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## Chapter 12. What's Left of the Economic Theory of Discrimination?

ECONOMISTS who have become intrigued by the phenomenon of black-white inequality in the United States have undertaken a largely empiricist project devoted to the statistical analysis of earnings differentials. Infrequent attention has been devoted to the far greater differences in wealth between the races, perhaps because data limitations preclude meticulous empiricism and perhaps because wealth differentials are less amenable to the choice-theoretic structure most economists prefer to employ as a theoretical rationalization for their statistical endeavors.<sup>1</sup>

Typically, statistical inquiry has meant estimation of regression equations where wages or earnings have been treated as the left-hand variable and various indicator variables capturing human capital or individual productivity characteristics have been used as the right-hand variables. The consistent finding with U.S. data has been the following: for a given bundle of human capital indicators, blacks on average earn less than whites. A significant differential always remains that cannot be explained by the included variables—a so-called unexplained residual (see Williams 1984a and 1987 and Shulman 1984 for detailed discussions).

This type of finding is by no means unique to the U.S. experience. Shirley Dex has summarized the results of human capital-centered studies comparing the determinants of earnings of white and "colored" workers in Britain. Again, despite attempts to control for "schooling, experience, differences in weeks worked, marital status, and urban/rural residence" these studies "still concluded [with the finding] that residual or unexplained earnings differentials existed. . ." (Dex 1986, 163). Similarly, Smooha and Kraus (1985) have briefly surveyed econ-

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omists' research on earnings differentials in Israel between the Oriental-Sephardic and Ashkenazic ethnic groups. They also find that the Israeli studies conclude "that ethnic origin still has certain weight in determining income after controlling relevant factors" (1985, 155).<sup>2</sup> Banerjee and Knight (1985) have applied the same technique in India, finding an "unexplained" residual for the income disadvantage experienced by members of the scheduled castes. Alejandro Portes now complains that this procedure for decomposing the sources of ethnic or racial differences in income is leading to a mindless proliferation of inquiries of this sort:

This style of analysis seems to assume that a study of the labor market condition of any group consists in adding the appropriate dummy variable or column of regression coefficients to a set of results. Today Hispanics, tomorrow Asians. "Have model, will travel" is the prevailing motto. Although technically elegant, these analyses are intellectually unsatisfying because they fail to come to grips with the ultimately important questions, such as (a) why should the economic outcomes for minorities deviate so much from those in the mainstream, after individual-level characteristics are controlled for; and (b) why should they be so different among minority groups themselves? (Portes 1986, 730–731)

Hopefully, more thoughtfulness about the conventional style of empirical inquiry will lead researchers to confront Portes's "ultimately important questions" head-on; a major purpose of this chapter is to steer inquiry in the potentially more fruitful directions indicated by Portes. The puzzle of interpreting the residuals in earnings equations strongly suggests that status quo economic research on race and ethnicity is inadequate.

For a true believer in human capital theory as *the* theory of income distribution, one who is convinced the regression equations have been specified correctly, the residual should represent purely random or non-systematic effects. But such an interpretation is difficult to maintain with cross-section data sets, since the residual differences correlate strongly with the race or ethnicity of the individuals in the sample.

For those not convinced that human capital differences are the sole explanation of the gap in labor market performance between blacks and whites, the residual often has been taken to represent discrimination. Specifically, labor market discrimination was identified as the factor that has assigned blacks lower wages or to occupations offering lower pay, even when blacks demonstrably have comparable human capital endowments as whites.

However, this latter reconciliation of statistical evidence with explanation has remained troublesome to certain economists for two

reasons: first, this latter group of economists advances an *a priori* complaint—the theoretical proposition that competition and persistent labor market discrimination are incompatible; second, they advance an empirical complaint—the observation that some immigrant groups, to the United States in particular, faced discrimination in the past but have done quite well economically despite such barriers to their success. The star cases frequently offered are the immigrant experiences of Asian Americans, Jewish Americans, and West Indian black Americans.

