

Competitive Markets and Discrimination Against Minorities-Becker

An eye-opening article in the New York Times on August 29th discusses the effects of India's economic reforms and subsequent economic growth on the poverty and progress of the untouchables. This is India's lowest and poorest caste whose members have been shunned by the other castes for centuries. They have been confined to the dirtiest and least desirables jobs. The article is built around the views of a successful untouchable, Chandra Bhan Prasad, a former Maoist revolutionary who is married to another untouchable. His observations and interpretation of the effects of India's economic liberalization that started in 1991 on progress of some untouchables converted him to the belief that competitive and open markets is the only hope for his caste.

The Indian government early after it became independent in 1947 officially abolished the caste system, and especially the horrible position of the 160 million untouchables. Nevertheless, this caste experienced limited progress during the 40 years of socialism and slow economic growth that followed independence. Prasad became an economic liberal after seeing what he interpreted as the dramatic effects of 15 years of economic reform on the economic opportunities of the untouchables.

The economic theory of discrimination adds analytical support to Prasad's observations (see my *The Economics of Discrimination*, 2nd. ed., 1973). An employer discriminates against untouchables, women, or other minority members when he refuses to hire them even though they are cheaper relative to their productivity than the persons he does hire. Discrimination in this way raises his costs and lowers his profits. This puts him at a competitive disadvantage relative to employers who maximize their profits, and hire only on the basis of productivity per dollar of cost. Strongly discriminating employers, therefore, tend to lose out to other employers in competitive industries that have easy entry of new firms.

This is why minorities typically do better in new industries with young and initially smaller firms. Both Jews and American blacks were accepted more readily in Hollywood in its

early days than in other established industries, like steel making and banking, although blacks were limited primarily to entertainment roles. Contrast this with American baseball, where the major league owners had a virtual monopoly of the industry. They did not accept any black players until Branch Rickey broke the color bar in 1947 by promoting Jackie Robinson from the minor leagues to the Brooklyn Dodgers. This long delay in accepting blacks by the baseball monopoly occurred despite the fact that for decades many outstanding black players could be observed playing in segregated Negro leagues.

Employee discrimination against minority fellow workers-such as a male worker who does not want to work for a female boss- cannot be so easily competed away by non-discriminating employers. For they have to pay discriminating employees more, perhaps a lot more, to work with minority members. A similar argument applies to consumers who do not want to be served by particular minorities. Yet in these cases too, competition can blunt the impact of prejudice. For profit-maximizing employers will attempt to avoid the cost of discriminating employers by segregating minorities into separate companies. For example, women bosses may have mainly women employees, or untouchable foremen will supervise untouchable workers.

Segregated minority workers in competitive markets may get paid just as much relative to their productivity as do majority workers in these markets. In a fundamental way, segregation can serve as a way to bypass the prejudices of other workers, consumers, and employers. When Jews could not get work in the banking industry at the turn of 20th century, they began to open their own banks that hired mainly other Jews. African - American doctors and dentists in the old South catered to other blacks as their patients.

Globalization and the growth of world trade have added another competitive force against discrimination, one that is surely helping Indian untouchables and other minorities. As I mentioned earlier, costs of production are raised when employers discriminate against various minorities in their country. Employers in other countries not burdened with costs of discrimination will be able to undersell discriminating employers in the international market for goods. This too acts as a force lowering the impact of discriminating employers, and reduces the international competitiveness of countries where discrimination in employment is dominant.

The slow growth of the old American South is a good illustration of the effects of international and interregional competition. Discrimination against former slaves was rampant in most parts of the South. Private desires to discriminate were supported and often enforced by discrimination by state and local governments. Blacks were denied access to schools of equal quality, and local governments sometimes retaliated against local companies that promoted blacks to higher-level positions. As a result, Southern manufacturing companies were at a disadvantage relative to companies from the North and West, and also to those from other countries. In good measure because of this systematic government discrimination, and private discrimination enforced often by government pressures, the South performed poorly for a century after the end of the Civil War.

The rapid growth of world trade during the past several decades, and the increasing market orientation of different economies, sometimes raise rather than lower income inequality, at least for a while. However, trade and competition has made this inequality more dependent on differences in human and other capital, and less directly on skin color, gender, religion, caste, and other roots of discrimination. This is an unsung but major consequence of greater trade and globalization.

