

# When Governments Go Wrong

MPA 612: Public Management Economics  
March 19, 2018

*Fill out your reading report on Learning Suite!*



# Plan for today

Regulations and government involvement in the private sector

Why care about segregation and racism?

Public policy and the institutional consequences of American slavery

Current events

Regulations and  
government involvement  
in the private sector

# Government regulation is hard

**Economic reasons:** try not to distort and destroy markets too much

**Political reasons:** interest groups, politicians, political trends





# Why care about segregation and racism?

National identities and public policy

# Economic principles public administrators 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

# Is Diversity Detrimental? Ethnic Fractionalization, Public Goods Provision and the Legacies

Andreas

Comparative Political Studies  
2016, Vol. 49(11) 1407–1445  
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DOI: 10.1177/0010414015592645  
cps.sagepub.com

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Comparative Political Studies 49(11)

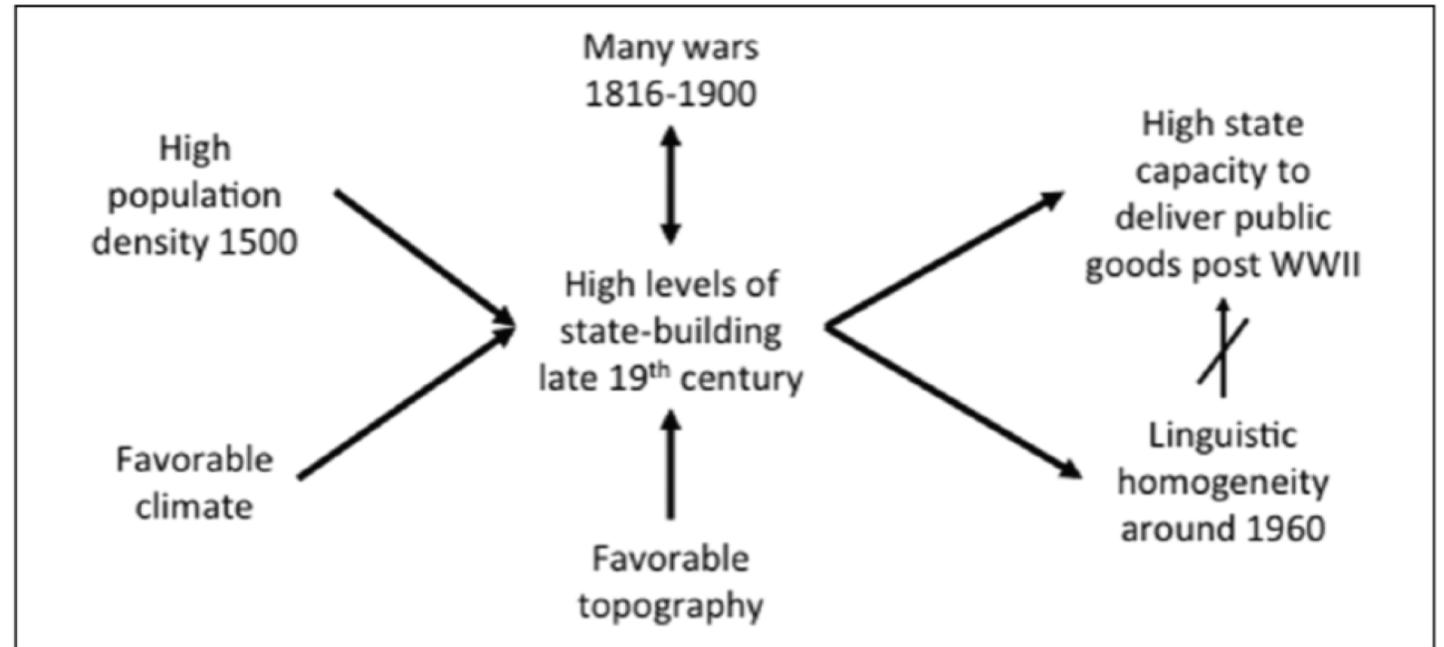


Figure 1. Summary.

