

M. REICH

Racial Inequality

A Political-Economic Analysis



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A Political-Economic Analysis

MICHAEL REICH

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Contents

	LIST OF TABLES	vii
	LIST OF FIGURES	ix
	PREFACE	xi
One	Introduction	3
Two	The Persistence of Racial Economic Inequality in the United States	17
Three	Racial Inequality and Neoclassical Economics	76
Four	Who Benefits from Racism? An Econometric Test of Neoclassical Discrimination Theories	109
	APPENDIX TO CHAPTER FOUR	159
Five	Economic Theory and Class Conflict	164
	APPENDIX TO CHAPTER FIVE	204
Six	Racism and Class Conflict, 1865 to 1975	216
Seven	White Workers Are Hurt by Racism: Econometric Evidence	268
Eight	Conclusions and Implications	305
	BIBLIOGRAPHY	315
	INDEX	341

List of Tables

2.1	Occupational Distribution of Blacks in the Labor Force, 1890–1970	24
2.2	The Occupational Position of Black Men Relative to White Men	26
2.3	Ratio of Nonwhite to White Median Income; United States 1945–1977	32
2.4	Ratic of Nonwhite to White Unemployment and Labor Force Participation Rates, 1948–1978	34
2.5	Proportion of Black and White Families Maintained by Women, 1960–1978	37
2.6	Relative Median Income Regressions	39
2.7	Regression Results, 1947–1964	42
2.8	Relative Median Income Regressions	43
2.9	Relative Median Income Regressions	44
2.10	Nonwhite/White Male Median Income Ratios by Region, 1953–1977	47
2.11	Nonwhite/White Female Median Income Ratio by Region, 1953–1977	48
2.12	Relative Median Income of Black Males in the Urban U.S., Urban South, and Urban Non-South 1939–1969	50
2.13	Ratio of Nonwhite to White Male Median Incomes, Selected Cities 1949–1969	52
2.14	Black-White Male Earnings Ratios by Detailed Industry, 1949–1969	54
2.15	Proportion of the Black and White Population of the Coterminous United States in the South, by Urban and Rural Residence, 1870–1970	63
2.16	Percentage of the Population Residing in Urban Areas, by Region and Race: 1880–1970	65

LIST OF TABLES

2.17	Median School Years Completed, by Race and Sex, 25 to 29 Year Olds, 1890–1970	67
4.1	Explanation of Inequality: Total Sample, 1960	134
4.2	Correlation Matrix, Total Sample, 1960	137
4.3	Total Sample, 1960: Additional Variables	140
4.4	Total Sample, 1960: Additional Variables	142
4.5	Total Sample, 1960: Additional Variables	144
4.6	Alternative Dependent Variables	146
4.7	Including PCTNW	149
4.8	Non-Southern SMSAs, 1960	152
4.9	1970 SMSA Equations	155
4A.1	Correlation Matrix	162
4A.2	Correlation Matrix for Non-Southern Sample, 1960	163
7.1	Effect of Union Membership on Relative Incomes of Nonwhites, 1970	273
7.2	Unionism Equations, 1960	290
7.3	White Schooling Inequality, 1960	295
7.4	AFDC Equations, 1960	297
7.5	Unionism and White Schooling Inequality, 1970	299
7.6	1970 Industry Equations	302

List of Figures

2.1.	Nonwhite/White Median Income Ratios by Sex and Region	46
3.1.	White Gains and Losses from Discrimination	92
4.1.	Effect of Discrimination on White Labor	110
5.1.	Racial Inequality and Worker Bargaining Power	207
5.2.	Discrimination as Labor Market Segmentation	212
5.3.	Union Gains from the Overthrow of Monopsony	213

Preface

WHAT INTEREST do different groups of whites have in the perpetuation of racism against blacks in the United States? This straightforward question, which should be distinguished at the outset from the question of the *role* various groups of whites have actually played in racism, provides the starting point for the research reported in this book. Although the distribution of benefits from racism has been much discussed, it rarely has been studied systematically in an empirical fashion. This study seeks to fill that vacuum.

Two additional concerns motivate the present study. First, neoclassical economics has not yet been able to develop a satisfactory theory of racial inequality and discrimination. Can political-economic analysis, which emphasizes collective action, conflict and power, and the interaction of political and economic variables, provide a better theory? Second, working-class whites and unions often are thought to benefit from racism. Yet unions seem to be less capable of achieving their economic and political goals in the United States than in countries with less racial and ethnic heterogeneity. How can this apparent paradox be explained?

In working on this book I have accumulated debts to many colleagues and friends. My deepest thanks go to Nancy Chodorow, Samuel Bowles, and Richard Edwards. Each provided not only helpful comments on several entire drafts, but also important support and encouragement at many stages of the enterprise. Assistance from Kenneth Arrow, David Gordon and Stephen Marglin was especially helpful at many points. Conversations with Eric Foner and Jonathan Wiener clarified aspects of nineteenth-century Southern history and David Plotke provided useful suggestions.