These economists doubt that it is legitimate to interpret the residuals in racial earnings regressions as capturing the effects of discrimination. Instead they argue that the residual is capturing cultural differences that generate the remaining differences in earnings between members of various groups who might otherwise appear to possess the same human capital endowments. If culture is viewed as a component of human capital—for example, as Thomas Sowell (1981a) does—then previous regression equations have been misspecified and the residuals are picking up the specification error. Cultural differences, it is now alleged, lead to systematic differences in labor market achievement. The "unexplained" residual in the human capital regression equation now finds an origin in ethnic/racial gaps.

The objective of this chapter is to examine in depth the cultural explanation for variations in ethnic/racial group patterns of economic achievement by first presenting an analysis of the reasons why economists increasingly are reluctant to interpret the residuals as evidence of labor market discrimination against the group for whom a given level of individual productivity indicators translate into relatively lower earnings. Next we explore how culture has come to supplant discrimination in interpretations of the residual and discuss how such a transition leads into a logical inconsistency with respect to the concept of competition. This is followed by a demonstration of the fact that ethnic/racial cultural characteristics do not explain well the experiences of specific immigrant groups in the United States, contrary to the claims of economists who are promoting the notion that cultural heritage, in a broadly nationalist sense, is destiny. I then argue that discrimination matters and that the theoretical basis for the operation of discrimination in labor markets is sound when alternative concepts of competition are considered. Last, I advance a historical theory of ethnic/racial inequality that preserves a central role for discrimination, utilizing conclusions from the preceding discussion, followed by some final observations.

How did certain economists reach a point where, on theoretical grounds, they find themselves unable to believe that discrimination

can persist in real-world labor markets? Because they carried the implications of contemporary economic theory's use of the notion of competition to its fullest limitations. They were driven by a somewhat admirable and unwavering theoretical consistency to conclude that discrimination cannot be indefinitely an important factor influencing black and white earnings differentials.

Contemporary (neoclassical) economic theory sets as its benchmark the idea of perfect competition—no individual actor ("agent") in a market economy has the ability to influence price via his or her own decisions. This translates into the familiar notion that a condition of universal perfect competition dictates that all market participants are price takers, rather than price makers. For example, the perfectly competitive firm faces a horizontal demand curve for its product. There is a distinct absence of conflict or rivalry, as a placid sameness settles over each of the  $n$ -industries that comprise the economy.

Perfect competition also is a static concept of competition because it lacks a process of adjustment. To compensate for this limitation, entry and exit are appended as sources of dynamism. A distinction then is made between short-run and long-run equilibrium. In the short run the number of participants in a market or industry is fixed, even in the face of above-normal or subnormal profits. In the long run the full effects of entry and exit have worked themselves through—as a response to the profit opportunities that become evident in the short run. The number of participants in a market or industry is fixed again, not merely by short-period assumption, but because there is no further incentive for entry or exit.

The adjustment process centers on movement into and away from particular industries. Ironically, adoption of such a story about adjustment to long-run industry equilibrium subtly gives way to a different view of competition, a view consistent with the premises of Austrian economics.<sup>3</sup> The Austrian school posits an explicit process view of competition, rather than a state of affairs view of competition. Entry, or the possibility of entry, takes on paramount importance.

Postulating the existence of a latent reservoir of alert entrepreneurs ready to seize any profit opportunities that might arise, Austrian competition deems it largely irrelevant whether individual participants in the market are price takers or not. The key is the capability of human beings, motivated by pecuniary desires, to pursue all conceivable opportunities to reap economic gain.

The Austrian vision of entrepreneurship also gives great weight to human ingenuity, for it is human ingenuity that makes no barrier to entry immutable. Competition will prevail even if attempts are made to curb its essence—that is, freedom of entry—since ingenious entre-

preneurs will discover ways to circumvent artificial, or even natural, entry barriers. If the barriers are imposed by state action, entrepreneurial creativity still will find ways to extract profit opportunities, eroding the effectiveness of state action over time. Entrepreneurial ingenuity, it is argued, customarily produces regulation-induced innovations that *de facto* render the regulations empty.

