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### ***Race and Cumulative Disadvantage: Engaging the Actuarial Assumption***

The B. Aubrey Fisher Memorial Lecture

Department of Communication

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## **Introduction**

Thanks for those warm and generous introductions. And thanks as well for all the generally thankless administrative work that had to be done to make sure I got here in good form.

I haven't been in Salt Lake City since my hippie days in the late 60s. Although I was merely passing through on my way to the Coast, I was still keeping a relatively low profile. My sense is, however, that the first impressions people had of me then were a bit different from what I'll begin with here this evening.

While I suspect these impressions might converge a bit by the time I'm finished, I do hope I won't be run out of town on a rail.

Many of the things that I will be talking about this evening will be unpleasant. Much of it will be unfamiliar, and maybe even at variance with some of the things you firmly believe to be true.

A good part of what I plan to say is in the realm of law and social policy, topics not generally associated with the study of communication. Hence, I think I should provide

you with a little more detail about my approach to the study of communication and race before I get to the heart of my comments about cumulative disadvantage and the actuarial assumption.

## **Communication and Race**

I characterized my book on communication and race as a structural approach. I attempted to outline the relations between the structure of media markets, the structure of arguments and representations in media content, and the cognitive structures that develop and are reproduced in the audiences that consume and process that content. The underlying goal for this work was to call attention to the ways in which structures of inequality come to be reproduced over time. That is still my goal this evening.

## **Public Policy and Framing**

I continue to believe that the ways in which the problem of inequality is framed within the media helps to determine the status that this problem achieves on the public's issue agenda. Thus, I have continued to pay particular attention to the ways in which interested parties attempt to shape the media's content.

I have come to recognize that as the number and variety of media outlets has grown, it has become possible for policy actors to target their strategic communication to smaller, more homogenous audiences. While I may have been distracted a bit by discussing this emerging trend in terms of consumer privacy, I eventually reminded myself, and some of my readers, that what I was really talking about was discrimination.

## **Identification, Classification, Evaluation, Discrimination**

In *The Panoptic Sort*, I explored the ways in which policy actors, primarily those in large corporations, set about gathering and producing strategic intelligence about members of the public in their roles as employees and citizens, as well as in their roles as consumers.

I identified the panoptic sort as a discriminatory technology, and focused on its primary use as resource for the enhancement of power, and profit through the minimization of risk.

Among other things, risk minimization depends to a great extent upon the assignment of individuals to categories, classes, or groups defined in terms of relative risk, or on occasion, risk/benefit ratios or index scores.

## **The Social Construction of Risk**

I like to argue that the assignment of people into categories or groups on the basis of an assessment of relative risk, actually serves to **put** those people at risk. Over time, risk assessment avoids the fallacy of reification by turning an idea into a tangible experience.

And here I refer primarily to the risk of discrimination. It is the risk of being denied an opportunity. Or, it is the risk of being subject to heightened scrutiny or surveillance.

I think it's appropriate, then, for a communication scholar to talk about his or her work in this area in terms of the social construction of risk.

Certainly there is important work being done that evaluates the impact of risk communication on the perception of risk. Much of that work is motivated by a desire to influence how people understand, and behave in response to information about the risks they face. Much of this work has been developed in relation to concerns about health behavior.

But I think that it is also important to examine the ways in which communications shape the ways in which we understand and appreciate the risks faced by others.

Communications scholars should explore the extent to which the media contribute to a misunderstanding of risk, its distribution, and the factors that bring it about.

And it is here that talk about actuaries and actuarial assumptions becomes relevant.

Actuaries are the folks who gather data about events in the past and offer us predictions about how likely it is that similar events or states of the environment will occur at some point in the future.

The actuarial assumption is that events in the past tell us something about the future.

While actuaries certainly offer us predictions about things that we value and derive pleasure from, much of their attention is focused on the negative: the harmful events that bring hardship, loss and pain.

Actuaries talk about risk, and the ways in which it can be managed. Insurance is one of the most important, and at the same time, one of the more troublesome ways of managing risk by covering some of its cost in advance.

