologists generally define racial discrimination as differential treatment based on race, which may or may not stem from prejudice or animus and may or may not be intentional. This broad understanding has led to a diverse body of research, sharing similarities and differences with economic studies on the same topic.

Many sociological studies on race discrimination will be familiar to economists, as both fields often focus on discrimination in employment, housing, and credit markets (e.g., Pager and Shepherd 2008; Fernandez-Mateo 2009; Gaddis 2015). Similar to economics, sociological research often uses observational data with statistical models where outcomes like wages or employment are regressed on race and other explanatory variables. Sociologists, like economists, have noted the potential issues with this "residual race gap" approach, particularly the problem of unobserved heterogeneity (Cancio, Evans, and Maume 1996; Farkas and Vicknair 1996). Both disciplines also employ field experiments, such as audit or correspondence studies, though sociologists have highlighted limitations like non-representative data and the challenge of measuring actual market discrimination (Pager and Shepherd 2008; Quillian et al. 2017). Furthermore, sociologists have used the study of discrimination to explore broader methodological issues (Pager 2007).

However, sociology's approach to discrimination research is distinct due to its methodological diversity. Sociological research includes large-scale observational studies, ethnographic observations, laboratory or field experiments, and historical document analysis (Small 2011). This variety shapes the evaluation of evidence, leading to differing priorities among sociologists. Some prioritize causal claims (Morgan and Winship 2015), while others value generalizability or unique process insights (Hultin and Szulkin 1999; Turco 2010). Significant sociological research has been associational, such as Wilson's (1987, 1996) work on joblessness and urban social fabric.

Understanding discrimination also involves descriptive questions, such as how much discrimination people expect in job or real estate markets, how employers view black applicants, or how gatekeepers understand their behavior (Pager and Karafin 2009; Light, Roscigno, and Kalev 2011; Kang et al. 2016). Thus, sociological research encompasses both descriptive and causal studies without prioritizing one over the other.

Given this methodological heterogeneity, we propose six sociological perspectives on racial discrimination that may be particularly valuable to economists. These propositions are not necessarily the most central or commonly studied ideas in sociology but are distinct from traditional economic research on discrimination and deserve attention from both disciplines. Some are reflected in recent economic research, potentially bridging the fields. For comprehensive reviews of the sociology of discrimination, see National Research Council (2004), Lucas (2008), and Pager and Shepherd (2008).

Exploring Beyond Taste and Statistical Discrimination in Racial Differential Treatment

Research on discrimination in economics has traditionally focused on two perspectives. The first is the "taste for discrimination" perspective, which suggests that people discriminate when they are willing to pay a cost to avoid interacting with a specific group (Becker 1971, 14). This theory, developed by Becker in the 1950s, explores the effects of discrimination among employers, employees, and customers, and has been applied to various actors, including realtors, employers, and bankers.

The second approach is "statistical discrimination," which posits that employers, lacking complete information about a potential employee, use group characteristics to infer individual qualities (Arrow 1972a, 1972b; Phelps 1972). As Phelps (1972, 659) explains: "[T]he employer who seeks to maximize expected profit will discriminate against blacks or women if he believes them to be less qualified, reliable, long-term, etc., on average than whites and men, respectively, and if the cost of obtaining information about individual applicants is excessive. Skin color or sex is taken as a proxy for relevant data not sampled." This perspective does not require employers to harbor racial animus. The core difference between these two perspectives is the reason behind discrimination: either to reduce contact with a different group or to act rationally when lacking information.

For many years, economists have generally adopted one of these perspectives. Recently, there has been renewed interest in determining whether taste-based or statistical discrimination is a more accurate description of the phenomenon (Guryan and Charles 2013, F417).

In contrast, sociologists have studied racial prejudice extensively (Reskin 2000; Bobo et al. 2012), but few have embraced the statistical discrimination perspective or investigated whether apparent prejudice-based discrimination might actually be statistical discrimination. Sociology lacks a consensus view of decision-making as rational, so proving that discrimination can be explained by reasonable guesses based on group characteristics doesn't offer much insight (Pager and Karafin 2009). Moreover, many sociologists critique both perspectives for assuming that discriminatory decisions are deliberate. Psychological research on implicit bias challenges this assumption. Some economists, informed by this research, propose a third perspective: implicit discrimination. According to Bertrand, Chugh, and Mullainathan (2005, 94), "Under both [conventional] models, individuals consciously discriminate, either for personal reasons or because group membership provides information about a relevant characteristic, such as productivity. Motivated by a growing body of psychological evidence, we put forward a third interpretation: implicit discrimination. Sometimes, we argue, discrimination may be unintentional and outside the discriminator's awareness." This perspective shares the idea with Becker's taste model that discrimination occurs due to racial prejudice but doesn't view individuals as rationally balancing their prejudice against the costs of acting on it.