Posted by becker at 06:08 PM | Comments (26) | TrackBack (0)

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Comments

Becker's claim is that, while trade liberalization has led to greater inequality, at least the inequality hasn't been *directly* related to skin color, gender, etc.

Of course, the work of Amy Chua suggests that, in most countries throughout the world, free markets and democracy have led to increased *specifically ethnic* inequality, and therefore greater ethnic violence.

Sister Y's point borrowed from Amy Chua is well-taken. Professor Becker seems to assume that labor is homogeneous across all cultures and ethnicities. There is every reason to believe otherwise. As Thomas Sowell has shown, different ethnic groups have comparative advantages in producing all sorts of different goods and services. <http://www.tsowell.com/spracecu.html> Some cultures cultivate interests and aptitudes in some areas and neglect other areas of human development. Europeans developed a certain economy, legal system, culture, political system that suits them. There is no reason to believe that this model is universal. While certain basic rights are universal and should be respected for all, this truth does not diminish the evolutionary analysis that different interests and aptitudes along with disparate ways of organizing daily life developed independently as various people with diverse genetic endowments cultivated dissimilar natural environments for their benefit.

While some may be able to transplant their indigenous ways of life in a different social and natural climate, this does not entail that all will be able to do so. Hence, we have the results that Professor Chua reflects upon. Even within the same ethnic groups, distribution of talents, insight, intelligence, and drive are not evenly distributed. When one adds racial, ethnic, linguistic, and cultural differences to the mix, one is concocting a powerful brew of social resentment along with arrogance (or irrational guilt). This is sadly the human condition. These tensions can never be completely eliminated.

Bringing very different people together by coercion or by trade tends to break down traditional folkways that dealt with the brutal fact of inequality of status. Such enforced face-to-face encounters in large numbers with those with whom people find "other" will either lead to overt conflict or social withdrawal. Discrimination on the basis of race, ethnicity, language, etc. is quite rational and should not be discouraged since it protects the social systems that have managed these conflicts more effectively over time than have social engineers who pursue unrealistic goals.

I think the economic analysis differs at the micro and macro levels. At the micro level, Professor Becker correctly presents the inefficiencies of discrimination. However, at the

macro level, I wonder whether depressed labor costs resulting from consistent prejudice along ethnic and/or gender lines does not benefit some sectors.

For example, the exploitation of black sharecroppers and other laborers in the Deep South after Reconstruction arguably kept food and certain other prices low because the sharecropper system was a kind of slavery surrogate.

Similarly, the exploitation of women evidenced by salary disparities (albeit narrowing) arguably benefits some sectors by exerting downward pressure on labor costs on the macro scale.

Errors occur when economic analysis treats all members of the workforce as fungible. Clearly, cultural biases impact valuation and perceptions of performance. Moreover, many employers are more than happy to accept the benefits of employees with depressed expectations and constrained bargaining power.

If the economic benefits of non-discrimination were as attractive in our own established market economy, why the need for the Civil Rights Act in the U.S. and the resulting high volume of Title VII and Title VIII litigation to enforce non-discrimination in employment and housing?

Isn't the appeal to capitalist employers to take a more enlightened view of non-discrimination really a kind of paternalism of the sort the "social liberal" left is so often accused of?

Posted by Dan at September 8, 2008 10:19 AM | [direct link](#)

History suggests that free markets without discrimination are more successful and egalitarian in general than socialist or totalitaarian left wing markets in which there is reverse economic discrimination. Taking land from the "rich" and giving it to the "poor" has never worked and never will. Costs are lower but so is productivity and entire markets disappear. I assume that Becker is talking about discrimination only in the "non-ownership" stata.

Posted by Jim at September 8, 2008 08:19 PM | [direct link](#)

Dan

I think discrimination quote obviously benefits some sectors. That's why you discriminate: because it benefits you. Sometimes that benefits you directly: sports leagues keep their labor costs down by instituting a first year player draft. It gives teams huge bargaining leverage and they can pay players less than they otherwise would. Sometimes discrimination is less directly beneficial to some people: if you don't like being around blacks, discriminating against them gains you the benefit of being able to avoid them.

Usually, I imagine, there is a combination of the two benefits to a group.