### ***Neoliberal Ideology and Marketplace Logic***

Part of the argument that I want to set out for you this evening is the idea that our increased reliance on actuarial assumptions on the one hand, and private insurance on the other, represents a rather dramatic shift in the way we think about and influence society's response to risk.

The rise of actuarial thinking accompanied the rise to dominance of a neoliberal political philosophy. This philosophy of governance enabled the replacement of moral and ethical values by an emphasis on economic efficiency as the goal of government action.

The United States helped to lead a global shift away from government regulation toward the rule of the market. This shift in policy was accompanied by a critically important shift in relevant terms of address. The concerned citizen became a rational consumer. Blaming the victim became the favored response to what some of us were still struggling to identify as marketplace failure.

## The Actuarial Assumption

What I plan to do with the time that I have left is to provide you with some examples of the ways in which the actuarial assumption has come to govern the decisions that institutional actors make about the life chances, or opportunities that members of social groups defined by race will enjoy. My emphasis will be on the life chances of African Americans, but this doesn't mean that I don't believe that the actuarial assumption places us all at risk.

It is my belief that despite the great strides made by a substantial number of individuals who are defined as Black, there remain an unacceptably large number of African Americans whose prospects for the future are dim. They bear the burdens of cumulative disadvantage that begins at conception and weighs them down 'til they die.

I encountered the notion of cumulative disadvantage in a recent report from a National Research Council Panel exploring methods for measuring and assessing racial discrimination.

The Panel argued that traditional approaches for studying the impact of discrimination tended to focus their attention on particular actions at a particular point in time, within a specific behavioral domain. They suggested, however, that these methods were incapable of capturing the cumulative effects of prior discrimination over time and across domains. The difficulty of measuring, let alone conceptualizing, the complex interactions among these acts and their consequences, represents a serious problem for the design of a policy response.

They identified three ways in which the effects of discrimination might cumulate.

Certainly, it makes sense that "discrimination against parents in one generation" can affect the life chances of their children, and perhaps even subsequent generations to come. This influence should be observable, even if the children are not themselves directly victimized. The influence of discrimination on parents may be reflected in the

ways in which they teach their children to relate to opportunity and risk in their environment. The accumulation of capital, both economic and social is bound to reflect the character of their orientations.

Within a generation, discrimination experienced early life may affect outcomes later on. The impact of discrimination in early childhood education, will almost certainly affect the level of educational attainment for that individual. The impact of an early assessment that labels a child “developmentally disabled” is bound to limit the opportunities for advancement throughout their educational career.

Among the interactions across time and domains that I think are the most important for us to explore are those that being with discrimination in housing. The impact of racial segregation that begins in the home, is reinforced in school, and is amplified and extended through the workplace.

My sense is that the cumulative experience of racial segregation is given its greatest weight through interactions with the criminal justice system. It would be hard to overestimate the impact on a young man’s future, of a series of encounters with what Christian Parenti refers to as the prison industrial complex.

The critical point that I am hoping to leave you with this evening is that the cumulative disadvantages that work to set African Americans further and further apart from the rest of the population have been reinforced and reproduced at an alarming rate by means of an actuarial assumption.

I plan to talk about the ways in which an actuarial logic guides, and justifies discriminatory policy and practice in the delivery of education, health care, housing and financial services, including insurance.

I plan to finish my comments with an all a brief review of some of the ways in which actuarial assessments are reflected in the news media. What I want to suggest is that the

ways in which these assessments are framed may actually serve to reinforce the disparities that that well meaning journalists have set out to describe.

## **Statistical Discrimination and Cumulative Disadvantage**

At the heart of my concern with the actuarial assumption is the way in which statistical relationships between variables or indicators in the past are used to predict the future.

As a graduate student at Stanford I learned to appreciate the difference between association, explanation and prediction, but it wasn't until quite recently that I was informed about another reason to **respect** the distinctions between them.

The speaker at a recent public lecture on water policy reminded the audience of the punishment visited upon fortune tellers and soothsayers in Dante's Inferno: Their heads had been turned around on their bodies. As a result, they were forced to go through life, always seeing where they had been, no longer able to see, or perhaps, even to imagine the possibilities that lay ahead.