Questions of intention and consciousness in decision-making are primarily the domain of psychology (see Bertrand, Chugh, and Mullainathan 2005 for a review in the economic context). However, the core critique is significant: implicit bias-driven discrimination does not require conscious decision-making, as conventional approaches suggest.

We extend this critique further. While taste for discrimination, statistical discrimination, and implicit bias perspectives differ in their assumptions about why discrimination occurs, they all agree that discrimination results from an individual's decision to treat people differently based on their background (even if the decision is unconsciously driven). This focus overlooks what sociologists call "institutional discrimination," "structural discrimination," and "institutional racism"—concepts that suggest entities other than individuals may perpetuate racial discrimination (Feagin and Eckberg 1980; Massey and Denton 1993; Oliver and Shapiro 2006; Pager and Shepherd 2008; Reskin 2012). These terms are inconsistently used across social sciences and often ambiguously among lay writers. Nonetheless, substantial evidence indicates that limiting the study of discrimination to individual actions underestimates its prevalence, its role in social inequality, and its impact on labor, credit, and housing markets, among other contexts.

In this essay, we define "institutional discrimination" as differential treatment by race perpetrated by organizations or codified into law. Such discrimination can arise from organizational rules or legal adherence, without stemming from personal prejudice, rational group-based guesses, or implicit racism. Institutional discrimination can take various forms, which we cannot fully cover here (for discussions, see National Research Council 2004; Powell and DiMaggio 1991; Scott 2013). However, understanding several forms of institutional discrimination requires a broader view of the concept.

Institutional Discrimination: Organizational Impact Beyond Individual Intentions

We define an organization as a loosely connected group of people and institutional practices formally structured around a common goal (Small 2009; Scott 2013). Examples include banks, universities, churches, childcare centers, real estate agencies, unions, and country clubs. An organization comprises not only its people but also its institutional practices, which can be shaped by norms or cognitive understandings (Small 2009; Small, Harding, and Lamont 2010).

A norm is a formal or informal expectation of behavior that members of the organization feel compelled to follow. For instance, a university's requirement for tenure cases to include external evaluations is a formal norm (a rule), while the expectation that faculty be polite to students is an informal norm. In both cases, people generally feel some obligation to adhere to these norms, even though they may choose to violate them. A cognition, or "cognitive understanding," is not a mandate but a way of understanding one's situation within the organization. For example, students' belief in the prestige of the economics major is a cognitive understanding, not a formal or informal mandate. Institutional practices, whether normative or cognitive, are generally understood by the organization's members. However, these practices are usually independent of any particular individual, remaining stable even as people enter and leave the organization. This stability is why sociologists distinguish individuals from the normative expectations or cognitive understandings that shape their behavior.

Organizations can discriminate when they implement practices, formally or informally, that result in different treatment based on race, regardless of whether these practices stem from prejudice or whether the people following them are racially prejudiced. For example, many U.S. companies fill job vacancies through referral networks, asking employees to recommend candidates (Mouw 2002; Waldinger and Lichter 2003; Arrow 1998). Social networks are often racially homophilous, meaning people tend to have friends of the same race (McPherson, Smith-Lovin, and Cook 2001). Therefore, a racially homogeneous organization with a referral-based hiring system will likely hire few people of different races, resulting in institutional discrimination even if the actors are not prejudiced.

The actual process is more complex; empirical research suggests that referral-based hiring outcomes depend on factors like the racial diversity of the local region and how jobholders share information about openings (Fernandez and Fernandez-Mateo 2006; Rubineau and Fernandez 2013). Nonetheless, this example shows that an organization can discriminate without a manager's explicit decision to hire based on race (whether statistically or prejudicially).

Many organizational processes that lead to discrimination have a similar pattern: a race-neutral institutional practice applied in a context with existing racial differences or segregation. For instance, during downsizing, companies may lay off managers based on tenure or position importance to avoid bias. Historically, minority managers and women have only recently been included in large numbers, and they are less likely to hold crucial managerial positions (Elliott and Smith 2004). Therefore, a rule based on tenure or position importance will disproportionately affect minority and women managers. A national study of 327 establishments that downsized between 1971 and 2002 found that downsizing reduced managerial diversity, with greater declines in diversity in companies using tenure or position-based layoffs, but not in those using performance evaluations (Kalev 2014). Such patterns explain why sociologists focus on institutional practices when studying organizational racial composition (Dobbin 2009; Kalev 2014; Dobbin, Schrage, and Kalev 2015; Bielby 2000).