The far bigger problem is that these benefits are achieved at very high costs. Quasi-slavery [or actual slavery, for that matter] may keep food prices down for some, but it comes at a huge moral cost, plus the reduced productivity of unfree labor.

As for your last couple of points, this is where economic runs into human nature. We're blessed and cursed with a mind that is wired to think in terms of "in-group" and "out-group." It's not wired to think in the economic benefits that we really should care about in this environment. [We're not longer engaged in tribal warfare in the African steppes. There is no need to think in terms of groups. The vast majority of people in the world are worth more to us alive than dead, up rather than down.] Because we think and feel that way, it's pretty much impossible for the economic benefits to eliminate discrimination, because people aren't quite as rational as we'd like them to be. Getting there, though.

Posted by HH at September 8, 2008 10:52 PM | [direct link](#)

Discrimination, the main cause problem arising. Where ever it exists, the organization, how ever meet some production loss. The management have to take some strategic plan against it.

Posted by [varul](#) at September 9, 2008 05:00 AM | [direct link](#)

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Posted by [varul](#) at September 9, 2008 05:02 AM | [direct link](#)

HH,

I think you put your finger on the central tension in all of this: perceived benefit vs. "rational" or "objectively measurable" economic benefit.

What was amusing to me in Judge Posner's posting was the ivory-tower idealism it articulates, from a free-market conservative point of view. The gist seems to be that a rational appeal to "enlightened self-interest" of capitalist employers will break down social barriers by improving social mobility.

But to the extent, as you point out, that human beings are "hard-wired" to engage in in-group/out-group social ordering, this approach is doomed to be quixotic. Assuming this has some adaptive benefit, it is with us until natural processes select it out of our mating choices. I'm not sure that evolutionary progress toward the "rational" is where we are headed -- or perhaps even where we want to head...

So my larger point is that a truly scientific economics should account for this observable, repeating, hard-wired human behavior in some fashion. Too often economics is the handmaiden of free-market capitalism rather than a detached clinical observer of human economics. At its best, the analysis can yield terribly interesting insights into economic decisionmaking, such as using the calculus of calorie expenditure over topography vs. calories collected by hunter-gatherer cultures to understand human settlement patterns.

But contemporary economics seems woefully inadequate to give insights into human economic behavior when we introduce variables such as ethnic preference. Here is an interesting question: Is the "American Experiment" to produce a "melting pot" trending toward balkanization or can human beings redefine in-group/out-group sufficiently to organize themselves efficiently and sustainably with a historically unprecedented diverse population?

Posted by Dan at September 9, 2008 09:28 AM | [direct link](#)

Dan

I think you're describing what I currently find the most exciting frontier in economics, where it runs up against human nature and biology. It's especially interesting because not only are we continuing to evolve, we're aware of it and can manipulate our environment to suit us on a scale no animal ever could. The effects of that on evolutionary pressures are interesting: what's the effect of liberal democracy and human rights on our development? Since we're no longer leaving the weak behind [reproductively] what happens?

However, I think the role of free market economists is actually a very good benchmark for us to aspire to. [I don't like the word conservative here; it's become too associated with a lot of things that suck.] The "rational" model is essentially a pure meritocracy, unfettered by biases, jealousy, or envy. It doesn't mesh well with human nature [try telling someone not to be jealous] but I think it's a good standard to try to live up to. Especially because, as Becker/Posner ably demonstrate, even the weakest groups win out. [In fact, this is the single biggest defense of corporations: unlike us, corporate leaders have to work hard to overcome their biases and instead maximize profits. And you can't discriminate if you want to maximize pure profits.]

Posted by HH at September 9, 2008 11:40 AM | [direct link](#)

I was fascinated to read your posts on racial discrimination, touching delicately on Jim Crow, right after you asked: "Why Is Hollywood Dominated by Liberals?".

Posner writes: "What troubles conservatives about Hollywood is less the promotion in movies of left-liberal policies than the breakdown of the old taboos."

Becker writes: ". . . the personal morals of many filmmakers deviate greatly from general norms of the American population."

Each then talks of morals in the usual terms of sex, drugs, and naughty words. But neither talks of the taboos of race mixing and race relations in general. Anyone remember the firestorm that erupted when a black man was allowed to touch a white woman (Dinah Shore, I believe) on TV? The first black newscaster? The first time a black face appeared in the comics (Lt. Fuzz in Beetle Bailey)? I can only thank the brave "liberal" souls who broke those taboos.