It is not for me to say whether those who apply the actuarial assumption in their professional lives today deserve the same fates as the soothsayers of yore, but I have little doubt that they have brought about considerable mischief and harm by their work.

While it has been difficult, if not impossible for these practitioners to deny the discriminatory impact of their of their work, they have made every effort to distinguish statistical or **rational** discrimination from the old fashioned kinds that most of us have come to disavow.

Statistical discrimination is the label that is used to describe the use of data within multivariate statistical models to assign people, places and things to categories or groups on the basis of some differentially probable status or outcome we might expect at some time in the future.

While we might not **like** the objects in category A as well as we like those in Category B, the model doesn't care. Ideally, the operation of these models is indifferent to our orientations towards the data, or the objects they represent.

Of course, this assumed indifference contributes to all sorts of biases and inconsistencies in what the models predict whenever our particular orientations still manage to be reflected in our operational definitions, or in our choice of features to include in these models.

Some models explicitly include race and gender among the independent or predictor variables. Others leave them out because of the laws that forbid their use for particular kinds of decisions.

There is no doubt that race, gender, and other categorical variables often make important contributions to the predictions, or the explained variance that these models account for. But critics like our History Detective, Tukufu Zuberi, remind us at every opportunity that **race** can never be the **cause**, and only the correlate of any person's behavior.

Indeed, Zuberi goes so far as to challenge the use of race as a **variable** of the sort that we usually explore within the experimental paradigm.

A person's race cannot be varied to see its impact on their behavior. Of course, we can use digital manipulation to vary a person's features, but **then** what we are studying is the impact of racial features on the behavior of others.

## Housing

As I struggled to choose from among the great variety of domains in which the actuarial assumption is put to work, I couldn't help thinking about the housing market and the shock to the economy that the crisis in subprime lending represents for us all.

On one hand, we have been told that minority access to housing has been improved dramatically in recent years, in large part as a result of the industry's turn toward automated underwriting, and away from what many have felt was overt racial discrimination.

While it is no doubt true that if lending decisions were decided **entirely** on the basis of automated underwriting, the number of African Americans and minority group members who would be able to close on a home **should** have increased substantially. Indeed, that is precisely what has occurred. But the story doesn't end there.

Government data from 2006 suggests that African American homebuyers were 2.7 times more likely to be issued a high cost subprime loan than were White borrowers.

You, me, and most people looking at these data from the outside probably said: "well of course, poor people face higher rates because they represent higher risks. And, Black people are more likely to be poor."

Well, these same data suggest that upper income Blacks were 3.3 times more likely than upper income Whites to be issued a high cost loan. This means that Black people, who should have easily qualified for traditional mortgage loans, were steered toward the more expensive, and more risky loans.

These data suggest that somewhere, somehow, race made its way back into the process by which offers and agreements were struck.

Since I don't want to make any predictions, we'll have to wait for a few years until the government surveys are released in order to discover the extent to which African Americans with high cost loans faced foreclosure and lost their homes at a rate that matched, or exceeded the rates of similarly situated Whites.

It is also not clear how much of the disadvantage that African Americans face in the housing market can be attributed to **predation** and other abuses within the market for consumer credit.

Clearly, the impact of statistical discrimination in the housing market is not limited to decisions made by lenders. All sorts of investment decisions help to determine the status and character of our nation's communities. The legal system has not been as quick to preclude the use of race in the characterization of neighborhoods, or in the prediction of their likely future. The practitioners of the arcane wizardry of geodemographic clustering make use of a range of statistical indicators, including race and ethnicity to classify and characterize communities all across the nation.

Investment decisions informed by these stereotypic profiles help to shape the opportunities for employment, education, and social interaction across the boundaries of race and class. While many of these indices rate and rank communities on the basis of financial indicators, other popular systems characterize neighborhoods in terms of the relative risk of crime and social disorder.

Unfortunately, as we are just beginning to learn, predictions often help to ensure that we get the futures that we dread the most.

Glenn Loury tells a story about taxi drivers that helps to illustrate just how these self-fulfilling prophecies tend to work.

