

EconoFact Chats: The Long Shadows Cast by Racism

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Michael Klein:

I'm Michael Klein, Executive Editor of EconoFact, a non-partisan, web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein:

The nation was roiled by protests last summer, that at their core were about racism. While with the advent of the Black Lives Matter movement, one might say that the issue of racism has taken on renewed urgency, in reality, the urgency has always been there. A prominent researcher on the effects of racism in the United States is my guest today, Professor Lisa Cook of Michigan State University. Lisa served on the Council of Economic Advisors in 2011 to 2012. She's on the Executive Committee of the American Economic Association, and she's the director of its summer program, to prepare talented undergraduates from underrepresented groups for doctoral programs in economics, and other related disciplines. Lisa, welcome to EconoFact Chats and thanks for joining me today.

Lisa Cook:

Thank you, Michael.

Michael Klein:

Lisa, your research explores a range of experiences of African-Americans in the United States. You're perhaps best known for your paper on the long economic shadow cast by the Tulsa Race Massacre of 1921, but your dissertation was on how the absence of property rights in czarist and post-Soviet Russia led to the under-development of that country's banking system. How did you get from Moscow to Tulsa?

Lisa Cook:

That's a great question, Michael. I was writing my dissertation in Moscow, in the mid 1990s, and the banking system was evolving in an uneven way. Bankers were being killed at the rate of about one per month, one major banker per month. And I was interviewing both bankers and entrepreneurs to understand if a new banking system could arise out of the shadows of the former Soviet Union with credit allocated by the market. And if so, how?

Lisa Cook:

So I was asking them questions. I was conducting surveys and I was asking them a lot of questions about how they conduct business. And they turned the tables on me. They asked me a lot of questions. I think it was not that often they got to talk to graduate students in economics from Berkeley during that period. They peppered me with questions.

Lisa Cook:

The main question that they were asking me, even though I was asking them about banking, was about innovation. Why couldn't innovation get going in Russia? They had the intellectual property rights protected on the books, they had these laws on the books, but they didn't see innovation coming. And

when I finished my work there, I vowed to them that I would continue thinking about it. I had to finish my own dissertation, but this question bugged me even after I finished my dissertation.

Lisa Cook:

And I was wondering, is there an historical experiment from somewhere else in the world that could inform both these entrepreneurs and these bankers, the Russian people and Russian policy makers? And what I thought about was inventors in the United States during the period of the late 19th century and the early 20th century. So we had an intellectual property rights regime that was the same for both groups, but something happened to one group that didn't happen to the other. The African-American inventors were hit with three different types of violence, segregation laws, lynchings, and racial riots or racial massacres.

Lisa Cook:

So we had the historical experiment that I was looking for. And sure enough, what I discovered was that patents and patenting fell among African-American inventors, while it continued in a way that would be anticipated for white inventors. And when I put all of this research together and started giving the paper, it was really interesting. The finding, the main finding, was that you can't just rely on intellectual property rights and intellectual property rights protection. You have to rely on the rule of law. There's a lot of infrastructure that it takes for there to be innovation.

Lisa Cook:

And when I give the talk, the people who seem to embrace this main finding readily are from Russia, they're from China, they're from Ukraine. So it was the case, it seems to me, that this lesson from history was applicable to economic growth and innovation today. And I think it's a lesson that we could still learn.

Michael Klein:

The area of Tulsa, where the riots started, where the massacre occurred, was known as the Black Wall Street. And this isn't something I learned about in high school, nor did I learn about the events of 1921, a century ago, until this year. What happened in Tulsa then? Can you describe what happened in the massacre?

Lisa Cook:

I can. And Michael, you raise another good question because I did not know exactly about it myself. I heard about this race riot or race massacre in Tulsa, but the data are what led me to Tulsa. I had the year 1921 in the series, along with a number of other years. And for some reason, 1921 was a standout year. And when I say standout year, it was unusual with respect to patents and patent activity just collapsed, and I wondered why that was. And this is for the country, for African-Americans wherever they were throughout the country. And I started reading about economic activity that year, but it was this racial massacre that really shook African Americans to the core.

Lisa Cook:

Greenwood, a part of Tulsa, this black part of Tulsa, Black Wall Street, was where a number of black entrepreneurs had set up shop. And they were coming from all over the country, from Mississippi, from other places as sort of a Mecca for black entrepreneurs and for the emerging black middle class. So this is considered, again, a sort of Mecca for African-Americans, and especially African-American entrepreneurs and newspaper people.

Lisa Cook:

So they're going about their business, they're thriving, but they also pose a threat to the white power structure there. And they were ready to defend Wall Street in the summer of 1919 when this is called the Bloody Summer, the Red Summer of 1919, when there were veterans returning from World War I, black veterans returning, and they were being pursued, and riots ensued by whites in the areas they were returning to. So this was a source of a number of riots. This is one of the most active years in history with respect to race riots.