Remember that discrimination against blacks in particular was enforced not by individuals in the marketplace and not just by state laws, but by the Knights and Wizards of the Ku Klux Klan, with death and terror. DO not read "Without Sanctuary: Lynching Photography in America" or "At the Hands of Persons Unknown: The Lynching of Black America"; these books may be simply too disturbing.

Remember that racial discrimination was enforced on all whites in the South as well. Being an "n-word" was acceptable as long as one remembered his place. Being an "n-word lover" was never acceptable; punishment was swift and harsh.

Posted by Mark Shapiro at September 10, 2008 02:03 PM | [direct link](#)

I agree with Mark Shapiro that the Entertainment and News Media push racial integration and have had some effect in changing overt attitudes and perceptions. I am not sure that the effects have been beneficial even if one takes a egalitarian view on race relations.

Sociologist Charles A. Gallagher has found in his research that due to such Media efforts people have wrongly come to believe that race no longer matters in interpersonal relationships and social institutions. People tend to overestimate the number and influence of blacks in American society. Consequently, Professor Gallagher concludes, "I argue that color blind race narratives serve an important ideological function to simultaneously maintain white privilege while promoting the idea that the United States has finally become a truly, post-race meritocratic society."
<http://www2.gsu.edu/~wwwsoc/faculty/gallagher.html>

Continuing gross inequality of result in income and social status between whites and blacks lends support to Amy Chua's observation that there is an inextricable gap in income and power among various races and ethnicities. One strategy to deal with this continuing disparity is even more extensive and forceful governmental action to impose equality of result. The other is to separate different people with different folkways and allow the differences to flourish without the glare of direct comparison that breeds resentment. I favor the latter strategy.

Posted by Chris Graves at September 10, 2008 06:13 PM | [direct link](#)

i totally agree with the becker the way he expressed his views and thought's about India's economic reforms and subsequent economic growth on the poverty and progress of the untouchables.

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ruthord

[auto auctions](#)

Posted by ruthordhenley at September 11, 2008 09:42 AM | [direct link](#)

Dan

writes:

I think the economic analysis differs at the micro and macro levels. At the micro level, Professor Becker correctly presents the inefficiencies of discrimination. However, at the macro level, I wonder whether depressed labor costs resulting from consistent prejudice along ethnic and/or gender lines does not benefit some sectors.

For example, the exploitation of black sharecroppers and other laborers in the Deep South after Reconstruction arguably kept food and certain other prices low because the sharecropper system was a kind of slavery surrogate.

.....

..... there may be enormous costs to this approach over time. Consider, that perhaps (I've no study!) the invention of the cotton gin made labor even less valuable with wages so low for "black" or "white" that there was little impetus to invent or invest in labor saving machinery. Until, perhaps, after the Civil War when labor must have been scarce and jobs of rebuilding plentiful.

Looking back, we made tremendous productivity gains during both WWI and WWII that were surely triggered by the shortage of labor and the enormity of the task. The level of discrimination surely dropped during this era and in auto and aircraft plants of the 50's and 60's as well.

Today, I think we've made the mistake of slipping back to a low wage, perhaps low productivity model in the lower income ranges. Or? that they are productive but not participating in the increased productivity wealth. Had median and lower wages moved up (with average per capita wages) surely we'd have seen more labor saving innovation.

Some would claim such a model would lead to fewer, but more highly skilled and better paying jobs, but! perhaps not, instead the innovations and higher productivity could have just as well created similar numbers of jobs that created a higher standard of living for all --
- which seems to be the economic history of America and most advanced nations.

Discrimination? As others have mentioned it's more likely to raise its ugly head when there is surplus labor rather than when there is a job and a rung on the ladder for all.

I have to stop here with my high productivity model because I'm wondering just what it is our work force should be producing in order to have not only full employment but employment in jobs that pay at least a lower middle class income.

Everywhere I look from autos, housing, computers, airlines, retail, lattes and the whole works we've tremendous excess capacity and too few consumers. To be sure not every household has its needs met, much less its "wants". Which, kinda brings me back to the benefits of somehow increasing the wages of those below median level. A two bagger that should spur the consumer economy as well as spur productivity increases.