PREFACE

Many of my colleagues and students in the Department of Economics at Berkeley deserve thanks for letting me try out ideas on them and for giving me helpful comments. In particular, Bent Hansen saved me from some technical errors, Richard Sutch helped with the historical material, Lloyd Ulman provided important insights on the labor movement, and Benjamin Ward encouraged me to keep returning to the big questions.

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I also wish to thank the *Journal of Human Resources* and the *American Economic Review* for permission to draw from my previously published work.

RACIAL INEQUALITY

CHAPTER ONE

Introduction

IN THE TWENTIETH CENTURY, two salient characteristics have distinguished the United States from the other developed capitalist countries in Western Europe and North America. First, political alignments are based less on class position and solidarity in the United States than in any other developed capitalist country. The United States lacks a significant socialist movement, and its labor movement is the weakest of any developed country. To many observers these unique features account for the comparatively underdeveloped character of welfare-state programs and the weak commitment to full-employment policies in the United States.

The second salient characteristic distinguishing the United States from these other developed capitalist countries concerns the long history of ethnic and racial diversity among its population. Although ethnic differences have decreased markedly over the course of the century, the United States contains a large racial minority of blacks that still remains set apart from the white majority. This feature of the United States has also developed in Western European nations since the mid-1960s, but to a lesser degree.

This book addresses these two features of American society—the relatively low level of working-class economic and political power and the continuing degree of racial inequality—and argues that they are not just parallel developments. They are inextricably linked and must be understood jointly. I show that market forces in American capitalism do not work to eliminate racial inequality and that economic and political pressures from racial minorities allied with the labor movement are required for further advances toward racial equality. I show also that racial inequality diminishes the

INTRODUCTION

capacity of workers to organize in a solidaristic manner, thereby weakening the labor movement and hurting most white as well as black workers.

Consider, for example, the evolution of the labor and black movements since the great watershed of the 1930s. In that decade organized labor and blacks cooperated on an unprecedented scale, to the mutual advantage of both parties. However, this alliance began to unravel by the late 1940s, primarily from the side of labor. Since that time, the labor movement has not succeeded in making significant advances in organization or economic bargaining in private industry. Its gains have been limited primarily to legislative victories and to extending unionism among public employees. By the late 1970s even these gains were in danger of being rolled back. Certainly, no marked increase in class solidarity has developed. Instead, particularistic issues such as school busing have held the attention of many white working-class Americans.

Although the civil rights movement was set in motion in the 1930s, its main impact was delayed until the 1950s and 1960s. Even so, the limited support of labor constrained the economic gains of blacks. While many of the legal and some of the cultural and economic barriers to racial equality have been dismantled in the post-World War II era, most notably in the heady decade of the 1960s, racial inequality persists. I shall document in detail that while blacks have made advances both in absolute terms and relative to whites, equality has not been achieved and further relative advances are doubtful. The relative economic and political advances for blacks that did occur in the 1960s seem to have ended by the early 1970s. Both the labor movement and the civil rights movement had entered a period of decline.

In the 1970s the problems and stagnation of these movements stemmed in large part from the backlash response of many white Americans to the civil rights ferment of the 1960s, signaling a growth of selfish individualism and a turn away from collective action.¹ This hostile response notably con-

¹ For evidence of a reversal since 1972 in the liberalization of white racial

INTRODUCTION

trasts with white labor's support for struggles against racism and for interracial class solidarity in the turbulent 1930s.

Why was the backlash strong and solidarity so weak? It is not my purpose here to address this important question comprehensively. I shall present briefly the principal perceptions that seemed to fuel the racial backlash among white Americans. These perceptions further suggest the connection between racial inequality and the weakness of the labor movement and indicate the starting point of my own research.²

First, many white Americans seemed to believe not only that racial minorities had made significant gains in recent decades, but also that these advances were so great that racial discrimination in economic life had become exceedingly rare.³ This notion was presented frequently in mass media depictions of a newly expanded and affluent black middle class that had "made it" in economic terms to levels that exceeded average white income levels. Consequently, many whites apparently felt that further affirmative action programs were no longer needed.

Second, many white working-class and middle-class Americans seemed to believe that the gains that have occurred for racial minorities, especially those resulting from affirmative action programs in employment and education, have occurred primarily at their expense.⁴ Many whites apparently felt that affirmative action programs in education and employment had taken educational opportunities, jobs, and income away from white families who had not personally created or been a party to past racial oppression, and had given these advantages to

attitudes, see John Condran, "Changes in White Attitudes Toward Blacks, 1963-1977," *Public Opinion Quarterly* (Winter 1979).

² The characterization below is based on accounts made in the mass media.

³ A 1978 Gallup Poll indicated that 77 percent of whites believed that blacks are treated the same as whites. (However, only 34 percent of surveyed blacks agreed.) "Poll Shows Dramatic Drop in U.S. Bias," *San Francisco Chronicle*, 28 August 1978.

⁴ For a discussion of the prevalence of conceptions of race-based politics, see Louis Bolce and Susan Gray, "Blacks, Whites and 'Race Politics'," *Public Interest* (Winter 1979).