**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.

# So what is a shared national identity?

America is a mixing pot/salad bowl/cultural mosaic/choose your own metaphor

# Who gets to be an American?

Catholics?

Irish?

Italians?

Chinese?

Japanese?

Mormons?



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



**Twin relics of barbarism**

**Slavery**

**Polygamy**

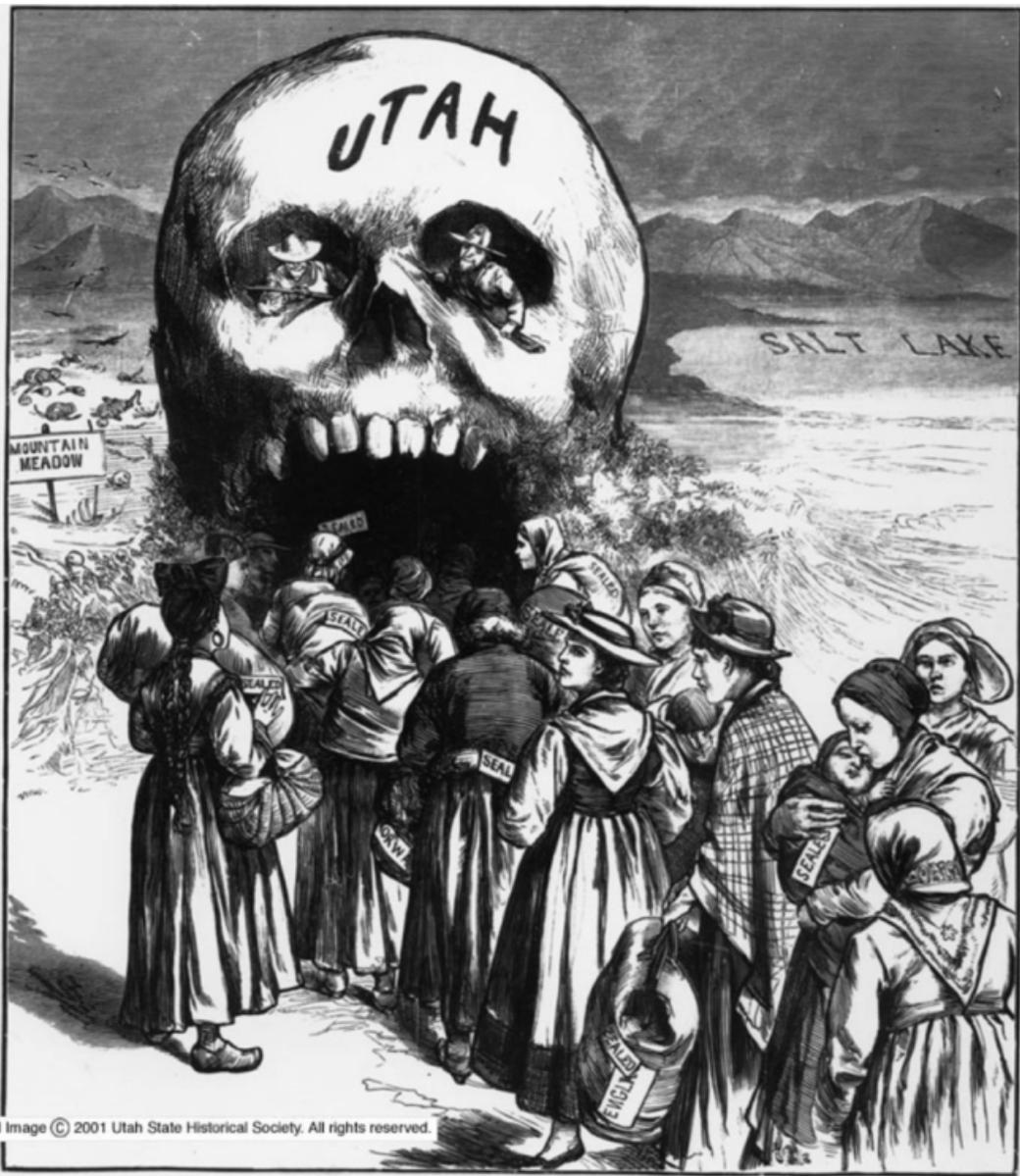


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MORMONISM IN UTAH—THE CAVE OF DESPAIR.