Taxi drivers, informed by word of mouth, media reports, and perhaps some personal experience, have come to believe that African American males are more likely than White males to try and relieve them of their hard-earned cash.

So, like the rational actors we would expect them to be, these drivers begin to ignore more and more of the Black men who attempt to flag them down in different parts of the city.

Well, the Black men who are most able to rely on alternative means of transportation will soon stop trying to flag down taxies. This means, of course, that the proportion of Black men on the street that are **actually** governed by evil intent, has just increased. As a result it has become even harder to make a buck behind the wheel.

Of course, these drivers have been engaging in a form of racial profiling, something that I have written about in the past. So, let's turn our attention there for a moment.

### ***Racial Profiling and Crime Prevention***

My thinking about the use of racial profiling in law enforcement has been influenced to a great degree by the writing of Bernard Harcourt, a legal scholar who currently makes his home at the University of Chicago. Harcourt has written a series of articles, and a recent book that challenges a broad range of rationales for racial profiling.

Harcourt's work builds on and extends some important writing in this area by another legal scholar, Frederick Schauer, whose book on profiles, probabilities and stereotypes figured prominently in my decision to adopt "Quixotics Unite!" as a rallying cry for the project I currently pursue.

What these authors have in common is their willingness to question the societal value of using group membership as a basis for determining social policy. This is a part of a larger debate about the **fairness** of using group averages as a basis for making decisions about individuals.

Schauer does an excellent job of making it clear that there **is** useful information to be had in the identification of the population or group to which an individual can be said to belong. Knowledge about a group average obviously provides **some** basis for guessing how an individual member of that group will behave.

In the long run, or over the course of a great many decisions, even **if** the differences between groups is relatively small, and more critically, even if the proportion of group members with a disfavored tendency is only a **fraction** of the group as a whole, knowledge of that fraction stands as an **instrumentally rational** basis for choosing between members of different groups.

What Schauer, and later Harcourt set out to question, however, is the degree to which the use of some groups or categories should be restricted, or banned altogether because of the social consequences that result from their use.

Schauer suggests that because race and gender are so readily available as indicators of group membership, they are likely to be overused. Further, because they are primarily used as a basis for exclusion, denial, or unwanted attention, their use is likely to contribute to the kinds of cumulative disadvantage that worsen the fate of the group as a whole.

Harcourt engages two issues that are central to the ongoing debates about the use of race as a factor in the decision to stop, search and detain individuals suspected of criminal activity.

If we consider racial profiling, or profiling more generally as a social technology, we need to consider whether it is both **effective** in reducing crime, and **efficient** in the use of limited resources.

At that same time, Harcourt suggests that we have to consider whether this, or any other technology is **fair** in terms of the **distribution** of benefits and burdens that are produced through its routine use.

So, for example, Harcourt suggests that it would be **unfair** if some people who commit crimes face a higher probability of being arrested than other people who commit that

same crime. He argues, and I hope you agree, that it would be **especially** unfair if this differential risk were assigned on the basis of the **race** of a criminal.

What Harcourt demonstrates, through an extended series of arguments is that racial profiling is neither efficient nor fair in the ways we usually understand those terms.

Since I can't provide all those examples, let me just say that Harcourt, and a great many others who share his perspective, demonstrate that the decision to focus the attention of police on African American males results in an over-representation of Black men within the criminal justice system.

The operation of this self-reinforcing system generates the data, and the popular perception of African Americans that serve to **justify** the continued use of race as an index of criminality.

Of course, we understand that no technology is perfect. We should be concerned about the kinds of errors that are likely to be made. All technologies are subject to both Type I and Type II errors. Our continued use of a given technology usually reflects a societal judgment about the nature and extent of the errors we are willing to accept.

Our tolerance of errors will vary as a function of the seriousness of the problems the technology is designed to address.

Unfortunately, our tolerance of error will also vary as a function of the ways in which those errors are distributed. If the costs of an error weighs more heavily on the shoulders of those we value less, we seem more willing to treat such distributions as fair.