It is really the Austrian process view of competition, rather than the static neoclassical view of perfect competition, that lies at the heart of the demise of discrimination as a viable theoretical phenomenon in modern economics. Consider the following argument: there are two groups who are ascriptively different but who, on average, have the same ability to perform tasks sought by employers. Employers, however, have a preference for members of one group over the other solely on the basis of ascriptive difference. Consequently, a wage differential arises between the two groups, since employers are willing to pay a premium for workers from the preferred, albeit no more capable, group.

In the absence of a process view of competition, the story might end there. But the Austrian process view of competition immediately provides a different conclusion. Alert entrepreneurs, some lacking the prejudices of employers already in the marketplace, would seize the profit opportunities generated by the discriminatory wage gap, enter the market, hire the equally able members of the disdained group at lower pay, drive discriminating employers from the market, and erode the wage differentials. Therefore, labor market discrimination and its effects could only be temporary.<sup>4</sup>

Three types of approaches subsequently have been employed to reconcile competition with market discrimination on the terrain of orthodox economics. These include (1) development of models of discrimination under neoclassical imperfect competition (Swinton 1978), (2) development of models of statistical discrimination due to conditions of risk (Aigner and Cain 1977), and (3) development of models of perceptual inequality (Arrow 1973). But none of these avenues preclude possibilities for erosion of discrimination inherent in the Austrian "entrepreneurial capacity to smell profits" (Kirzner 1973, 229).

In the first case, the entrepreneur eventually will, as suggested, find a way to circumvent the barriers that were the sources of the imperfection. In the second case, the entrepreneur will recognize that profits are to be had by designing new instruments that will improve employers' capacity to evaluate job applicants regardless of the group from which they originate. In the third case, if employers perceive ability differences between members of the two groups that do not really exist, some entrepreneurs will experiment by employing members of the allegedly inferior group. They should, on average, be pleasantly sur-

prised to learn that they get workers of a similar quality at lower cost. Eventually the perceptual veil should be pierced.

Entrepreneurial energy will tear down any obstacles to the pursuit of profit (cf. the implications of Coase's work [1960] on externalities). If discriminatory wage gaps signal profit opportunities, entrepreneurial energy will seek, exploit, and ultimately destroy purely ascriptively based pay differentials. Any differentials that remain, then, must be due to authentic differences in ability between members of the two groups in question.

The application of the Austrian process view of competition to racial earnings differentials effectively obliterates labor market discrimination. On the surface, it propels human capital theory into ascendancy. But, as noted previously, statistical inquiry consistently has led to the annoying finding of significant unexplained differences in earnings after controlling for human capital characteristics (e.g., experience, education, etc.). Increasingly residuals are explained as indicative of cultural differences that lead to ethnic and racial differences in economic achievement. The explanation is given added force by the observation that certain ethnic immigrant groups have managed to succeed in America despite discrimination against them. Their cultural endowment not only allows them to translate a given quantity and quality of human capital into above-average earnings among all those with similar endowments, but, in the past, presumably it has permitted members of their group to leapfrog discriminatory obstacles. As a group the immigrants display the tenacity of Austrian entrepreneurs who leapfrog all obstacles. The analogy, while not altogether forced, will prove to be paradoxical.

Thomas Sowell and Barry Chiswick have been at the forefront of those proposing cultural explanations of racial and ethnic success or failure in the marketplace. Both are understandably vague about what culture is, but both argue that it matters. Chiswick (1983b, 334), for example, conjectures that the higher rate of return to education enjoyed by second-generation Jewish immigrants to the United States "may arise from cultural characteristics that enable Jews to acquire more units of human capital per dollar of investment . . . or it may be that there are cultural characteristics that enable Jews to be more productive in the labor market with the human capital embodied in them."<sup>5</sup>

Culture determines patterns of labor market outcomes for ethnic and racial groups. Groups with cultures that dress them for success will reveal this in higher earnings, and groups with cultures that do not will reveal their predestination in lower earnings. But once economists like Sowell and Chiswick pass from the argument that competition drives out discrimination to the argument that cultural dif-

ferences are a major explanation of racial or ethnic earnings differentials, they seem to have passed simultaneously over into another world. Again, on the surface, it appears that the source of inequality in the latter case is a condition that lies outside of markets. The acquisition of a culture, after all, seems to be an extramarket phenomenon.