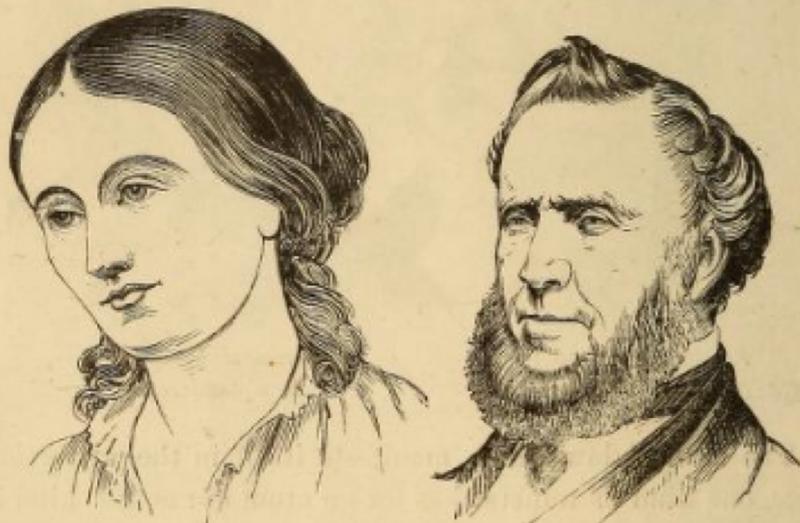
Image © 2001 Utah State Historical Society. All rights reserved.

WOMAN'S BONDAGE IN UTAH.  
THE MORMON SOLUTION OF THE "CHEAP LABOR" QUESTION.  
See Page 24.

## 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.

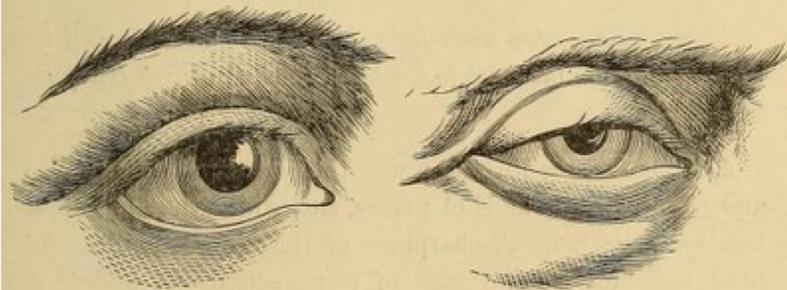
Monoeroticity Small—Brigham Young, the noted polygamist.

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.

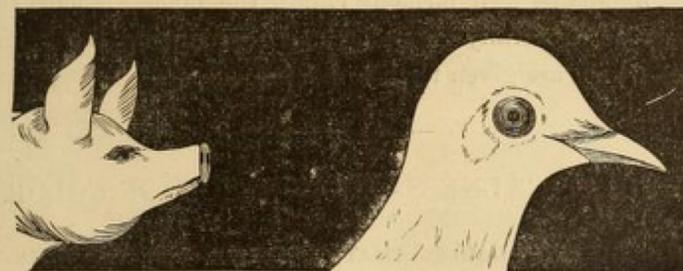
THE DISPOSITION TO LOVE MANY.