INTRODUCTION

underserving blacks who had not worked for them. The wide publicity given to the relatively small number of affirmative action programs instituted by government, by private corporations, and by unions, as well as the publicity given to the Bakke Supreme Court case provided a highly distorted picture of undeserved black gains to many white Americans. This perception offended many white Americans' ethic of fair treatment and led to charges of "racism in reverse." It also provided for many whites a simple and emotionally appealing explanation of one of the principal causes of the economic deterioration that many households were experiencing throughout the 1970s.

Third, many white working-class Americans apparently believed that they paid their taxes for governmental programs that mostly assisted racial minorities. Many whites felt that government spending for welfare and for public education, including school busing, consumed a major share of their tax dollars, and that these expenditures primarily benefited racial minorities. This perception was reinforced by the attention given in the mass media to accusations of welfare chiseling, usually depicting a black family on welfare. The high birth rate among black women on welfare, more a consequence of low income than of race or welfare-recipient status, validated to many whites the undeserving and unproductive nature of the recipients of these programs.

These views were formed through a combination of personal experience and observation, information and misinformation presented in the mass media, and cultural stereotypes passed on from generation to generation in white families and communities. These popular perceptions, which therefore involved a complex mixture of correct and incorrect understandings, accorded at least partly with the results of analyses undertaken by many economists, sociologists, and other social scientists. Many economists, working with massive data sets containing numerous socioeconomic variables broken down by race, concluded that racial discrimination had indeed disappeared by the end of the 1960s. What disagreements there were among

INTRODUCTION

economists seemed to concern primarily whether government antidiscrimination efforts or the competitive operation of the marketplace had produced this beneficial change. The neo-classical (that is, market-oriented) economic analysis and its variants that most economists in the United States work with also led them to conclude that working-class Americans indeed were the primary beneficiaries of racism. It therefore followed that black gains of the recent past had taken place at white workers' expense. Finally, conservative economists, who view government activity as generally inherently unproductive and damaging to the efficient workings of markets, proclaimed the desirability of ending government programs that interfered with individual freedom, that substituted one type of racism for another, and that did not help blacks particularly anyway. Both economic theory and econometric investigations thus tended to coincide with and underscore the common public perceptions.

These popular and scientific perceptions do contain some correct insights, and it is understandable why they are held by large segments of the public and the academic community. However, I believe that these perceptions are fundamentally flawed. In this book I sort out what I have found to be correct in these perceptions from what I have found to be incorrect. I present an alternative analysis of: the economic reality concerning the state of racial inequality in the United States today; the importance of class power in economic processes; the relation between racial inequality and class conflict; and the distribution of benefits from attempts to reduce or eliminate racial inequality.

In the chapters that follow I present the following analysis. First, it is true that blacks have made significant gains in recent decades. These changes are most evident in the areas of civil and political rights, in the depiction of blacks in the mass media, and, to a lesser extent, in black representation in elected offices. It is also true that a notable change has taken place in the black class structure. For example, the proportion of blacks employed in professional and managerial occupa-

INTRODUCTION

tions rose from 4 percent in 1949 to 12 percent in 1969, while the proportion working in agriculture fell from about 10 percent in 1949 to about 2 percent in 1969.

Nonetheless, economic inequality for most blacks has persisted virtually unchanged in this period. Using black/white earnings ratios as a measure of racial inequality, I find that the last major era of relative gains for blacks in private industry occurred during the 1930s and 1940s, the decades of the formation and growth of the industrial union movement and World War II. Since 1949 the economic position of blacks relative to whites has not changed markedly in industry and in the major metropolitan areas.

This stagnation, I suggest, is associated with the generally stalemated position of the labor movement in private industry since the late 1940s. In this period the labor movement has not increased its strength within the sectors of the economy where it was already entrenched, and it has had very limited success in organizing low-wage sectors where it has traditionally been weak. The high-wage employment sector, moreover, has grown very slowly, while the low-wage sector has increased in relative and absolute size. Limited employment growth in the high-wage sector, where seniority-based promotion systems predominate, has delayed black advancement in those sectors, while blacks and other racial minorities have been disproportionately employed in the faster-growing but lower-wage sector. The slow growth of high-wage employment opportunities itself reflects the political weaknesses of the labor movement and the Left in the United States. Both racial equality and real income levels of most whites would have advanced further if government had been under greater pressure to expand social welfare programs and full-employment economic policy.

Second, it is also true that many economic agents act as if the gains achieved by one individual or group in the economy necessarily come at the expense of another. This behavior mirrors important aspects of American culture: a widespread individualism and narrow group insularity and identification.

INTRODUCTION

But the gains of racial minorities, according to my empirical findings, need not and generally do not cause economic losses for most whites in the United States.

Although individualistic action is widespread, collective action among workers is also significant. Consequently, the share and level of income going to labor are not fixed by market forces alone, but depend also on economic and political bargaining processes involving labor, capital, and the state. Greater racial equality and interracial unity among workers therefore can produce gains not only for black workers, but for most white workers as well. I find that large capitalists and elite professionals are the only groups that clearly lose income from advances in racial equality. Moreover, the size of the overall economic pie is not fixed, as it is determined in large part by governmental aggregate economic policy. The institution of the traditional but still unfinished progressive full-employment and welfare-state political agendas would bring gains to blacks and to most whites.