Politically tough beyond imagination though as it's counter to the last 30 years of devil-take-the-hindmost competitive labor market --- at least for those nearer the bottom than the top. Tough in economic terms too as unless we can sell our high wage-high productivity goods somewhere it won't work as sending so much of our consumer dollar "offshore" short circuits our own economic growth.

So what's the USA's post-post WWII mission in the world? We seemed to do well by leading the world in production and helping to raise the standard of living in many nations post WWII.

Today, perhaps a part of our mission is rebuilding our own nation for both a higher standard of living, lower power consumption and higher levels of productivity? Perhaps

somewhere out there that combo of paying the bills while working 4 days a week that once seemed just around the corner really exists?

Then there is this poor nation of 100 million just to the south which has a tremendous surplus of young and energetic labor and the demand --- if not the wallet for much that we are good at making and distributing. Is it really the case that "nothing can possibly be done as long as they have.. yadda..... poor government?" Or are we missing a bet by doing far too little to integrate them into the N. American economy?

Posted by Jack at September 12, 2008 03:11 AM | [direct link](#)

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Posted by [Imobiliarias santa maria](#) at September 12, 2008 06:39 AM | [direct link](#)

Perhaps, in all of these analyses, we're overlooking the obvious. Such that, it's fine too talk about and discuss some of the finer points of raising equality and independence of those who do not have it, but after all is said and done, the fact of the matter is that those who have equality and independence are those who have taken it for themselves by forcing the hand of the social order. This is where the "real" discussion ought to begin.

Evolution or Revolution anyone?

Posted by neilehat at September 12, 2008 06:00 PM | [direct link](#)

Hi

neilehat

Are you just trying to stir up trouble for the sake of some fun? I share your sentiments if that is what you are indeed up to. In any case, I see your question as a chance to get at some underlying presuppositions on liberal equality that many take as given that need challenging.

Here is the first challenge. You mention equality and independence. How are these related? The typical leftist and left/liberal position is that people of all sorts of different backgrounds, race, ethnicity, language, culture, should be brought together to live in harmony either through assimilation or accommodation. Such a view assumes that people will not be independent of one another but rather interdependent on an equal (as in equal

in condition and status) basis and fraternal (as in liberte, egalite, fraternite) in large numbers and in close quarters. I challenge this goal as being unrealistic. You cannot achieve any of these goals especially simultaneously. If you pursue equality of result then you will have to force people to regard other people they had rather not as equals. If they had already done so, there would be no point to your revolution. So much for liberte. If you force people to associate with others, then there is no true fraternite since forced association is forced as well as destroying a more sincere form of fraternite as Putnam and others have shown. <http://mailer.fsu.edu/~njumonvi/diversity-putnam.htm> By the way, there is never equality of condition. Never has been, never will be. To force most people into a Procrustean Bed requires an elite to do the coercion. Even then, people have never been arranged in equal status and wealth. There is no reason to think the revolution you propose will change history or human nature.

Second, let's say that there are two groups of whatever distinction you can think of. Group A dominates in any and every sense of the word Group B. If you have a successful revolution, then you have Group B dominating Group A. From an egalitarian standpoint, what have you gained? You have gained if you are in Group B. But the goal of equality of status and condition is unchanged from a macro point of view.

If you say, that once the revolution occurs, then Group B will voluntarily decrease their power to the point that the two groups are truly equal. Fat chance this would happen. But if Group B did relinquish power voluntarily, then Group A would simply re-establish themselves as the dominant group. Why would Group B give up their dominant position? Why would Group A not seize power again if they could?

Even if you could get rival groups not to compete for dominance, then you would still have the problem of individuals jockeying for power and status. Would that be any better? Would competition reduced only to individual competition last for long when people can form groups and dominate others more effectively?

People who dominate are generally happier. They have more serotonin in the brains. To give up power is foolish. People who are richer are happier on average. <http://freakonomics.blogs.nytimes.com/2008/04/18/the-economics-of-happiness-part-3-historical-evidence/>

People who are taller are happier. <http://www.gallup.com/poll/110167/Taller-People->

Happier.aspx

People who have a higher status are healthier and happier on average.

<http://www.newscientist.com/article/dn5080-higher-status-leads-to-a-longer-life.html>

We could go on with other inequalities that make some happier than others.

Everyone wants to be one up on everyone else. There is no escape from this treadmill we are on. Revolution won't change this crude reality as George Orwell observed.