*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.*



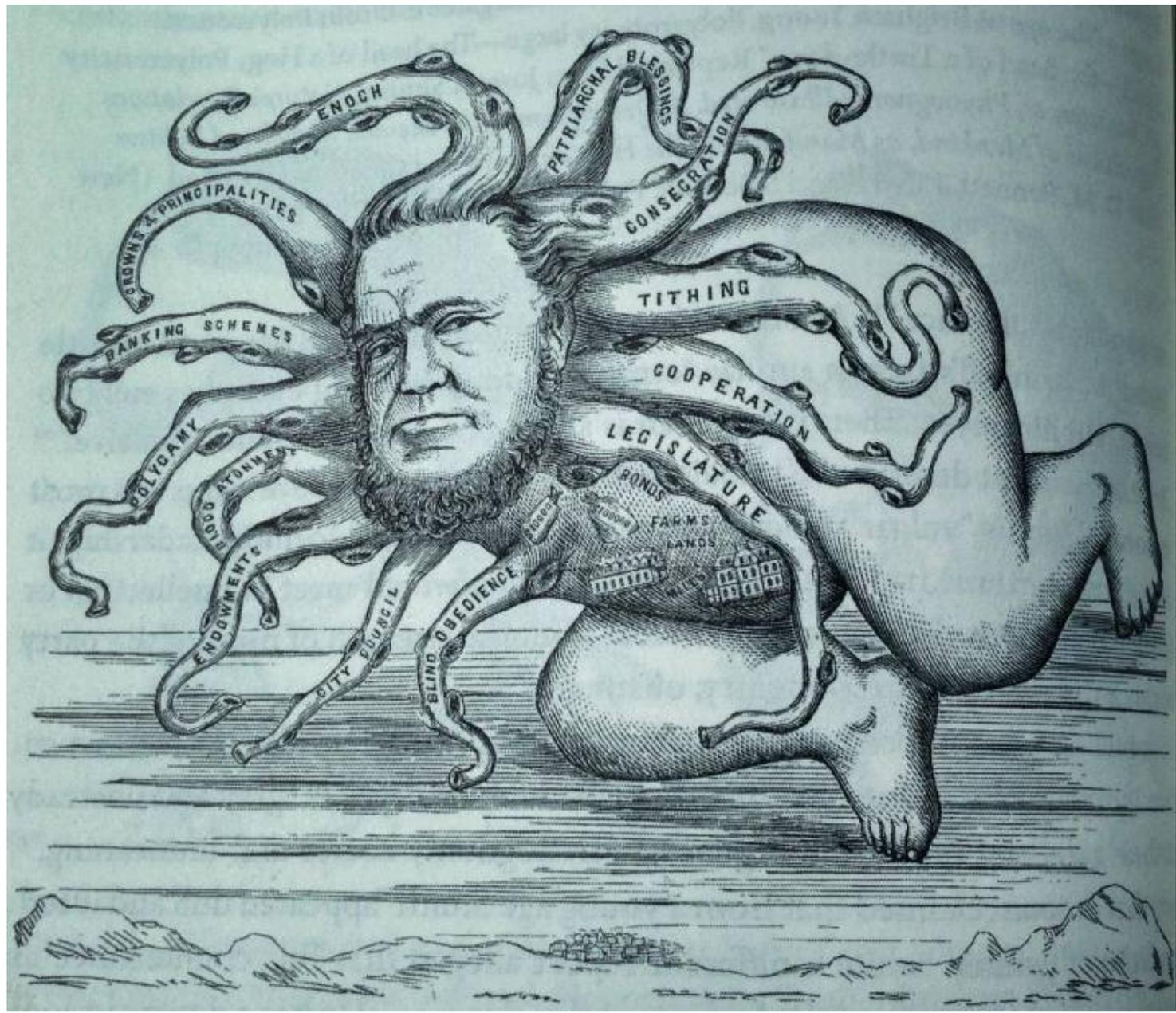
Polyeroticity Small—The eye of Mrs. Margaret F. Osoli.

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*).