An older vintage of human capital argument attributed black-white earnings inequality to educational differences stemming from the dual system of public education in the South prior to the 1960s. The human capital differences themselves were due to discrimination, but it was an extramarket or political discrimination. But in this argument, somehow, the Austrian entrepreneurs were not brought onto the scene to ingeniously offer superior, low-cost educational opportunities for blacks in the private sector.<sup>6</sup> Similarly, it is odd that they do not appear in Sowell's and Chiswick's visions of American immigrant history. For, although culture can be treated as an extramarket condition, it is alleged to manifest its effects in, at least, the market for labor. Therefore, cultural differences implicitly carry with them a market valuation. The ingenious entrepreneurs should smell the profits inherent in creating new markets to facilitate the transfer of cultural attributes from the groups with the advantageous culture to the groups with the disadvantageous culture. Norms of socialization of children, standards of behavior, attitudinal changes, and rituals and traditions that influence labor market achievement presumably can be transferred—at a fee that is an implicit charge against the inferior group's future higher earnings. And the magical portal marked entry should mean, given the profitability of this new venture, that the fees would be driven down over time as more entrepreneurs enter this line of work.

In short, the Austrian process view of competition suggests that market-valued cultural differences should not persist either—no more than labor market discrimination! Even if the group with the disadvantageous culture is hesitant to change its ways because it finds great worth in the nonpecuniary aspects of its culture (ethnic solidarity, collective spirit, etc.), this should not impede the efforts of sufficiently ingenious Austrian entrepreneurs. It simply means that the transactions costs of adopting another cultural pattern are perceived as too high by the group in question. Inventive entrepreneurs, performing the middleman function of cultural transfer, presumably will develop ways to reduce the transactions costs. This would allow the group to acquire aspects of the alien culture that raise their earnings while still retaining the desired features of their native culture.

The key to this line of argument is the underlying assumption that no transactions costs are irreducible over time. If the proponents of the new cultural determinism seek to argue that the price of cultural

transfers involves excessive *and* irreducible transactions costs, they must also show that the price of overcoming labor market discrimination does not. The thrust of the Austrian theory is to suggest that no transactions costs possess characteristics that lead to irreducibility in the face of human ingenuity.

Barring such a tightrope walk, economists must be led to conclude that either their concept of competition is wrong or their cultural theory of racial economic inequality is wrong. As Rhonda Williams and I suggested elsewhere, "Either Austrian entrepreneurs can undercut both market discrimination and cultural differentiation, or they can do neither" (Darity and Williams 1985, 251).

Of course, a group with an advantageous culture might seek to withhold its "trade secrets" from the marketplace. Then the theorist would have to explain how the group effectively manages to enforce against cartel cheating perpetually. Again, what prevents the alert entrepreneur from penetrating the cartel's gates when there is money to be made from doing so?

If cultural differences are significant or decisive determinants of ethnic and racial economic inequality, then one can ask why such differences persist. Such persistence is intractably difficult to maintain if the economist embraces Austrian competition. Sowell (1981b), for one, seems to have in mind exactly such a view of competition. Chiswick, unfortunately, is silent on this topic. The arguments of both are vulnerable to the charge that markets could be opened up for the transfer of cultural attributes by clever entrepreneurs.<sup>7</sup>

Neither Sowell nor Chiswick make use of the concept of social class in their analysis of variations in ethnic and racial group economic performance.<sup>8</sup> Cultural traits are given an ethnic basis rather than a basis in class status.<sup>9</sup> Again from the vantage point of Austrian competition, this matters little. The individualism of Austrian theory also neglects the class concept. Even if it did not, one can suppose that the Austrian theory would consider transitory all class differences attributable to reasons other than *individual* differences in tastes, desires, ambition, and the like.