Posted by Chris Graves at September 13, 2008 04:58 AM | [direct link](#)

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neilehat

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Even if you could get rival groups not to compete for dominance, then you would still have the problem of individuals jockeying for power and status. Would that be any better? Would competition reduced only to individual competition last for long when people can form groups and dominate others more effectively?

People who dominate are generally happier. To give up power is foolish. People who are richer are happier on average. People who are taller are happier. Better looking people are happier. Middle-aged men are happier than middle-aged women while young women are happier than young men. People who have a higher status are healthier and happier on average. We could go on with other inequalities that make some happier than others. Riches, looks, height, status are all relative. There is no absolute level that we can reach where we will all be happy and fulfilled. Happiness depends on how we fare compared with others that we can contrast ourselves with. Brian Barry makes the point that social status is a zero-sum game, and he is right. If one person gains more status, then another must necessarily lose.

Everyone wants to be one up on everyone else. There is no escape from this treadmill we are on. Revolution won't change this crude reality as George Orwell observed.

Posted by Chris Graves at September 13, 2008 08:53 PM | [direct link](#)

Please link to this site.

Posted by [a.b.y](#) at September 13, 2008 10:39 PM | [direct link](#)

Chris, I was thinking more in terms of the numerous slave/serf revolts that have occurred across time and space. Since the list is far too large to include all, let's just look at North America. They were all suppressed - violently and viciously:

Gloucester		County	Va.-	1663
New	York	Slave	Revolt-	1712
Stono		Rebellion-		1739
New	York	Slave	Insurrection -	1741
Gabriel's		Rebellion		-1800
Chatam	Manor	Rebellion	-	1805
Louisiana	Territory	Slave	Rebellion -	1811
Boxley's		Rebellion-		1815
Vesey's		Uprising-		1822
Nat	Turner's		Rebellion-	1831
Black	Seminole	Slave	Rebellion-	1835-1838
Amistad		Seizure-		1839
John Brown's Raid- 1859				

So much for a quiet and peaceful Social Order as long as inequality and lack of independence exists. Beware! Your servants, serfs and slaves may just be waiting in the shadows to cut your throat and those of your loved ones while you sleep in the "comfort and security" of your beds and homes.

Posted by neilehat at September 14, 2008 09:29 AM | [direct link](#)

POINTED REVELATIONS REPORTS...

"McCain's Ties to Shadowy Security Company Confirmed"
(revised September 14, 2008)

John McCain makes occasional mention of his friend, Admiral Chuck Larson, whose distinguished career includes the command of nuclear submarines and the management of the Naval Academy.

Not as well known but by no means concealed is Larson's link to Washington's ViaGlobal Group, the successor company to ViaFinance and Galway Partners.

In 2004, ViaGlobal was serving as the “business incubator” for Rosetta Research and Consulting LLC, best known as the company involved in luring Afghan tribal chieftain and accused drug kingpin Haji Bashar Noorzai to the U.S., where he was arrested in April of 2005.

Rosetta’s Department of Defense sponsors, Paul Wolfowitz and Donald Rumsfeld, brokered an introduction to CNN military commentator General David Grange, who serves as an advisor to ViaGlobal.

Grange made the initial arrangements between Rosetta, represented by former Katten Muchin Zavis Rosenman partner and ex-NSC attorney Joseph Myers, now with the International Monetary Fund, and ViaGlobal’s chairman, Frank Gren.

Another former Katten Muchin Zavis Rosenman partner, Carole Van Cleefe, brokered a deal between Rosetta and Oracle. Oracle project managers Barbara Bleiweiss and Peter Bloom attempted to establish a joint venture using an existing contract vehicle with the Foreign Terrorist Tracking Task Force (FTTTF), but was unsuccessful due to Rosetta’s cost demands.

Gren and his colleagues sought to obtain additional funding for Rosetta, as millions of dollars in investment money had been spent on payments to secure the confidence of Noorzai. Myers, Gren, and others sought sources of funding such as a contract with the FBI as well as an investment from fallen tobacco lawyer Dickie Scruggs.