**We've had to become more  
American (white) to gain access to  
political and economic institutions**

# Public policy and the institutional consequences of American slavery

# Slavery

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

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

**Super quick overview  
of post-1865 economic  
and political trends for  
African Americans**

**How does public policy and  
administration fit in this history?**

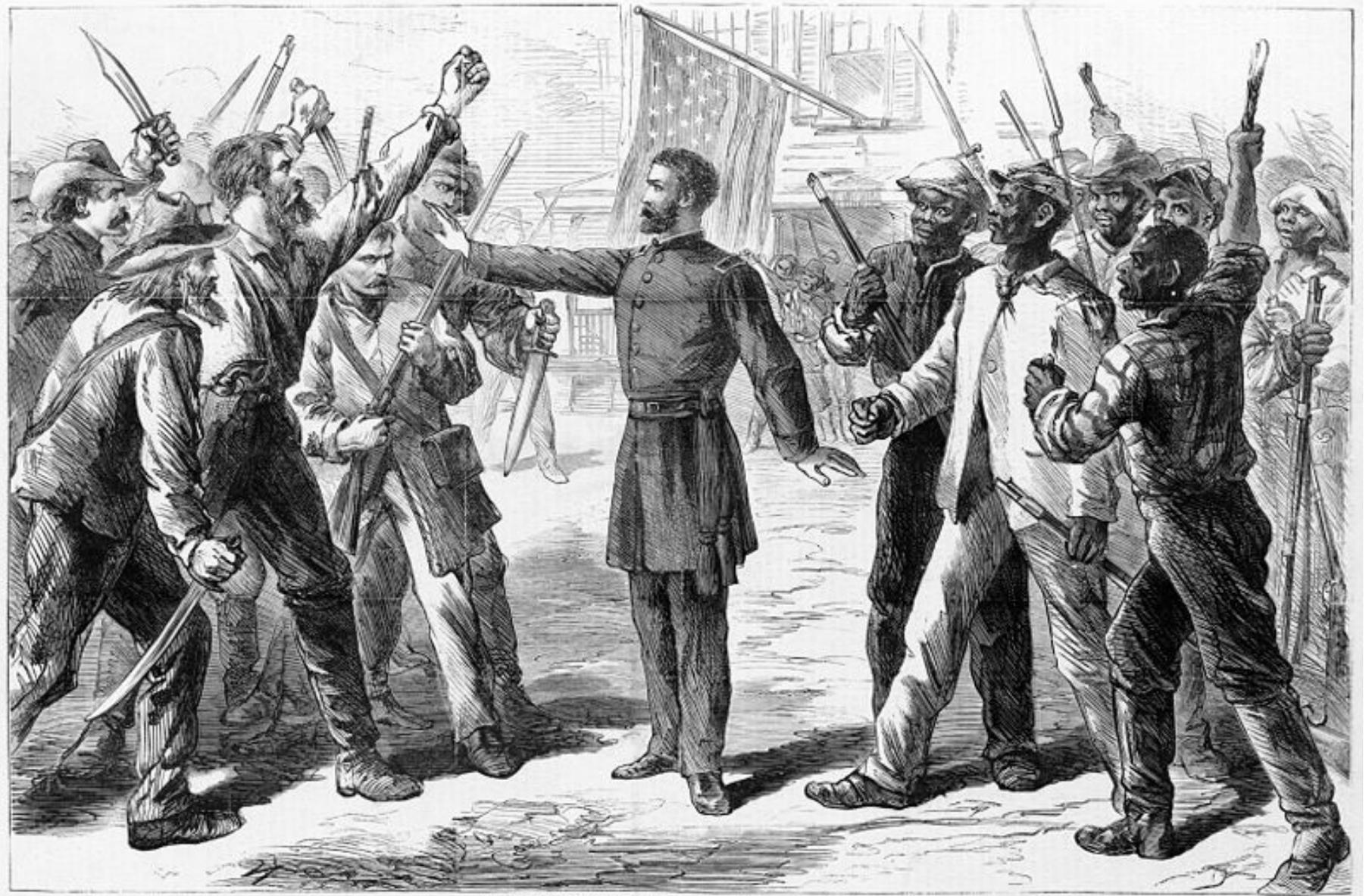
# Assets vs. income

**Why are assets  
important for wealth?**

**“40 acres  
and a mule”**

**The  
Freedman’s  
Bureau**

**Designed  
to promote  
assets**



THE FREEDMEN'S BUREAU.—DRAWN BY A. R. WARD.—[SEE PAGE 467.]

**VETERANS** - prepare for your future  
thru **EDUCATIONAL TRAINING**

CONSULT YOUR  
**VETERAN**

**VETERANS** - if buying a Farm,  
Home or Business, learn about  
**GUARANTEED LOANS**

CONSULT YOUR NEAREST OFFICE OF THE  
**VETERANS ADMINISTRATION**

ASK US ABOUT  
**FHA**  
LOANS to  
*Remodel for Veterans*

LOANS UP TO \$5000.