Harcourt, and others suggest that the burdens of profiling error weigh far too heavily on the backs of African Americans and other people of color.

There is also great deal to be said about the ways in which the use of this particular technology generates a host of unintended, cumulatively disastrous consequences.

Growing disrespect for the law, the police, and the court is just one small thread that threatens to unravel the social fabric of our nation.

But I would like to leave the criminal justice system for a moment or two in order to give you a sense of the ways in which the same discriminatory technology, applied to quite different spheres of activity, produces the same sorts of declines in the quality of life that African Americans can hope to enjoy.

### **Genetic Discrimination (Eugenics returns)**

I am especially concerned about the ways in which advances in genomics are bringing the actuarial assumption into the array of institutional choices that shape the future for African Americans.

At the base of my concern is a steadfast belief that increased reliance on genetic identification and classification in a variety of fields will occasion the return and popular acceptance of eugenics. As we move toward that particularly distasteful future, we can mark a number of critical milestones along the way.

The use of genetic material as index of identification has all but become the norm in the criminal justice field. Policy makers in the UK are already discussing whether it makes more sense, from a social justice perspective, to collect and process samples of DNA from every resident, and every visitor, rather than limit the collections to folks who have been convicted, arrested, or merely detained as a person of interest.

Because of racial profiling, the world's largest DNA database contains samples of genetic material from 40% of the Black men in the UK. Although the growth in these databases in the US has not been quite as fast, the disproportionate representation of African Americans in the eligible pool obviously reflects the impact of race based policing.

If we consider the ways in which DNA profiles identify **family** members as well as the original source, the numbers of African Americans who will be placed at risk of an unsolicited interaction with police are bound to grow at a rapidly increasing rate as the use of these databases expands.

Of course, it is not only racial profiling that should invite caution about the expansion of DNA databases. We should also keep in mind the fact that not all criminals leave genetic material behind. The people who commit crimes against property, especially white-collar crimes committed at a distance, perhaps with the aid of a computer, perhaps in the market for securitized mortgages; these people rarely leave any DNA at the scene of the crime. This means, of course, that DNA fingerprinting will be far more effective in identifying a relatively small share of the criminal population. But it will, nevertheless, increase the number of African Americans brought into contact with the police.

The use of genetic material is not limited to the identification of unique individuals. A far greater, and potentially more problematic use is the identification of individuals as members of particular classes or groups. Considerable energy and intelligence has been focused on the use of genetic markers to revisit the debate about the existence and origins of racial groups.

One doesn't have to be an actuary in order to believe that progress in the identification of population groups will soon be followed by an assessment of the similarities and differences between these groups that can be attributed to the presence, absence, or combination of genetic markers.

I am most concerned about the great interest being shown in the potential for behavioral genetics to identify the particular alleles that seem to predict a greater than average number of problems in the management of anger, stress, alcohol, or threats to one's sense of self.

The identification of individuals, perhaps at birth, or before, as having a “troublesome gene,” certainly raises concerns about discriminatory intervention in the choices that people get to make.

Similarly, media-based discussions about the distribution of so called “bad genes” across populations defined by race or ethnicity will serve to refresh and reinforce the association between group membership and social stigma.

Thankfully, there are a good many scientists and policy makers who understand that current knowledge of the role that our genes play in shaping behavior is extremely limited. On the other hand, all it takes is a critical event, or a well-meaning campaign of fear, for political actors to begin to grasp at these genetic straws, while brushing aside our concerns about collateral damage and long-term social consequences.

### ***Education***

We also have to consider the dogged determination of those who believe that underlying genetic differences between racial and ethnic groups explains much of the difference in average performance of members of those groups in our nation’s schools. Because they believe that genetic determination trumps social policy and other environmental influences, they don’t believe that it makes any sense to try and reduce long-standing achievement gaps between White and minority youth.

Although professors Rushton and Jensen weren’t actually **proposing** that the problems of inequality in educational attainment would be solved increasing the number of biracial youngsters in our schools, they **did** recently offer a “genetic hypothesis” suggesting that Black youngsters who “possess more White genes” will have “physical, behavioral, and other characteristics” that will “approach those of Whites.”