ViaGlobal appears to have used McCain, acting through staffer Chris Paul, to divert a 2004 FBI internal investigation into dealings between Rosetta contractors and certain FBI employees. This was the subject of a meeting held with the FBI’s Deputy Director John Pistole in late 2004. Paul convinced Pistole and others at the FBI that Rosetta and ViaGlobal were pursuing a key “high value target” as part of an operation ordered by Rumsfeld.

Nonetheless, in mid 2006, the Department of Justice’s Office of the Inspector General conducted an investigation into criminal activities of the same FBI employees. Rosetta’s phone, email, and contractual records were subpoenaed. In addition, several Rosetta officials and advisors were questioned for several weeks.

Papers filed as part of the Noorzai case show that Rosetta, acting under the orders of senior U.S. officials, promised Noorzai he would not be arrested. Rosetta also paid substantial sums to various foreign government officials who then lied to Noorzai about the actual purpose of the meetings. Noorzai had been indicted as a drug kingpin, and since efforts to secure his cooperation in other matters had failed, the decision was made to bring him to the United States and arrest him.

The papers also show that Rosetta sought and obtained in excess of ten million dollars from investors, who believed they were investing in a security company.

Instead, the money was being used to finance the lavish and extensive travel needed to locate Noorzai and gain his confidence. The investors are understandably upset, but since the Rosetta principals are known only as “Mike” and “Brian” no success has been had in locating them.

Rosetta also had improper relationships with a handful of FBI employees, who were later investigated for contributing to Rosetta’s alleged violations of the Foreign Corrupt Practices and Neutrality Acts.

As part of the incubation arrangement, ViaGlobal sought to obtain ownership of Rosetta’s proprietary database of terrorist financiers as well as access to the extensive network of contacts in the Middle East developed as part of the dealings with Noorzai.

Posted by Pointed Revelations at September 14, 2008 04:24 PM | [direct link](#)

Thanks for your reply, neilehat. I agree that revolts may have to be suppressed viciously. I also agree with you on independence for various people. Independence and multiculturalism at a distance is what I see as most humane as well as most workable in the long-run. What I do oppose is State-enforced attempts at equality of result either internationally or within a nation. Those attempts have been oppressive and have rested on violence by the State to impose an order on people that runs contrary to human nature as well as the historical development of a people (or peoples) at given time.

There is always inequality (of condition and status). There is nothing much we can do about it except, ala Adam Smith, harness the desire for power and status and use that urge to serve the general good as best as we can. The examples that I offered such as unequal endowments in stature or age (depending on the sex) are usually more muted

than, say, slavery. So, perhaps part of the solution is to permit the inequality but make it less blatant so as to mute the denigration of others. Codes of conduct such as the Puritan ethic of not displaying wealth or a noblesse oblige (that does allow for more opulent displays of power and wealth) address the issue you are raising.

If you think about it, status, wealth, power are all ways of inducing people to serve others. The most powerful usually perform some vital social, security, or economic function. Their payoff for assuming more responsibility is to have the social license to strut around and show off as well as inducing or subjugating others to do more menial work (if everyone did menial work, then the most talented would expend their time and energy on tasks someone else could perform better, and everyone would be worse off). It is obnoxious at times, if you are the one without the power, but elites' displays can also be inspirational. People voluntarily keep pictures of their heroes, John Kennedy, Winston Churchill, Che Guevara.

The struggle for power can be wasteful at times, but it can also spur people to work harder and to be more creative. If people simply had a certain minimal amount of food, shelter, clothing, and felt respected no matter what they did, they might feel content with what they have and civilization would not have developed. The American Revolution with all its high ideals of liberty and equality (before God and the law, not equality of result) was fueled by the English authorities and elites refusing to acknowledge our status as fellow Englishmen. A personal slight is what brought Benjamin Franklin over to the revolutionaries' side. The constant fight over status is motivation, as much as money (as if status and wealth were separable), to develop one's talents and assume risk and responsibility--even to champion philosophical ideals.

A further advantage of systematic inequality (of condition and status) is intimacy. Many intimate relationships develop out of unequal distributions of power, wealth, and status. There is a certain distance created by respect while love draws people near. Equality is based on mutual respect. So, it is unlikely that two social equals will be open and vulnerable with one another for love to develop. Who are most people intimate with? A man and a woman, a parent and a child, a human and a pet all are prime examples of love where one person cares for another (human or animal). These are all examples of unequal relationships in terms of power and status. Inequality can be a source of exploitation and cruelty, but it can also be a source of intimacy, love, and voluntarily caring for another who

appears vulnerable and dependent. Without that lack of power, love, intimacy, and mutual dependence would be unlikely to come about in a regime of equality (of condition). We would not feel our need for another otherwise nor would we feel safe to drop our guard in the competitive fray to become tender with another who cannot fight back.