LOW COST..  
LONG TERM

PAY OUT OF  
INCOME

DEPOSITS INSURED  
BY  
**The Federal Deposit Insurance Corporation**  
WASHINGTON, D. C.

**\$5000** MAXIMUM INSURANCE  
FOR EACH DEPOSITOR **\$5000**

Designed  
to boost  
assets

Access to  
programs  
was  
unequal

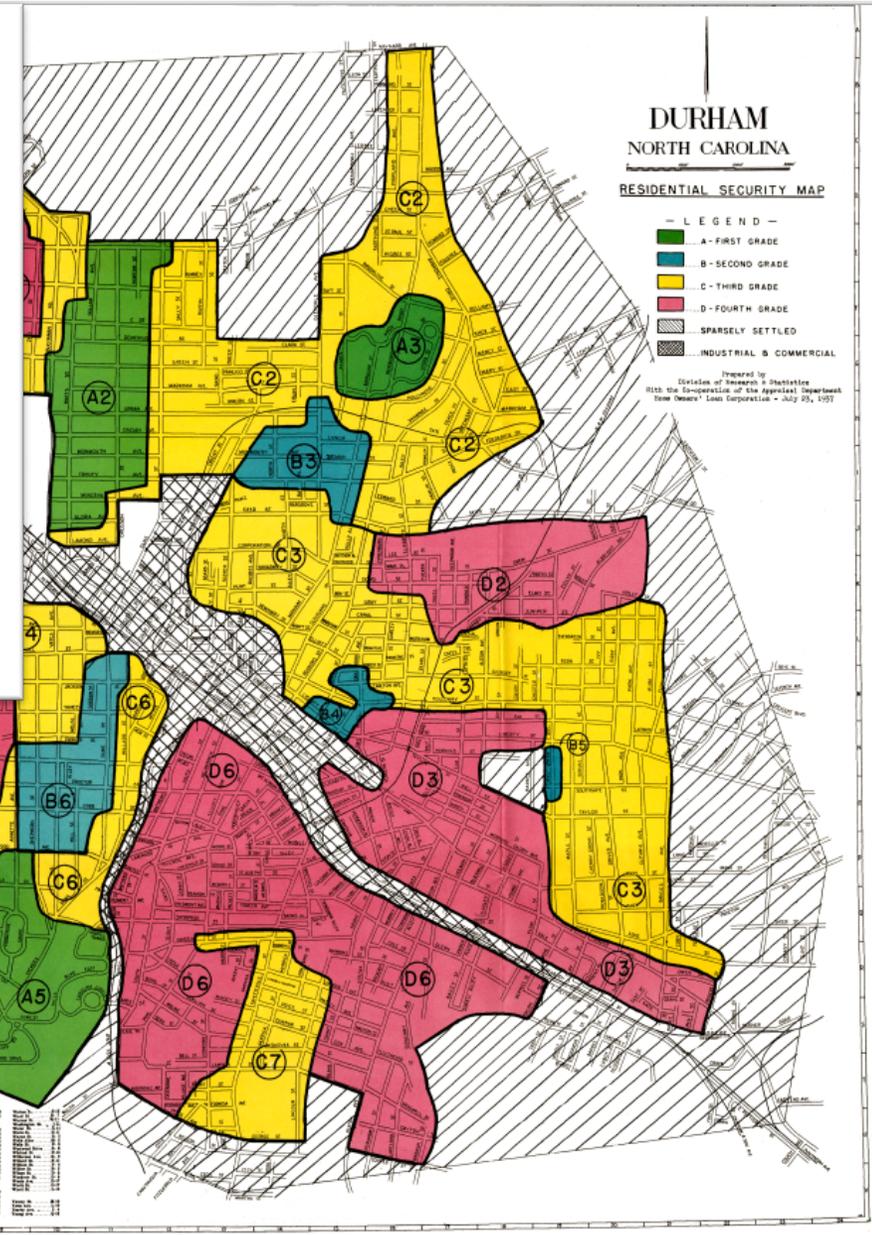
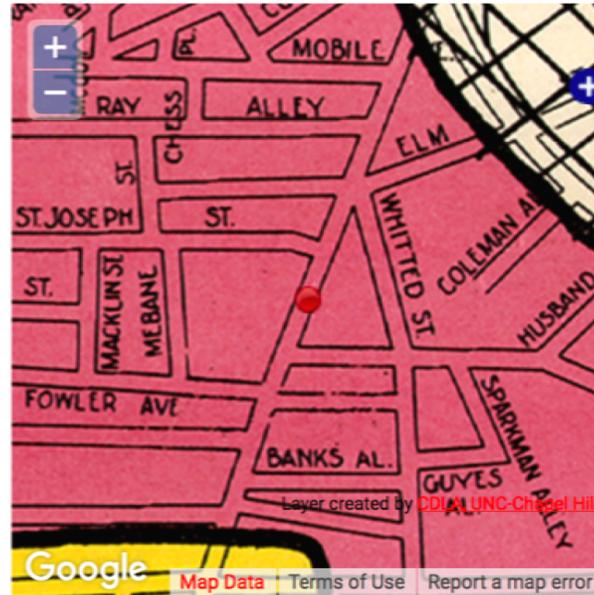
D6