Third, it is also true that government, on the whole and especially at the Federal and non-South state and local levels, has proven to be beneficial to racial minorities in the past two decades. But these gains have not occurred at the expense of most whites. Government employment pays a higher average wage than private industry to both black and white workers, *and* government employment patterns produce a more equitable average black/white earnings ratio than does private industry. Significantly, the state sector is also the main arena of labor movement gains in the postwar era.

Although racial minorities receive a disproportionate share of certain government transfer programs, such as welfare, whites make up the majority of the recipients. And racial minorities receive less than their share of the benefits of many programs, including social security and unemployment compensation, and even less the benefits of public higher education or weapons procurement. Despite the small benefits of tax reductions, the government cutbacks in the 1970s as well as the turn to recessionary aggregate economic policies certainly have

INTRODUCTION

hurt minorities and most working-class and middle-class whites.

These propositions have not been wholly absent from political discourse. On the contrary, they comprise an important element in neopopulist thinking. For example, Reuben Askew, the former governor of Florida and a leading Southern politician has stated:

Because of our persistent preoccupation with race-related issues, we have all too frequently neglected the real economic and environmental problems of the people, black and white alike. In this way, we have not been fair to ourselves. When people are divided against themselves on racial grounds, they have not time to demand a fair shake on taxes, utility bills, consumer protection, government services, environmental preservations, and other problems. In this session of the Florida legislature . . . while the legislature and the news media were focusing attention on the busing debate, lobbyists and special interests were hard at work undermining programs that would put money into people's pockets, that would help protect people and other living things which make Florida a worthwhile place in which to live.

This is probably the greatest reason why the South has been lagging behind other regions on issues such as wages, distribution of the tax burden, health, medical care, and aid to the elderly and others in need. So often when someone attempts to do something about people's needs, the race issue is resurrected in one form or another.⁵

Nonetheless, these concepts remain remarkably absent from scholarly discussion, particularly among neoclassical economists.

My findings are presented and argued in this study according to the following plan. In Chapter 2 I review the long-term trends in racial economic inequality. I find that much of the

⁵ Reuben Askew, "Busing Is Not the Issue," *Inequality in Education*, Harvard Graduate School of Education, no. 4 (March 1972), p. 4.

INTRODUCTION

recent improvements in black incomes relative to that of whites reflects cyclical forces and a one-time structural change—the decline of the agrarian South—and that racial inequality has persisted within metropolitan areas and within private industries. This persistence is particularly striking because of the variety of demographic, economic, and political shifts of the past few decades that ought to have exerted a significant upward pressure on the relative incomes of blacks. The persistence of racial inequality in a competitive market economy further presents an anomaly for neoclassical economic analysis.

This suggests a need to look more closely at the analysis of racial inequality presented by economists working with the neoclassical paradigm. I do so in Chapter 3, where I assess the strengths and weaknesses of the various neoclassical approaches, concluding that each of the neoclassical discrimination theories is inadequate. None meets the double test of logical coherence and empirical plausibility.

In Chapter 4 I examine in detail the empirical answer to the important question: Who benefits from racism? This investigation permits a uniform econometric test of the various neoclassical discrimination theories. I develop a crossectional model to carry out this empirical test. The results, which show that white workers lose and capitalists benefit from racial inequality, go directly against the predictions of the neoclassical theories.

In Chapter 5 I argue that the problems of neoclassical discrimination theories result from more general inadequacies of neoclassical economics. A class conflict approach to economic and political processes can be integrated with market analysis, thereby providing a coherent and superior theory of income distribution in capitalist economies. The divisive effects of racism on worker power at both the microeconomic level of the firm and the macroeconomic level of the entire economy suggests an explanation for the persistence of racial inequality in both competitive and monopsonistic market settings. Unlike neoclassical analysis, this theory is consistent

INTRODUCTION

with the econometric evidence that is presented in Chapter 4.

In Chapter 6 I examine the changing historical relation between racial inequality and class conflict since 1865. The historical materials in this chapter provide further motivation and illustration for the hypotheses developed in the theoretical discussion.

In Chapter 7 I discuss some specific mechanisms that link racial inequality with income inequality among whites in the class conflict theory. Two mechanisms, the impact of racial inequality on unionism and on inequality in public services, are testable using the cross-sectional model developed in Chapter 4. The econometric findings indicate that these mechanisms do indeed work to hurt most white workers and benefit capitalists.

Thus, the theoretical, econometric, and historical discussions each lend support to the contention that class conflict plays an important role in economic and political processes in a capitalist economy, and that the economic basis exists for the creation of a broad interracial class alliance opposing racism in all of its forms. The theoretical and public policy implications of these findings and their significance for an era of economic stagnation are discussed further in the closing chapter.