Lisa Cook:

So that happened, this was the precursor to 1921. And in 1921, we had something that was very familiar. This unveiled itself, just as many race riots did at the time, and there was a young black man who was accused of looking at or raping a young, white woman. And this was often a pretence for wanting to start a riot or wanting to destroy the property of black entrepreneurs or the black middle class. So of course, a mob ensued and they were trying to kill the young black man. And it turned into the largest race massacre in US history. And we still don't have good estimates of how many people died there, but there was a lot of property destroyed, a lot of homes destroyed. The estimate for the number of people who died is somewhere between 200 and 2,000. And that investigation is still ongoing. There have been mass graves reported and the Mayor of Tulsa has committed to investigating those mass graves.

Lisa Cook:

So this is a very big deal and all African-Americans, as John Hope Franklin described in his recounting of the Tulsa race riot, he was a child, he lived through it, he said that all African-Americans were terrified because nobody came to help them. The NAACP wanted the president, President Harding, to come and stop the violence, and he didn't. All the helicopters, this is a complete insurrection, a complete assault on Black Wall Street. And many people fled, many African-Americans fled. It was never the same. This is something that the Tulsa Commission found, but it was an extraordinary story.

Michael Klein:

Now, a hundred years later, we're starting to see in the newspaper, discussion of what you've been mentioning, that they're finding mass graves, and so on. Of course, the main victims of this atrocity were the people in Tulsa, the African-American community there. But it's not just the African-American community that's hurt by this. The whole country loses out when one group is not allowed to contribute to its full ability.

Lisa Cook:

That's right. And what my research shows is that the missing innovation, the missing patents of African-Americans, would have been equal to that of a medium-sized European country during the period 1870 to 1940. And that would have been significant for that period. So this can have an effect on anyone, on everyone, because we could have all used the innovation that was missing and our living standards could be higher as a result. And that's what we rely on in terms of economic growth and innovation. Economic growth is very dependent on innovation.

Michael Klein:

Another research paper that you've written, Lisa, is on the Green Book. Many people will be familiar with this because of that 2018 movie with that name. Can you talk a little bit about what the Green Book was and what you found in your research on this?

Lisa Cook:

The Green Book was sort of like a AAA or Mobile or Michelin Guide. So it gave African-Americans who were traveling an idea or a list of the businesses that would be friendly to African-Americans. And what we found was that these businesses were all over the country. That's the first thing that was pretty stark, that you think that this would be concentrated in the South, but there were Green Book businesses in New York and New Jersey, all over the country. So this is something that helped African American motorists when they were traveling.

Michael Klein:

The fact that it was all over the country indicates that segregation was not something that was constrained to south of the Mason Dixon line, I imagine.

Lisa Cook:

That's right. That's right. And we're looking at hotels in New York and New Jersey, as I mentioned. And what we're seeing is that the consumer tastes were the ones that were largely driving this phenomenon. So it wasn't just in the deep South. And we see segregation all over the country now. We see increased segregation all over the country now. So I think it has some lessons for today.

Michael Klein:

Yeah. I had discussion with Matt Kahn who is looking at post-industrial cities, and one of the striking things in our discussion was he pointed out that in the cities that he was looking at, there was increased racial segregation.

Michael Klein:

Another paper that you've done shows the pernicious effects of segregation beyond the obvious ones of denying people their basic rights. It also affects people's perceptions of the other. You share this in a very disturbing paper about lynching.

Lisa Cook:

That's right. When groups are separated from one another, it seems, and a lot of historians have written about this, that there is this growing sense of paranoia about the other and formulation of the other and competition for resources by the other. What we find is that there is violence that increases when segregation is more pronounced. What we find is that this is violence against African-Americans that happens when this is more pronounced. If there's a perception of weakness, along with paranoia about scheming against say the white population, you see this erupt in lynchings. So I think that this is something that we should learn a lesson about today and try to mitigate segregation wherever we see it happening.

Michael Klein:

So this is really, really important stuff, and I'd like to go from the general to the specific a little bit now, Lisa, and discuss the issue of inclusivity and diversity in the economics profession itself. Your paper on the effects of the Tulsa massacre is now very justly well-known, but there's a story behind the long delay you faced in publishing this paper, one that doesn't really reflect very well on the economics profession. What was the reaction of referees at journals and the anonymous reviewers of papers whose opinions the editors draw on to decide whether or not to publish a paper when you were first submitting it for review and consideration for publication?

Lisa Cook:

Their reaction was one of surprise and non-understanding. And I think this comes from us, economists, not knowing enough economic history. We don't have economic history as much as we used to in every graduate department. We're not teaching it enough. And I think that there was also an ignorance of the history of African-Americans as a part of this country. And I think that we really need to have better training in that because a lot of the questions were about the history of the country. Like, what's a former slave? That was one of the questions that I got. And I couldn't believe that one of my colleagues was asking this question. How did you miss that? How did you miss that in high school? How did you miss that in college? How did you miss it in graduate school? We were not doing a good job. So I really think that spoke to the state of the economics profession.