Category [Area Descriptions:Red Area Descriptions](#)

Tags [Red \(D\)](#)

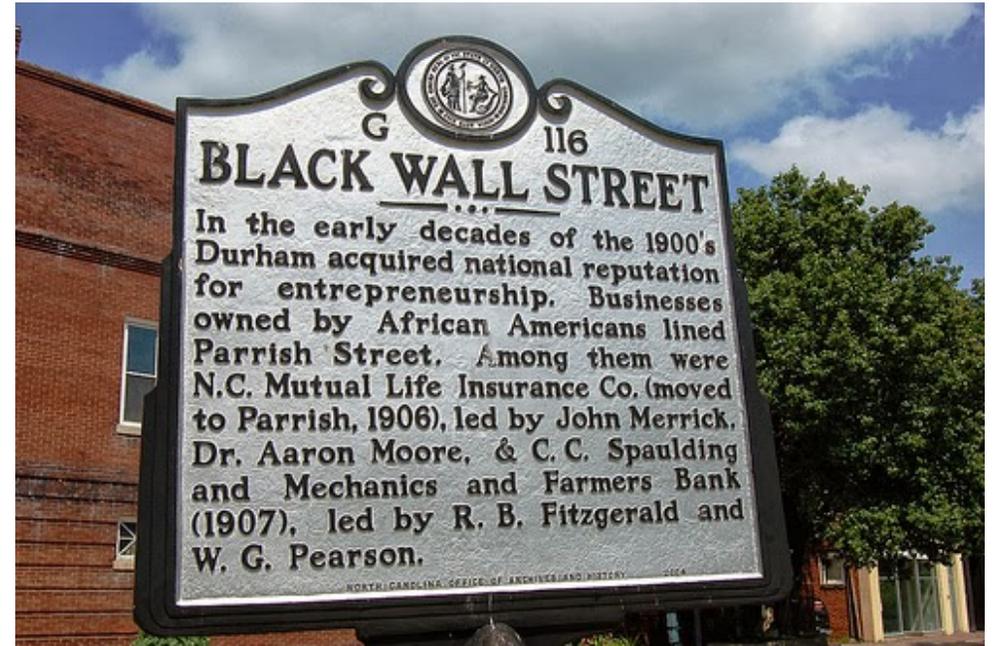
CLARIFYING REMARKS: White population largely on McMannen Street for about 2 blocks South of railroad and some on South Street, and on McMannen Street are several fairly nice homes. This was formerly a good white residential street but negroes are gradually taking up the area.