Institutional practices are powerful due to their stability and inertia. They persist despite leadership changes. For example, most universities require external evaluations for tenure. A new president is unlikely to change this practice due to potential resistance and questions about their legitimacy. Even if the president believes the evaluations are biased or unnecessary, the practice endures because it is deeply institutionalized.

Not all practices are as entrenched as external reviews in universities. However, practices such as referral-based hiring, tenure-based layoffs, and blanket background checks are deeply institutionalized across organizations. These practices are long-established, taken for granted, and subject to inertia, making them resistant to change and often surviving complete staff turnover. Therefore, focusing only on the decisions of current managers or gatekeepers will likely miss much of what shapes potentially discriminatory actions within organizations.

The Enduring Impact of Historical Discrimination through Organizational Practices

Institutional factors can have a significant impact through the contemporary consequences of past discrimination (Wilson 1978). Some forms of past discrimination were so widespread that they resulted in significant differences across racial groups, with effects that persist today. Many past forms of discrimination were institutional, and their impacts can still be observed in current organizational practices or laws. Consequently, even if all forms of discrimination ceased suddenly, examining historical discrimination remains essential to understanding present conditions. This complex topic encompasses extensive research by historians (e.g., Jackson 1985; Sugrue 1996; Hillier 2003). Two illustrative cases are discussed here.

One well-documented case is the institutionalization of redlining in real estate, influenced by changes in federal law and the actions of organizations like the Home Owners Loan Corporation (HOLC) and the Federal Housing Administration (FHA). The HOLC, established in 1933 to reduce foreclosures during the Great Depression, introduced self-amortizing loans with uniform payments over 20 years, significantly improving homeownership accessibility. The FHA, created in 1934, aimed to stabilize mortgage markets and boost home building, further expanding homeownership by insuring home loans and reducing required down payments.

However, both the HOLC and FHA were pivotal in the spread of redlining. The HOLC's appraisal system evaluated neighborhoods, grading them from A to D. Neighborhoods with the lowest grades were deemed too risky for investment and marked in red on color-coded maps. These assessments explicitly included racial characteristics, with predominantly African-American neighborhoods invariably receiving lower grades. The FHA, through mandatory neighborhood appraisals and its Underwriting Manual, reinforced these practices, discouraging racial integration and promoting racial segregation.

The FHA's guidelines explicitly recommended maintaining racial homogeneity to preserve neighborhood stability. These guidelines, disseminated widely, significantly influenced lenders' practices, making it harder for African-Americans to secure favorable loans or move to predominantly white neighborhoods. While these racial attitudes were not invented by the HOLC or FHA, these agencies institutionalized them, creating a formal risk assessment system that tied neighborhood grades to racial composition and disseminated these ideas nationwide.

The FHA’s enormous influence, due to its insurance of millions of homes, meant that banks adhered to its guidelines, resulting in fewer and less favorable loans for African-Americans. This institutionalization of racial preferences in mortgage lending led to greater racial segregation and lower homeownership rates among African-Americans.

Recent research supports the causal impact of HOLC redlining maps on racial segregation and economic outcomes for predominantly black neighborhoods. Economists from the Federal Reserve Bank of Chicago used various identification strategies to study changes over time in neighborhoods near HOLC boundaries. They found that areas graded 'D' became more heavily African-American and experienced negative effects on homeownership, house values, rents, and vacancy rates, indicating significant housing disinvestment due to restricted credit access (Aaronson, Hartley, and Mazumder 2019).

Although redlining eventually became illegal, its long-term consequences have persisted, particularly in contributing to the black-white wealth gap and broader socioeconomic inequality. Real estate appreciation played a significant role in wealth accumulation for average Americans in the latter half of the twentieth century. Groups with greater access to housing credit accumulated more wealth, and these homes could be used as collateral for educational loans or passed on to children, further perpetuating the racial wealth gap. Consequently, white homeowners and their descendants gained a substantial advantage from cheap, government-funded loans that were either unavailable or less favorable for African-Americans.

The Lingering Effects of Historical Discrimination through Legal Channels

The federal laws that established the Home Owners Loan Corporation and the Federal Housing Administration have significantly contributed to both current and historical racial disparities in wealth due to the institutional practices these organizations developed, enforced, and disseminated. However, laws can also have a direct institutional impact, independent of any organization's creation, with effects lasting multiple generations. This impact can be seen when laws with explicit racial intent initially emerge from prejudice-based discrimination but remain on the books as race-neutral laws that still largely affect the same population. Although overt discrimination has been outlawed over the years through constitutional amendments and the Civil Rights Act of 1964, laws that were explicitly driven by racial prejudice in the past remain in effect. A prime example of this is voting rights.