Having outlined the analysis of this book, I also want to emphasize two important limitations of its scope. First, I examine racism here only in the context of the relationship of whites and blacks in the United States. Blacks, however, comprise only one of the racial minorities in this country. In addition to blacks the other racial minorities numerous enough to be recognized and counted by the U.S. Bureau of the Census are Indians, Japanese, Chinese, Filipinos, Koreans, and Hawaiians. These groups together constitute the census category "nonwhite," of which blacks account for about 90 percent. The census now also counts persons of Spanish origin (Mexican, Cuban, Puerto Rican, and so on) as a separate but not racial category.⁶ When census enumerators classified His-

⁶ Race itself has become as much a social as a biological category. In the Slave South, a person with one-eighth African ancestry and seven-eighths

INTRODUCTION

panics into racial categories in 1970, approximately 96 percent were put in the white category.

Each of these groups has a specific history and a distinct present situation. The number of people of Spanish and Asian origin, many of whom are immigrants without proper state documents, has especially increased since the late 1960s. Since the experience of each of these groups differs, I have limited my analysis to blacks only. While I expect that many, but not all, of the conclusions presented here may remain intact with a more inclusive study, I make no claims to have undertaken such an effort. The present focus on blacks is justified not only because blacks comprise the largest racial minority, but also because the development of racism in the United States has been most bound up with the treatment of blacks. Other forms and experiences of racism in the United States must be understood in this primary context.⁷

Second, just as I do not consider the analysis here automatically generalizable to other racial minorities in the United States, I also do not consider it generalizable to race relations in other countries. Racial hostility can be observed throughout much of world history, and it continues to prevail under all sorts of regimes around the world. It frequently intertwines

European ancestry was considered black. Whites were required to be pure European. Although such logic has no scientific biological basis, this social definition was adopted by the entire nation and ratified in the courts. It is estimated that over 70 percent of blacks in the United States today have some white ancestry. Present-day census enumerators are instructed to follow community usage in designating persons by race. See Lerone Bennett, *Before the Mayflower* (Baltimore: Penguin Books, 1966), p. 273; Thomas Pettigrew, ed., *Racial Discrimination in the United States* (New York: Harper and Row, 1975), p. xiii.

⁷ For examples of recent attempts to analyze the distinctive experience of the Chicano population, see Mario Barrera, *Race and Class in the Southwest* (South Bend, Ind.: Notre Dame University Press); Vernon Briggs et al., *The Chicano Worker* (Austin: University of Texas Press, 1977). For an ambitious recent effort to develop a comparative analysis of racial experiences in the United States, see Ronald Takaki, *Iron Cages: Race and Culture in the Nineteenth Century* (New York: Random House, 1979).

INTRODUCTION

with national and religious conflicts and differences. One thinks, for example, of the experiences of the Jews in Europe, the Irish in the United Kingdom, the ethnic Chinese in South-east Asia, the Asians in East Africa, the many national minorities in the Soviet Union, and the conflicts between Hindus and Muslims on the subcontinent of India, Pakistan, and Bangladesh. Some of these experiences reflect racial situations that stem from capitalist dynamics, but many have older and different origins.

I will not try to present the full case here, but many historians have demonstrated that modern racism against blacks in the United States did not emerge simply from the age-old patterns of oppression and marginalization of strange outsiders that sociologists frequently discuss in their analyses of racism. Rather, modern racism must be understood as originating in the context of the development of capitalism from the sixteenth century onward. The particular slave system that emerged in the Southern United States then imparted a unique character to race relations in this country.

Modern racism, as opposed to the casual color prejudice and ethnocentricity of ancient and early modern societies, began with the Atlantic slave trade and the European colonization of Africa, Asia, and Latin America. While numerous examples of racial feeling and discrimination can be observed in pre-capitalist societies, such as ancient Egypt, as well as in Shakespearean England (viz. Othello, the "dark Moor"), these practices differed qualitatively from the systematized oppression of one race by another that came later. Slavery in ancient Greece and Rome, for example, never produced a codified ideology that degraded and marked a person even after being freed from slave status.

On the contrary, under Roman imperialism, first Italians and later members of other conquered provinces were Romanized. They became citizens, intermarried with their Roman conquerors, filled leading positions in the army, and rose to rule in the heart of the empire. People of different ethnic and

INTRODUCTION

racial groups commonly could attain high social positions.⁸

In the antebellum United States, by contrast, racism against free blacks became deeply entrenched in the South and the North. And the racial-based slave system granted very limited rights and opportunities to the slaves.⁹ Prejudice and economic factors interacted in determining the early development of slavery in the American colonies. Both economic and ideological factors have been employed to explain the greater brutality of racism that existed in the United States as compared with developments in other parts of the New World.¹⁰

Modern racism thus developed with the European colonization of the rest of the world and the subsequent systematic class

⁸ On slavery and racism in antiquity, see Moses Finley, "A Critique of David Brion Davis," in Laura Foner and Eugene Genovese, eds., *Slavery in the New World* (Englewood Cliffs, New Jersey: Prentice-Hall, 1969); E. A. Brunt, "Reflections on British and Roman Imperialism," *Comparative Studies in Society and History* (1965); Gail Omvedt, "Towards a Theory of Colonialism," *Insurgent Sociologist* (Spring 1973). On the history and development of attitudes toward slavery, see David Brion Davis, *The Problem of Slavery in Western Culture* (New York: Pantheon, 1969), and Winthrop Jordan, *White Over Black* (Baltimore: Penguin Books, 1968).