If differences in culture are linked to social class and culture is destiny, it might still be argued that the heroic entrepreneurs would find a way to transfer those traits at a low cost to members of the disadvantaged class. The upshot is that economic inequality becomes no more than a matter of individual differences in initiative and ability. There would be no reason in an Austrian world to observe systematic and persistent income variations across ascriptively different groups. The Austrian view of competition implies a tendency toward homogenization with respect to cultural characteristics that are linked to

individual productivity. Gaps that might be due to ethnically distinct distributions of tastes in such areas as self-investment, work, and leisure should close if the taste differences are culturally generated.

Ultimately, the Austrian theory necessarily steers analysis away from economic inequality as a group phenomenon and toward economic inequality as a strictly individual phenomenon. To observe systematic and persistent income variations between, for example, blacks and whites in the United States is to suggest that something is inadequate—or wrong—with Austrian economics and its concept of competition. But it is the same concept of competition that was used to discount the importance of discrimination. The Austrian approach indifferently predicts development of markets in cultural or class characteristics relevant to an individual's economic performance. Those all-powerful markets ostensibly will eliminate an uneven distribution of those characteristics by race or class.

But what about the empirical refutation of the significance of labor market discrimination? What about the various immigrant groups who climbed up from poverty while facing discrimination? Doesn't this show that the persistent relative poverty of blacks must be due to something other than discrimination? And might that other something be culture?

Chiswick (1983a, 212) suggests precisely this line of reasoning in a study of the economic achievements of Asian-Americans: "[My] findings for the Chinese and Japanese suggest also that it is incorrect to assume that racial minority status in the United States and discrimination *per se* result in lower observed levels of earnings, schooling, employment, and rates of return to schooling." Chiswick's claim is that some racially or ethnically identifiable groups have managed to display substantial upward mobility in the United States, despite discriminatory practices directed toward them both within and outside the marketplace. His remarks suggest three further lines of inquiry: (1) Were the patterns of discrimination faced by the successful immigrant groups, in fact, much the same as those faced by unsuccessful groups; (2) more generally, were the conditions faced by all the groups similar at the time of entry; (3) were the resources the successful immigrant groups brought with them upon entry into the United States similar to those possessed by unsuccessful groups? In short, is it legitimate to draw inferences about the impact of discrimination by comparing the outcomes for various ethnic immigrant groups?

The answer that follows will be largely negative for three major reasons. First, the nature of the discriminatory experiences of various ethnic immigrant groups was not the same. Second, the timing of immigration was not the same, nor was it associated with the same

circumstances in the receiving society. Third, the successful groups, once their prior class position is taken into account, broadly have displayed *lateral* rather than *upward* mobility in their movement from abroad to the United States.<sup>10</sup> In what follows, the large omission from the case being made for culture as destiny will be shown to be the role of social class.

On the latter point, consider first Jewish immigrants to the United States in the late nineteenth and early twentieth centuries. The impression of a dramatic upward shift in class position has been fostered by knowledge of the extreme poverty of Eastern-European Jews upon entry. But a more careful look at the status of Eastern-European Jews prior to immigration yields a different picture. Essentially a middle-class population in Russia, and throughout Eastern Europe generally, Jews were pushed out of their long-standing occupational positions with the growth of anti-Semitism in the region.

Nathan Glazer contends that what is surprising is not the pattern of Jewish accomplishment after entry into the United States but the speed and depth with which Jews had been displaced from their previous social status in Eastern Europe:

What is really exceptional, in terms of the long perspective of Jewish history, is not the rapid rise of Jews in America, but the extent to which they had been forced out of their age-old pursuits and proletarianized. This process was to a certain extent a response to the industrial revolution: everywhere peasants and artisans and small traders were forced to become workers. But in the Czarist empire, where the bulk of Eastern European Jews lived, artificial measures were taken to drive them out of their traditional occupations—Jewish taverns were closed, Jewish students were artificially limited in the schools, Jews were not permitted to live in the expanding capital cities. (Glazer 1955, 32)

The combination of “governmental anti-Semitism and the industrial revolution” led Eastern-European Jews to enter the United States, in Glazer’s words, “either as workers or *luftmenschen*—businessmen and traders with neither stock nor capital” (1955, 32). Therefore, they were quite different from other members of the burgeoning American immigrant working class:

[T]hey were not like the other workers who immigrated with them, the sons and grandsons of peasants, bearing the traditionally limited horizons of those classes. The Jewish workers were the sons—or the grandsons—of merchants and scholars, even though the merchants had only their wits for capital, and the scholars’ wits were devoted to feats of memory. This background meant that the Jewish workers could almost immediately . . . turn their minds to ways and means of improving themselves that were quite beyond the *imagination* of their fellow workers. Business and education were, for the Jews, not

a remote and almost foreign possibility, but a near and familiar one. (Glazer 1955, 32, emphasis added)<sup>11</sup>

The Eastern-European Jewish immigrants were not working class in any sense but a strictly pecuniary one. Having a significant percentage of their population who had already experienced being merchants and scholars meant that Jews were able to guide their offspring into parallel professions in the United States with greater ease, even if the parents or grandparents were not able to obtain such occupations themselves upon arrival. A social-class heritage was available to Jewish youths that was unavailable to the largely Southern European immigrants who arrived in the United States at about the same time.

It would be an error to conflate the initially low incomes of the Jewish immigrants with peasant or working-class origins prior to migration. This is not a straightforward matter—as Chiswick and Sowell would have it—of human capital differences being attributable to differential patterns of individual self-investment that are due, in turn, to differences in work attitudes, education, and aspirations that find their roots exclusively in ethnicity. The roots must be found in a collective inheritance (“memory”) of a prior class status in Eastern Europe. As Goldscheider and Zuckerman indicate, it was not those immigrants’ Jewishness per se that accounted for their economic success; rather it was the fact that the Jewish immigrants already had been a part of the Eastern-European (urban) middle classes:

Those who have argued for the centrality of Jewish values as the explanation of rapid Jewish integration in America minimize the importance of social class and residential differences between Jewish and non-Jewish immigrants. The superficial similarity of mass immigration from diverse countries and the initial depths of urban poverty common to all immigrants obscure critical differences in the occupational and urban background of Jews and others. (1984, 158)

Goldscheider and Zuckerman report that “[t]he proportion of Jews who declared upon entry to the United States that they were laborers, farmers, or servants averaged less than 25 percent in 1900–1902 compared to 80–90 percent of the other immigrant groups” (1984, 166). They add, “In 1910 and 1914, for example, about 90 percent of Croatians, Slovenians, Finns, Greeks, Hungarians, Poles, Russians, and Italians compared to 20 percent of the Jews were laborers, farmers, or servants . . .” (1984, 166).

Similarly, Stephen Steinberg has documented the unusual array of skills that Eastern-European Jews brought with them, which, he argues, “gave them a decisive advantage over other immigrants who were entering industrial labor markets for the first time” (1981, 101). Again,

one can contrast their experience, for example, with the Slavic immigrants, who were predominantly of peasant-class origin (Balch 1910, 43–45). Jewish immigrant literacy also was greater than that of most other immigrant groups (Steinberg 1981, 101).

Both Steinberg and Goldscheider and Zuckerman indicate that the timing of immigration also was particularly beneficial for the Jewish arrivals. Steinberg observes that "in large measure Jewish success in America was a matter of historical timing . . . a fortuitous match between the experience and skills of Jewish immigrants, on the one hand, and the manpower needs and opportunity structures, on the other" (1981, 103). He argues, in a manner similar to Glazer, that Jewish youth could set higher goals because such goals were conceivable and accessible, particularly within the terrain of the class history of their families and companions. Steinberg concludes tellingly:

[T]here was much in the everyday experiences of Jewish immigrants to activate and sustain their highest aspirations. Without this reinforcement, their values would have been scaled down accordingly, and more successful outsiders would today be speculating about how much further Jews might have gone if only they had aimed higher. (1981, 103)

In the same vein, Goldscheider and Zuckerman observe:

The overwhelming concentration of Jewish immigrants in skilled labor represents a significant difference from Jews in Russia in 1897 and in Austria in 1900. . . . The selectivity of Jewish immigration fit into the particular labor demands and occupational opportunities in America and provided Jews an enormous structural advantage over other immigrants in the pursuit of occupational and social mobility. . . .