Many state laws currently disenfranchise imprisoned felons or individuals with felony convictions, disproportionately affecting African-Americans. While these laws do not mention race and align with the US Constitution—which allows the abridgment of voting rights due to “participation in rebellion, or other crime” as stated in the Fourteenth Amendment—their prevalence and scope increased dramatically after the Civil War, following Reconstruction and the ratification of the Fifteenth Amendment, which granted African-Americans the right to vote (Holloway 2009, 2013).

At that time, white politicians openly discussed ways to counter the perceived threat of rising African-American political power, employing strategies such as poll taxes, intimidation, illiteracy tests, and more. In state constitutional conventions, a frequent topic was how to legally restrict the black vote. For instance, a Mississippi political leader recalled efforts to create a constitution to eliminate the "ignorant negro vote" under the guise of fairness (Holloway 2013, 84). Similarly, a 1894 South Carolina newspaper editorial supported a state constitutional convention to address suffrage, explicitly aiming to protect white supremacy (Behrens, Uggen, and Manza 2003, 570).

Focusing on the voting rights of those convicted of crimes was a strategic move likely to withstand legal challenges due to the "crime" clause in the Fourteenth Amendment. This led to the reclassification of crimes with racial considerations. For example, the 1901 Alabama constitutional convention expanded felon disenfranchisement to include crimes of "moral turpitude," applying to misdemeanors and even non-punishable acts. Although the laws could not mention race, the debates clearly did, often without ambiguity. John B. Knox, in his address to the Alabama convention, candidly stated the goal of establishing white supremacy within constitutional limits (Behrens, Uggen, and Manza 2003, 571).

The historical causes behind felon disenfranchisement are complex, but these accounts from Mississippi, South Carolina, and Alabama reveal a clear racial intent to counter black political empowerment. This intent is consistent with national patterns in the enactment of disenfranchisement laws. Behrens, Uggen, and Manza (2003) found that the probability of a state passing its first disenfranchisement law increased with the black prison population. Each 1% increase in nonwhite prisoners increased the odds by about 10%, and a 10% increase in a state's nonwhite prison population raised the odds of passing an ex-felon disenfranchisement law by almost 50% (Behrens, Uggen, and Manza 2003).

Felon disenfranchisement illustrates that institutional discrimination can be perpetuated by laws, not just by organizations like employers or real estate agencies. Many of these laws remain in place, although states began to liberalize them in the latter half of the twentieth century, reinstating voting rights after offenders served their terms or eliminating felon or ex-felon voting prohibitions altogether. Despite this, as late as 2016, 48 states disenfranchised felons in prison, with many also disenfranchising inmates, parolees, or probationers (Uggen, Larson, and Shannon 2016).

Two final points are notable. First, the reinstatement of voting rights also follows the racial threat hypothesis: the proportion of black prisoners negatively correlates with reinstatement of ex-felon voting rights, although the proportion of black residents in the state positively correlates with reinstatement (Behrens, Uggen, and Manza 2003). Second, these voting rights affect not only African-Americans but the nation as a whole. For example, in the 2000 election, Florida's disenfranchisement laws, which affected over 800,000 felons and ex-felons, might have led to Al Gore winning the presidency if those laws were not in place (Uggen and Manza 2002; Burch 2012).

The Significance of Perceived Discrimination

Sociologists tend to take an expansive approach to studying discrimination, which influences both the domains they investigate and their perspectives on its consequences. Their research spans a wide array of contexts. While sociologists have examined discrimination in job, housing, consumer, and credit markets, they have also studied it in areas with less obvious economic impacts, such as dating and marriage markets, and everyday social interactions in entertainment venues, social clubs, and schools. Using audit, survey, and ethnographic methods, they have explored diverse questions, such as whether black patrons are more likely to be denied entry to nightclubs, how black students' behavior is perceived by teachers, how black customers are treated in retail stores, and how black women fare on online dating sites (e.g., Feagin and Sikes 1994; Lin and Lundquist 2013; May and Goldsmith 2018).