Posted by Chris Graves at September 14, 2008 05:22 PM | [direct link](#)

Chris sez:

"Second, let's say that there are two groups of whatever distinction you can think of. Group A dominates in any and every sense of the word Group B. If you have a successful revolution, then you have Group B dominating Group A. From an egalitarian standpoint, what have you gained?"

..... I can't think of a revolution based on an equation or goal of equality. But I can think of many that came about because of extreme oppression by the "A's", Irish against the impossible odds of beating the British Empire, coal miners working under inhumane conditions against mine owners, the Montgomery bus strike for over a year, not for equality in the bigger sense, but just not to be driven into the sea, when Rosa refused to give up her seat in the "black" section to a "white" man when the "white" section was full.

"Even if you could get rival groups not to compete for dominance, then you would still have the problem of individuals jockeying for power and status. Would that be any better?"

.. Our democracy seemed pretty well designed and intended to prevent dominance by one group, but we seem to lose our way from time to time in economic terms. Marx, if one dare mention him! predicted that capital and greed were stronger than labor and would deal themselves the best cards until labor had to revolt. Critics of democracy were sure it would fail because the masses would vote themselves benefits the society could not afford, yet much of what we're seeing today is the result of the wealthy and connected having purchased distortions of the market to their benefit.

Can our democracy work to create a soft revolution and the needed reforms at the ballot box or are we likely to prove Marx right?

Posted by Jack at September 15, 2008 04:42 AM | [direct link](#)

Coming from the land of untouchability which still shamelessly practices casteism in many parts, I can't agree with you more. Initially, there was provision in the Indian constitution of special provisions for the downtrodden till 1965. But it got extended and extended by subsequent governments and still the so-called lower class of the society are where they were.

But the new economic policies have opened up whole new bunches of opportunities where talent counts before caste back-ground and here lies the new found confidence of Prasad.

Here I would like to mention few incidence from a piece of prose that is being taught in the VIII standard in local schools about the life of Dr. B.R. Ambedkar, known as the father of Indian Constitution and probably the most famous untouchable!

"During his school days, he was not allowed to speak in the class-room, because the vapor coming out of his mouth would then pollute the class-room."

"His class teachers used to check his home-works from a distance and never touched his note-books"

"He was not allowed to drink water from the school tab, he could only drink when someone threw water at him"

So much so!

Posted by [John](#) at September 15, 2008 03:57 PM | [direct link](#)

It's very important here to be careful about the use of the word "productivity." A productive worker is one who generates revenue for the firm. A member of an unpopular minority, no matter how skilled and conscientious, may be unproductive simply by virtue of being in such a minority. Employers who discriminate against such workers may be acting rationally from a pure economic point of view.

Consider the baseball example. Becker implicitly equates skill with productivity. But that's not right. Black players would have been unproductive if their presence on the team offended fans and reduced attendance, no matter how good they were. Similarly they would have been unproductive if their white teammates disliked them, and this affected team performance, thereby reducing attendance.

And of course this was likely the actual situation for many decades. It certainly was true in the Jim Crow south that there were many jobs in which blacks would have been relatively

unproductive for these sorts of racist social reasons - lack of acceptance by customers, uncooperative co-workers, etc. To the degree racist attitudes were widespread, and they were, they seriously limited black economic opportunity.

It is no argument to say that segregation solves this problem. The economic opportunities available from serving a poor minority are not, in general, as good as those available by serving a wealthier majority.

This is the reason that government intervention, in the form of laws outlawing employment discrimination and the like, is necessary to break the cycle. The forces of the market either won't work, or are unreasonably slow. Returning to baseball, consider that it was a half-century before Jackie Robinson was signed, despite the presence of many known talented players in the Negro Leagues, and that even afterwards many teams were slow to sign black players.

Posted by Bernard Yomtov at September 16, 2008 03:41 AM | [direct link](#)

With all due respect - this is what you write about in the midst of an economic meltdown?

Posted by Thomason at September 17, 2008 11:10 AM |