Slavery within Africa also contrasts with slavery within the United States. While slavery and freedom were opposite concepts in the United States, African slavery commonly permitted substantial lifetime or intergenerational social mobility and also involved a continuum in rights-in-persons between slavery and kinship. See Suzanne Miers and Igor Kopytoff, eds., *Slavery in Africa: Historical and Anthropological Perspectives* (Madison: University of Wisconsin Press, 1977).

⁹ Racism in the antebellum North is documented in Leon Litwack, *North of Slavery* (New York: Knopf, 1960). The developmental relationship between slavery, racism, and the early emergence of capitalism is discussed in Eric Williams, *Capitalism and Slavery* (New York: Capricorn, 1966); Jordan, *White Over Black*; Edmund Morgan, *American Slavery, American Freedom* (New York: Norton, 1975). Morgan and Jordan go beyond earlier debates between Oscar Handlin and Carl Degler over whether slavery caused racism or racism caused slavery; a less satisfying discussion is in Oliver Cox, *Caste, Class, and Race* (New York: Monthly Review Press, 1968).

¹⁰ See Eugene Genovese, "The Treatment of Slaves in Different Countries," in Laura Foner and Eugene A. Genovese, eds., *Slavery in the New World*.

INTRODUCTION

domination of people of color. Race became a central justification of the colonial system (“the white man’s burden”) and the basis for the formation of class in the colonies. In North America the clearing away of the native “Indian” population as well as the enslavement of Africans for plantation labor led to the transformation of previously casual racial prejudices into a systematized and codified ideology and practice of racial subordination of blacks. Racism in the United States originated under circumstances that produced more restrictions on post-Emancipation blacks than on blacks living elsewhere in the Caribbean or Latin America. The specific original conditions and the subsequent historical dynamics that perpetuated racism (to be discussed here in Chapter 6) suggest both the importance of understanding black-white relations in the context of capitalist development in the United States and the limited generality of this experience.

CHAPTER TWO

The Persistence of Racial Economic Inequality in the United States

INTRODUCTION

IN 1918, as World War I was drawing to a close, the U.S. Bureau of Labor Statistics published a report summarizing "The Economic and Social Progress of the Negro Population."¹ After extensively reviewing recent trends in the status of blacks, the authors of the report concluded that much progress had been made. Of course, complacency was not warranted, for too much inequality remained. But despair was equally unwarranted, for the progress attained in racial equality was expected to continue in succeeding decades. The next year a series of race riots swept across major cities of the United States.

In 1944, a quarter of a century later, and near the close of World War II, the Carnegie Commission published a major review of the position of blacks: Gunnar Myrdal's massive *An American Dilemma, The Negro Problem and Modern Democracy*. Myrdal's assessment was even more optimistic than the 1918 Bureau of Labor Statistics report. As he wrote in 1962, on the occasion of the reprinting of *An American Dilemma*: "The most important conclusion of my study was, however, that an era of more than half a century during which there had been no fundamental change was approaching its close 'Not since Reconstruction has there been more reason to anticipate fundamental changes in American race relations,

¹ Cited in Rashi Fein and Stephan Michelson, "Social and Economic Conditions of Negroes in the United States—A Critique," *Washington Post*, 14 January 1968.

RACIAL ECONOMIC INEQUALITY

changes which will involve a development towards American ideals.’ ”²

In 1967, a quarter of a century later and two more wars after the publication of *An American Dilemma*, the Bureau of Labor Statistics issued another report summarizing “The Social and Economic Conditions of Negroes in the United States.” This report contains virtually the same assessment and the same language as the bureau’s report that was published nearly fifty years earlier: “The facts in this report thus show a mixture of sound and substantial progress, on the one hand, and large unfulfilled needs on the other. They do not warrant complacency. Neither do they justify pessimism or despair.”³ The same year a massive black rebellion took place in Detroit. And in 1968, in the week following the assassination of Martin Luther King, Jr., black protest riots swept across most major cities of the United States.

Since 1918 race relations have changed enormously, and for the better in many respects. The reenfranchisement of black voters and the outlawing of Jim Crow segregationist laws come to mind as the most dramatic achievements. The moderation of white racist attitudes and improvements in black cultural representation seem equally visible and important.

In spite of these gains, racism, the systematic subordination of one race, remains a major problem in the United States. Economic indices show that the cautious optimism expressed in the Bureau of Labor Statistics reports and in *An American Dilemma* has proved unfounded. Instead of narrowing, important racial income differentials in the United States have persisted throughout the twentieth century. Despite the optimistic expectations of progress, the median income of black families in 1978 remained at only 57 percent of that of white families. That is, the median income of blacks was at approximately the same relative level found in the early 1950s and

² Gunnar Myrdal, *An American Dilemma, The Negro Problem and Modern Democracy* (New York: Harper & Row, 1962), p. xxiii.

³ Bulletin no. 332 (Washington, D.C.: U.S. Government Printing Office, 1967), p. xii.