It is evident that some forms of discrimination can lead to economic inequality. For instance, marriage and the socioeconomic status of a spouse can impact income and wealth accumulation, and online dating sites increasingly contribute to the formation of marriages. However, not all forms of discrimination can be directly linked to significant economic outcomes. Sociologists continue to study these issues partly because discrimination is impactful not just in isolated instances but also cumulatively over time. The National Research Council (2004) highlighted that everyday discrimination can accumulate over a lifetime, causing long-term effects. Repeatedly experiencing minor forms of discrimination, such as being followed by a security guard in a store, seated in undesirable parts of restaurants, or facing racial slights at work, can build up and impact mental and physical health. These events, often called "micro-aggressions" by psychiatrists (Pierce 1970, 263; Sue et al. 2007; see also Feagin and Sikes 1994; Lacy 2007), might seem trivial individually but can have significant cumulative effects.

While episodic discrimination, such as during job searches, likely has more direct economic consequences, cumulative everyday discrimination may be more critical for health outcomes. An associational public health study based on the 1995 Detroit Area Survey supports this notion. Williams et al. (1997) examined four health measures: self-reported health, overall well-being, psychological distress, and the number of days incapacitated due to health issues in the past month. They assessed whether these health measures were associated with two types of race-related stress: "discrimination," referring to significant unfair treatment experiences like in hiring, promotion, or police interactions, and "everyday discrimination," measured by a nine-item scale capturing frequent minor unfair treatment, such as receiving poorer service in restaurants or stores and being treated as if not smart (p. 340). After controlling for demographic, socioeconomic, and health-related factors, they found that major discrimination experiences were not significantly related to any of the health measures. In contrast, everyday discrimination was significantly associated with all the health measures and accounted for most of the differences between blacks and others, except for psychological distress.

These findings, though not conclusive, underscore that everyday discrimination is distinct from the more episodic discrimination a job seeker might face. They highlight the importance of considering minor but chronic experiences of discrimination in their own right and suggest that studies on the consequences of discrimination should be broad, encompassing economic, physical, and mental health outcomes. Multiple studies have shown links between race discrimination and psychological distress, happiness, life satisfaction, self-esteem, and depression (e.g., Williams, Neighbors, and Jackson 2003; Pascoe and Smart Richman 2009). Associations with physiological outcomes, such as high blood pressure, have also been found (Krieger and Sidney 1996; Williams, Neighbors, and Jackson 2003, 200–201). There is room for more robust research in this area to improve methods of modeling and testing the effects of everyday discrimination and to uncover the mechanisms through which it impacts individuals.

Conclusion

The Williams et al. (1997) study on public health, like many others in the fields of public health and sociology, focuses on perceived discrimination. These studies aim not to confirm whether discrimination has occurred but to assess the impact of the perception of discrimination. Economists often express skepticism toward studies based on self-reported data, preferring to focus on actions rather than words. In many cases, this skepticism is justified. However, the study of perceived discrimination is distinct from that of actual discrimination and reflects a disciplinary difference between economics and other fields.

It would be inappropriate to infer actual discrimination trends from measures of perceived discrimination. Sometimes, individuals perceive discrimination when it hasn't occurred, while many victims of actual discrimination might not recognize it. For example, a minority home seeker cannot know what properties they might have been shown or the terms they might have been offered if they were white.

The study of perceived discrimination addresses different concerns. For standard economic outcomes, such as wages, employment prospects, or mortgage rates, the actual occurrence of discrimination is what matters. In contrast, for mental health, depression, stress, and related health outcomes, the perception of discrimination is crucial. Whether or not discrimination actually occurred, perceiving it can significantly impact mental health. If discrimination occurs but is not perceived, there may be little to no effect on mental health.

Our point is not that economic and health outcomes inherently require different perspectives. Perception alone can influence economic outcomes as well. For example, if individuals perceive discrimination and withdraw from the job market, the perception itself matters. Conversely, if doctors treat black patients less attentively than white ones, black patients' health may suffer regardless of their awareness of the differential treatment. Studying perception is important independently of studying actual discrimination.

This discussion implies that whether individuals are accurate in their perception of discrimination matters less at the extremes—when only actual discrimination or only perception is of concern. However, understanding why people perceive discrimination against substantial evidence to the contrary is important for two reasons. First, it helps explain why some whites believe they are the most discriminated-against racial group in the U.S., a belief often accompanied by resentment. Investigating such beliefs is crucial for understanding political and social behavior. Second, it is important to understand how people respond to ambiguity—when they are uncertain whether they have experienced discrimination. This uncertainty can lead to rumination and emotional strain, especially if it occurs repeatedly or in significant contexts. Measuring the incidence and consequences of these everyday forms of discrimination more systematically would be a valuable area for future research.

***Lecturer in Sociology**
Govt. Girls College
Karauli (Raj.)