I wonder how many Black kids have already considered submitting DNA profiles along with their applications to college? I wonder how many colleges in the future might

actually **require** such profiles along with transcripts, test scores, essays, and letters of recommendation?

## **The Role of the Media**

Before I run out of time here this evening, let me say a few words about the media. For quite some time I have been examining the ways in which the news media report on racial disparity. I have attempted to characterize this work in terms of the media's framing of racially comparative risk.

As I have argued, the ways in which **racial disparities** are framed help to shape the ways in which the public responds to stories about inequality.

### ***Framing risk and relative risk***

There are several points of concern. First, there is a concern regarding the public's understanding and appreciation of any given disparity.

How much of a difference is enough to warrant public concern?

Does the extent of the difference, and its place on the public agenda vary as a function of the identification of those who are at greatest risk?

Certainly what we know about attribution errors suggests that we tend to assign blame to personal factors when hardships befall those "other" people. On the other hand, we are quick to identify structural, or circumstantial factors that explain why people like us fall on hard times.

I have been using a particular strategy for identifying newspaper reports about racial disparities in order to characterize the ways in which the winners and losers are framed. I search for articles in which "more" or "less likely" occurs within ten words of some racial identifier. The resultant frames would be: Blacks are more likely to lose; Blacks are less likely to win; Whites are more likely to win; or Whites are less likely to lose.

The overwhelming tendency, around 75 percent of the time in study after study, is for the headlines and lead paragraphs to emphasize the fact that Blacks are more likely to lose.

Recently, Zhan Li and I examined a special sample of articles written by investigative journalists. These were not just **any** articles—these were articles that had been selected by newspaper editors and publishers for submission to an annual competition.

So, we might think of these stories as the cream of the crop of investigative reports that were designed to mobilize the public to get behind some kind of public policy response. Although most newspapers were a bit reluctant to conclude that the racial disparities they observed were the product of racial discrimination, it was clear that this was the subtext in the majority of these articles.

Again, we found that the overwhelming tendency among investigative journalists was to frame headlines and lead paragraphs about racial disparity in terms of the greater risks faced by African Americans, rather than the greater advantages enjoyed by Whites.

### **So, why is this a problem?**

Well, we already know from the work of Shanto Iyengar, that framing a story in **episodic**, rather than **thematic** terms invites the audience to blame the victim, rather than some institution actor, or some structural force. But we've learned that the impact of framing is even more complicated than that.

It appears that it matters exactly **how** direct comparisons are framed.

For example, if I wanted to find out how you compared soccer and football in terms of the average level of **skill** required of its players, it matters whether you ask if soccer is more demanding than football, or whether football is more demanding than soccer.

This framing effect even works when the comparisons are personal, as in a comparison between yourself, and others in terms of how lucky you think you are.

Mihaela Wanke explain this rather robust effect in terms of the kind of cognitive processing that takes place when the target of the comparison is mentioned.

Mentioning the target activates the stereotypes, or schema that we have already developed about the target category or group. Activating the stereotype also ensures that the features or attributes that are most salient in that schema are the ones upon which the evaluative comparison will be made.

So, when the target is African Americans, all of the readily available stereotypes of African Americans as stupid, violent, and lazy are activated.

And whatever subsequent comparisons are made, differences are bound to be justified or minimized on the basis of the racial stereotypes that have been automatically brought into play.

In addition, it also seems likely that focusing on Black suffering, rather than White advantage, makes it less likely that substantial feelings of guilt or responsibility will be activated by exposure to these stories.

Because many of these stories dealt, at least indirectly, with what we might characterize as institutional racism, Zhan Li and I thought that it would be useful to explore the extent to which journalists and their editors shared a culturally-based reluctance to charge some institutional actors with racism.

We classified these stories about racial disparity into categories dealing with institutions in financial services, criminal justice, health care, education and employment. We argued that journalists would rely on direct attributions to sources in stories in which the charge of institutional racism would be more difficult to defend. The assumption here is that

because everybody **knows** that mortgage lenders discriminate, journalists don't feel that they have to quote someone as making that charge. They can make it themselves.