RACIAL ECONOMIC INEQUALITY

remarkably close to estimates of black-white income ratios in 1900.⁴ Racial income inequality is still very much with us.

Despite the persistence of racial income differentials, documented in detail in this chapter, much of the public and many professional economists believe that American blacks made substantial economic gains relative to whites in the 1950s and 1960s. After all, in these decades considerable public attention and policy was directed at the elimination of racial inequalities. Not only do many economists agree that racial discrimination has diminished substantially, especially since the mid-1960s, but some economists have even claimed that racial discrimination had already disappeared from much of economic life in the United States by the early 1970s.⁵ A recent debate thus focused not on whether a major movement toward racial economic equality had occurred, but rather on whether

⁴ U.S. Bureau of the Census, *Income of Families and Persons in The United States* P-60 Series; see also Table 2.8. For 1900 estimates see Roger Ransom and Richard Sutch, "Growth and Welfare in the American South," *Explorations in Economic History* (January 1979).

⁵ Studies that find substantial declines in racial discrimination or inequality include: James Gwartney, "Changes in the Nonwhite/White Income Ratio—1939–67," *American Economic Review* (December 1970); Leonard Weiss and Jeffrey Williamson, "Black Education, Earnings and Inter-regional Migration: Some New Evidence," *American Economic Review* (June 1972); Richard Freeman, "The Changing Labor Market for Black Americans," *Brookings Papers on Economic Activity* (Summer 1973); Finis Welch, "Black-White Differences in Returns to Schooling," *American Economic Review* (March 1973); Joan Haworth, James Gwartney, and Charles Haworth, "Earnings, Productivity and Changes in Employment Discrimination during the 1960s," *American Economic Review* (March 1975); Stanley Masters, *Black-White Income Differentials* (New York: Academic Press, 1975); Wayne Vroman, "Changes in the Labor Market Position of Black Men Since 1964," *Proceedings of the Twenty-Seventh Annual Winter Meeting*, Industrial Relations Research Association, Madison (1975); James Smith and Finis Welch, "Black-White Male Wage Ratios: 1960–1970," *American Economic Review* (June 1977); Richard Freeman, *Black Elite: The New Market for Highly Qualified Black Americans* (New York: McGraw-Hill, 1977); Richard Freeman, "Black Economic Progress Since 1964," *Public Interest* (Summer 1978). Among these authors Freeman and Smith and Welch are the most assertive in claiming that racial discrimination has largely disappeared.

RACIAL ECONOMIC INEQUALITY

competitive market pressures or government actions caused the improvement.⁶

In this chapter I examine the evidence concerning the principal trends in racial income inequality in the United States. I begin by looking at the long-run trends since 1865. Next, I turn to the period since the Second World War in order to examine the relative importance of cyclical and secular forces on fluctuations in racial income inequality and trends within regions, urban areas, and individual industries.

On the basis of this review I conclude that racial inequalities and racial discrimination are indeed persisting in the United States. Major changes have occurred in the black class structure—most notable is the decline of blacks as an agrarian class of small-holding and tenant farmers and their incorporation into the urban working class and professional and managerial strata. But these developments, registered in the changing occupational composition of the black labor force, have occurred in a manner that has not eliminated racial inequality, but instead has reproduced it in a new setting.

The persistence of racial inequality is particularly striking because of the strong forces that have been working in recent decades to equalize black and white incomes in the United States. In the final section of this chapter, these significant equalizing forces are discussed, and I conclude that the per-

⁶ See Freeman, "The Changing Labor Market"; Vroman, "Changes in the Labor Market Position"; and Bernard Anderson and Phyllis Wallace, "Public Policy and Black Economic Progress: A Review of the Evidence," *American Economic Review* (May 1975). These authors argue that government antidiscrimination efforts have been effective. For criticisms of this view, see Robert Flanagan, "Actual vs. Potential Impact of Government Antidiscrimination Programs," *Industrial and Labor Relations Review* (July 1976); Smith and Welch, "Black-White Male Wage Ratios"; and Richard Butler and James Heckman, "The Government's Impact on the Labor Market Status of Black Americans: A Critical Review," in Leonard Hausman et al., eds., *Equal Rights and Industrial Relations* (Madison: Industrial Relations Research Association, 1977). Butler and Heckman provide a valuable survey of these and many other empirical studies of government impact on racial income inequalities.

RACIAL ECONOMIC INEQUALITY

sistence of racial inequality in the face of such pressures poses a major anomaly for conventional explanations of racial inequality.

A CENTURY OF INEQUALITY: THE LONG-RUN TRENDS

The Census Bureau began to collect income data by race only in 1946. For prior periods, particularly before 1890, one must rely on two kinds of data: scattered and incomplete records of racial wage and occupational differentials over time, and the more systematic decennial census reports of the distributions of whites and blacks across occupations.

The most striking story that the scattered records tell us about the period from 1865 to 1890 concerns the economic decline in the status of skilled blacks. Prior to Emancipation slaves had performed most of the skilled craft work in building and other trades in the South. Consequently, black workers comprised 100,000 of the 120,000 Southern artisans in 1865.⁷ In the next several decades these black artisans were pushed out of or excluded from the skilled crafts, particularly in the building trades and on the railroads.⁸ When new craft occupa-

⁷ Charles Wesley, *The Negro Laborer* (New York, 1924), p. 142; W.E.B. DuBois, *The Negro Artisan* (Atlanta, 1902), pp. 115–120.