Jews did not simply enter schools because they valued education. Their social and economic background, residence, and family characteristics allowed them to take advantage of the expanding educational opportunities [in the United States]. (1984, 167)

Awareness of the prior class position of the Jewish immigrants is the critical piece of information that illuminates Jewish success in the United States. In short, the Eastern-European Jews retrieved the relative class position they had possessed in their countries of origin before they were "forced out of their age-old pursuits and proletarianized," as Glazer puts it. A move into a different social structure, where middle-class status and professionalization was coming to bear far greater significance, further obscured the lateral nature of the move.

The move was facilitated by three additional considerations. First, discrimination and anti-Semitism were indeed present in the United States, but by no means comparable to the degree experienced by Jews

in Eastern Europe (see Goldscheider and Zuckerman 1984, 237–238). For example, when efforts were made in the United States to inaugurate quotas to limit Jewish students' access to America's prestige institutions of higher learning, Jewish students already had entered those institutions in proportions that far exceeded their representation in the population as a whole (see Steinberg 1981, 227–252).<sup>12</sup> Quotas could indeed slow Jewish advancement, but they could not reverse the effects of access that already had been achieved prior to their inauguration. Goldscheider and Zuckerman indicate that it was not "anti-Semitism per se" but competition for the limited number of places at prestige schools that led to the restrictive quotas. Anti-Semitism surfaced as a consequence of competition rather than playing a significant role beforehand.<sup>13</sup>

Second, the Eastern-European Jewish immigrants' entry into the United States was an entry into a country that already possessed a Sephardic Jewish elite and a German Jewish immigrant middle class that had been well established in the United States since the colonial era (see Birmingham 1971, Silberman 1985, 42–43). There were tensions, especially between the Eastern-European immigrants and their aristocratic-minded Sephardic predecessors, but nevertheless the latter could provide financial support and assistance to the newcomers—a pattern that was replicated in some form, as we shall see, with other immigrant success stories. Third, the dimensions of ethnic solidarity among Eastern-European Jews that could contribute to collective efforts to achieve in the United States were multifaceted. There was a common religion, a common heritage of oppression that dictated unity for survival, and a common backdrop of institutions entirely under the control of members of the group.<sup>14</sup>

The experience of post–World War II black immigrants to the United States from the British West Indies frequently has been invoked by Sowell to minimize the importance of the racial factor as an explanation for the relative lack of native black American material advancement. Despite sharing the same racial characteristics as native blacks, West Indian immigrants generally appear to have prospered in the United States. The West Indian experience seems to repudiate the notion that blackness alone is sufficient to produce insuperable barriers to economic accomplishment. A closer look, however, is indicative of a pattern of accomplishment that finds its roots in conditions quite similar to those of Eastern-European Jewish immigrants. Although sharing a common national heritage and identity, the same cultural background has not produced comparable patterns of accomplishment for West Indians in Britain and those at home in the poverty-stricken Caribbean countries.

Indeed, Chiswick acknowledges that ethnic culture does not produce the same economic performance everywhere. In a pointed criticism of Sowell's use of the concept of culture, Chiswick (1984, 1159) asks the following rhetorical question, "If culture is the key, why were the overseas Chinese, Asian Indians, Jamaicans, and Lebanese, among others, highly successful, while their countries of origin did not develop?" Finding inadequate Sowell's claim that the explanation lies in "inappropriate government intervention in the countries of origin," Chiswick (1984, 1159) is led to place the entire weight on the self-selectivity of migrant populations, suggesting that there may well be a universal "international migrant 'culture,'" distinct from the culture of their fellows who stay in the country of origin. This would make it easy to explain the differential performance of forced migrant groups, like black Americans, or indigenous people whose lands were expropriated, like Native Americans. But it leaves Chiswick unable to explain the relative lack of economic success of West Indian immigrants to Britain (see Foner 1978), or, for that matter, the Oriental-Sephardic Jewish immigrants to Israel from surrounding Arab states in the postwar period (see Rijwan 1983 and Smooha and Kraus 1985).