When we looked at attributions, or direct quotes by article theme, some rather interesting constraints are revealed. As we expected, stories about disparities in finance and criminal justice had a relatively small number of attributions.

The smallest number of attributions per article appeared in stories about employment and education. The greatest number of attributions, nearly five times the average rate we saw in education stories, were found in stories about racial disparities in health care.

This suggests that we as a people are not yet ready to explain disparities in health as being the product of racial bias in the health care delivery system.

### ***Framing the debate about the actuarial assumption***

Unfortunately, I haven't really begun to study the ways in which the news media explore the role of insurance in society.

I **have** begun, however, to examine some of the debates taking place within actuarial circles about the ways in which the story of insurance is being told. Critical insiders remind us that most of what we have read about insurance and actuarial thinking has been influenced by the insurance industry. They suggest that representatives of the industry, tend to talk about insurance in terms of economic efficiency and institutional survival. They are far less willing to frame their comments in terms of social benefits, or moral or ethical concerns.

It will be important for me to explore in some detail the ways in which "actuarial fairness" comes to be discussed. While we might assume that the industry uses "fairness" in the same way that the average person does, the reality is quite something else again.

For insurers, fairness is defined in terms of the risk status of individuals. They suggest that it is only fair that people face rates that reflect their risk status.

Actuarial fairness is not concerned about whether their risk status is something than an individual can be held responsible for, however.

Not many of us think that it is fair for people to be penalized for circumstances beyond their control, such as being born Black, or female, or poor. Actuarial fairness in the insurance business, however, operates to punish the unfortunate for their bad luck.

Thankfully, a good many of us see this as a perversion of the term and the meaning of insurance as a social technology.

Certainly there are critics who are beginning to call our attention to the fact that insurance is a rather special kind of consumer product. Most producers or providers of goods and services seek to identify the individuals who **need** their services, and they use advertising and marketing resources to bring them into the fold. But the underlying logic governing the private insurance industry is one that seeks to **avoid** the consumers who have the greatest need for their product.

As I explore the framing of insurance in the media and policy environments more closely, it will be important to take note of the way the industry has mobilized its public relations efforts in response to threats to its public image.

Recently, the industry has begun to support research by actuaries and social scientists in an effort to overcome the criticism that actuarial models cannot be used as a justification for rates that discriminate against what we call “protected groups”—those who have suffered from a long history of discrimination.

Critics, courts, and legislators have challenged some of these underwriting models because, although they may support a successful business model, they are correlational, rather than causal.

For example, opposition to the use of credit scores as component of underwriting models has been mobilized because of the disparate racial impact that has been attributed to the use of measures like these. How does my credit rating influence the way I drive my car?

In response, representatives of the industry have begun to argue that there is an underlying personality factor, perhaps familiar to some of you under the label “sensation seeking.” This third variable arguably explains risky behavior in automobiles in the same way that it explains risky behavior in the economic realm.

Of course, an inferentially identified psychological indicator doesn’t provide the same kind of explanatory weight as a biological or genetic marker. The possibility that a specific allele that governs the management of dopamine levels in the blood may represent the Holy Grail for the industry. No wonder the industry has begun to mobilize resources in order to defend itself against any limits on the use of genetic information as a basis for risk classification.

## **In Conclusion**

At this point in most of my usually depressing lectures people ask: “so what is there to be done?”

### ***Against prediction***

Even though Harcourt has begun to argue against prediction, and in favor of randomization, there is little real hope that he will succeed in that particular mission.

The actuarial assumption is too firmly entrenched within the private sector for it to be abandoned in the face of criticism from the ivory tower. And, given the extent to which privatization of a whole host of goods and services that had previously been delivered by

government has become the norm, we can expect that profit seeking firms will use any techniques that they can defend on the basis of a rational business model.

On the other hand, I have been encouraged by the way in which the environmental movement has transformed public thinking about the use of technologies that pollute the air and water and threaten our way of life. I imagine that it will take quite a while before public awareness of the impact of the actuarial assumption spreads enough to sustain an effective social movement.

But that's what early retirement is for.

Thank you for your attention.