[D6 Area Description](#)



Implementation was systemically racist

Hayti



James E. Shepard, Founder





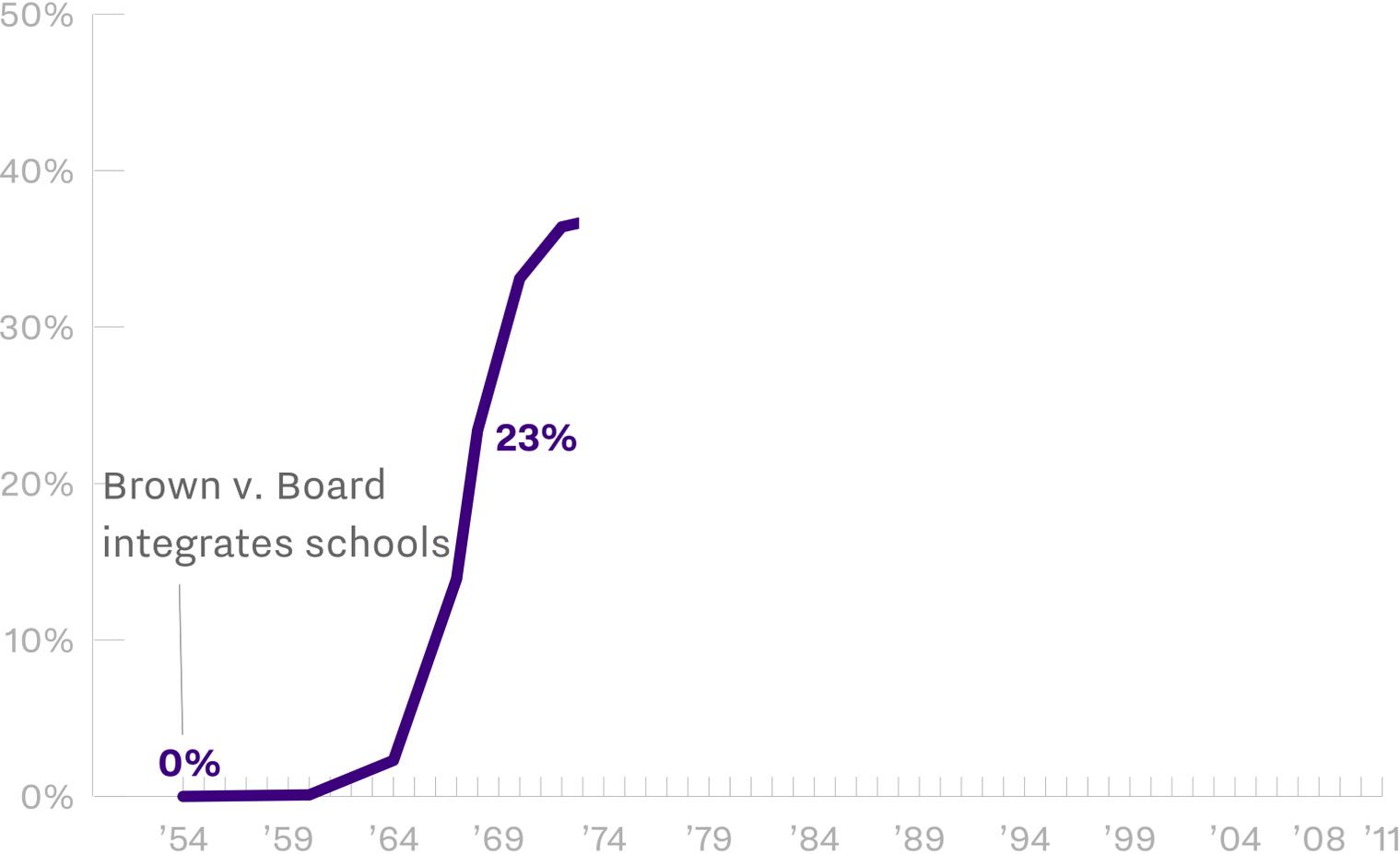
# Civil rights laws in 1960s banned redlining



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



# 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



“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 a FHA mortgage to your grandfather.

Mehrsa Baradaran

**Affirmative action?**

**Baby bonds?**

# So what?