Slaves worked as blacksmiths, carpenters, masons, bricklayers, painters, shoemakers and harness makers. Slaves also worked in mines, iron and textile mills, and on steamboats and railroads. Many free blacks in Southern cities were employed as skilled artisans, even though in the North they were excluded from most of the skilled trades. However, after 1830 in the South, competition from a growing white urban population forced blacks out of many skilled jobs. See Richard Wade, *Slavery in the Cities* (New York, 1964), p. 275; Robert Starobin, *Industrial Slavery in the Old South* (New York: Oxford University Press, 1970); Claudia Goldin, *Urban Slavery in the American South 1820–1860* (Chicago: University of Chicago Press, 1976). See also the comments on Goldin's book as well as comments on immigration in Gavin Wright, *The Political Economy of the Cotton South* (New York: Norton, 1978), pp. 121–123.

⁸ Arthur Ross, "The Negro in the American Economy," in Arthur Ross and Herbert Hill, eds., *Employment, Race and Poverty* (New York: Harcourt Brace Jovanovich, 1967), p. 10.

RACIAL ECONOMIC INEQUALITY

tions developed, such as that of electricians, few blacks obtained entry.⁹ The number of black artisans declined both absolutely and relatively; by 1890 black workers comprised probably less than one-fifth of all Southern artisans.¹⁰ And when the "New South" began to industrialize, beginning about 1880, blacks were excluded from many manufacturing industries, most notably that of cotton textiles.

In agriculture, where most blacks were still located, the slave labor system was replaced by an oppressive tenant and sharecropping system. Crop liens and other debt burdens became the new mechanisms that maintained black dependency on white landlords and merchants.¹¹ Although blacks were no longer property, thirty years after Emancipation their incomes had not significantly risen above subsistence; one writer estimated the cash value of the freedom for blacks in 1890 at less than a dollar per year.¹²

After the defeat of the interracial Southern Populist movement in the 1890s, the South developed a system of elaborate racial controls. In the 1890s Jim Crow legislation imposing segregation was instituted in all the Southern states, and between 1890 and 1910 black voters were disfranchised throughout the South. Blacks were excluded from all but the

⁹ Richard Freeman, unpublished manuscript.

¹⁰ Computed from Sterling Spero and Abram Harris, *The Black Worker* (New York: Atheneum, 1968), Tables 8-9, pp. 159-160, and based on U.S. census data.

¹¹ The sources for this period include C. Vann Woodward, *Origins of the New South, 1877-1913* (Baton Rouge: Louisiana State University Press, 1951); C. Vann Woodward, *The Strange Career of Jim Crow* (New York: Galaxy, 1966); Harold Baron, "The Demand for Black Labor: Historical Notes on the Political Economy of Racism," *Radical America* (March-April 1971); W.E.B. DuBois, *Black Reconstruction in America, 1860-1880* (New York: Harcourt Brace Jovanovich, 1935); Roger Ransom and Richard Sutch, *One Kind of Freedom* (New York: Cambridge University Press, 1977); and Jonathan Wiener, *Social Origins of the New South* (Baton Rouge: Louisiana State University Press, 1978). See Chapter 6 of the present study for a detailed discussion of this period.

¹² Cited in Woodward, *Origins of the New South*, pp. 208-209.

most menial jobs in the new factories, while Ku Klux Klan activity and the lynchings of blacks reached an all-time high. Racism became the keystone in the arch of the new social order of the South.¹³

Census Occupational Trends

In 1890 the census began collecting occupational data by race. Consequently, for the period since 1890, racial trends can be followed by using the decennial census data on occupations. These data are presented in Table 2.1. As the table shows, 61 percent of black men in 1890 were concentrated in agriculture, while 90 percent of black women were concentrated in agriculture and in domestic service. These concentrations have changed dramatically since 1890. By 1970 only 5 percent of black men worked in agriculture and 77 percent worked in blue collar or service occupations; and in 1970 only 19 percent of black women worked in agriculture or domestic service, while 49 percent worked in clerical, sales, and service occupations.

These shifts in occupational composition can be evaluated quantitatively and compared to the corresponding shifts for whites by constructing a summary statistic of the economic differences suggested by the relative occupational positions of black and white workers. A convenient index of occupational status takes the mean income in an occupation, compares the proportion of black and white workers in that occupation, and averages the results for all occupations. This index is defined by the formula:

$$I_t = \sum_i w_{it} \cdot y_i / \sum_i b_{it} \cdot y_i$$

where w_{it} = percentage of whites in occupation i ,
 b_{it} = percentage of blacks in occupation i ,
 y_i = mean income of whites in occupation i ,
in the base year

¹³ In addition to the references cited in note 11, see Morgan Kousser, *The Shaping of Southern Politics, 1880-1910* (New Haven: Yale University Press, 1974).