Michael Klein:

Maybe we economists should have studied a little less math and a little more history.

Lisa Cook:

That's right.

Michael Klein:

And as I said, I didn't learn about the Tulsa race massacre in school. It was only this year on the 100th anniversary of it that we learned about it.

Michael Klein:

Lisa, I also interviewed recently Fran Blau who, as you well know, is a pioneering labor economist. And she mentioned that when she was coming up in the profession in the late 1970s, women faced a lot of barriers. Fran's daughter, Lisa Kahn, is also a prominent labor economist, and Fran thinks that by the time Lisa started her career, things had gotten a lot better, but there's clearly a lot more to be done.

Michael Klein:

As I mentioned, you're on the executive committee of the American Economic Association and you direct its summer outreach program to undergraduates from underrepresented groups. What's your view of the progress or lack of progress that's been made in the profession with respect to gender, race, and ethnicity?

Lisa Cook:

We have a lot more data about what's happening in the profession than we used to have. So Fran is right, on the one hand, things are better. But what we know about women in the economics profession is that their share was growing and then it stalled and then it started falling. And the same was true for African-Americans. And what we're doing at American Economics Association's summer program is to make sure that underrepresented minorities are exposed to and have the opportunity to prepare for PhDs in economics. Often, this is not presented to those students and it's often not presented to women. So it turned out to be very interesting that we had a very high share, relative to economics departments where they were talking about undergraduates or graduate students or professors, high share of black women and Latinas in the program, in the AEA summer program. So I think that that provides us with some optimism.

Lisa Cook:

And certainly, the conversation that the AEA Climate Study started in 2019 was something that got us all thinking about what we could do better. And now, for example, there is a website for best practices in the

economics profession. I never thought I'd see that. Many people who are of my generation and older never thought that they would see a list of suggestions of what to do to make the economics profession more inclusive, but we really have to address the issues of sexual harassment, racial harassment, other things that diminish the free flow of ideas. The best ideas can't come forward if some of the people who were bringing ideas from many different quarters do not feel welcome there.

Michael Klein:

The Climate Study that you referred to was conducted, I guess, about a year ago or so, and they surveyed thousands of economists about, have you ever faced discrimination or feel that you've been punished for your gender, race or ethnicity? That was an important move forward at first to gather data, which economists are used to doing.

Michael Klein:

And also, you just pointed out an example that is parallel to what you pointed out earlier about the Tulsa massacre. Then when people are not allowed to participate, it's not only those people who suffer, although they probably suffer the most, but the general group suffers as well. In the case of the Tulsa massacre, the entire economy suffered because of people of talent not having an opportunity. And likewise in the economics profession, we as a profession suffered because of the limits that were placed on people inadvertently or advertently through this.

Michael Klein:

Economics is not often seen as very welcoming to women and to minority students. And in another podcast, I had Justin Wolfers and Betsey Stevenson on, and they discussed their new principles textbook in which they made a very strong effort to have the book be more inclusive. Can you talk a little bit more about the efforts to recruit people from underrepresented groups to economics in general and through the summer program that you've already mentioned a bit?

Lisa Cook:

Certainly, I can. And before I do that, I want to thank my friends Betsey and Justin for undertaking this endeavor. And I also want to thank others in the economics profession who are really working on this, like Paul Krugman and Robin Wells, and their textbooks also have been seeking diverse representation and women of underrepresented minorities. And the summer program seeks to do the same, to recruit students from underrepresented groups because one thing that we know is that they are often turned off by these textbooks that only reference white men or only have images of white men making economic decisions. And what we know is that the economy is much more diverse than that, and that there are many different people contributing to the economy, to consumer spending, to other parts of the economy, who are entrepreneurs, who are consumers. So we needed to have much more representation.

Lisa Cook:

In the economics program and the summer program, what we tried to do is to expose students to many different people who were contributing to the profession, who are working on the economics of health, who are working on the economics of education, who are working on macroeconomics and finance, the entire gamut. And what they can see is somebody doing the research that they would like to do, who looks like them. And I think that this is one of the biggest boosters, that there's some representation, there is somebody who has done it before, and they could also do it. Not everybody looks like them, and that's fine. What we're trying to do is show the entire gamut of research and the entire gamut of possibilities and trying to get them to be interested in this wide variety of questions that we pursue in economics.

Michael Klein:

Well, Lisa, this is really important work that you're doing and I thank you for that. And I also thank you very much for joining me today and talking about your research and your efforts, very laudable efforts, to make economics more inclusive.

Lisa Cook:

The pleasure was all mine. Thank you for having me.

Michael Klein:

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