Of course, again it should be noted that Chiswick neglects examination of the prior class position of immigrant populations in their countries of origin. Nancy Foner (1978, 1979) has found that the West Indian immigrants to the United States possessed a higher socio-economic background than the immigrants who went to London in the 1950s and 1960s, the difference due to respective U.S. and British immigration policies.<sup>15</sup> Prior class position in the countries of origin again seems to be decisive. The experience of West Indian immigrants to the United States also constitutes an instance of lateral mobility.

The West Indian experience also points toward the key distinction between ethnic (or national) culture and class heritage. Sowell and Chiswick concern themselves exclusively with the former, when it is the latter that counts. It is not West Indian or Jewish heritage per se that is important. What counts is a middle-class heritage that facilitates the ability of an immigrant group to replicate its relative class position as it moves from one society to another. This is not to argue that individuals from an ethnic group can never alter their class position. It is to say that such true Horatio Alger stories are exceptional and are characterized by a high degree of randomness.<sup>16</sup>

Faye Arnold (1984) also suggests that despite a common racial identity, West Indians and native blacks did not face similar patterns of discrimination. The West Indians were viewed as "exceptional" among blacks by the larger white population, as veritable "black Englishmen." Arnold says, "[T]here is evidence the black immigrants' English

ethnocentrism, speech patterns, cultural mannerisms, religious preference (Anglican or Protestant Episcopal), dress and general lifestyle 'whitened' (that is, garnered advantages and opportunities typically denied blacks) as they had in the Caribbean . . ." (1984, 56). Official British institutions in the United States treated them as black Englishmen as well; Arnold reports that the West Indian immigrants could appeal to New York's British Consulate, "an agency which regularly mediated various grievances the black immigrants raised in response to blatant illegal acts of discrimination in New York . . ." (1984, 56). Arnold contrasts this experience with that of the West Indians who went to London, who found that "[d]espite the intensity of their Anglophilia and regard for 'the mother country,' they are not perceived as 'black Englishmen' by most whites . . ." (1984, 57).<sup>17</sup>

Furthermore, both Arnold (1984, 61) and Foner (1979, 291–292) emphasize the importance of the West Indian immigrants to the United States coming into predominantly black communities. Maintaining insularity through resistance to intermarriage and to assimilation into the larger black community, and despite elements of tension between the immigrants and the native blacks, entry into black communities mitigated much of the hostility and many of the problems faced by immigrants to London. The substance of discrimination faced by West Indian blacks and native blacks in the United States was not the same, since native blacks constituted a buffer group for the newcomers, as they seem to have served for others (see, e.g., note 13).

As for the Japanese-American experience, Kiyoshi Ikeda's critical observations on a book by William Petersen are revealing. Petersen compared the experience of mainland and Hawaiian Japanese cohorts and concluded that the greater economic achievements of the former were due to the greater strengths of their ethnic culture. But Ikeda observes that the immigrants from mainland Japan came from less-impoverished districts, had higher class standing and literacy levels, and a lower probability of coming from "peasant-agriculturalist households" (1973, 498). These differences in the two groups of immigrants were supported by "[g]overnmental agreements about selective migration . . ." (Ikeda 1973, 498).

The "major denigrations" of the Second World War notwithstanding, inclusive of the infamous internment of Japanese-Americans, Ikeda (1973, 498) contends that there is no basis for concluding that the Japanese-Americans experienced a pattern of discrimination comparable to that of black Americans in the United States. Ikeda notes that, aside from the glaring exception of the Second World War period:

From the inception of immigration, the Japanese in America always had the

support of firm, cross-national agreements and legal protections to insure that they could develop and maintain their institutions in a hostile environment. The nationalist government of Japan made every effort to aid its citizens overseas. The African immigrants and their children have never had such cross-governmental supports at any time to recreate parallel tribal communities and cultures. Except in rare instances, deliberate policy and practice prevented such developments. (1973, 498)

Finally, brief consideration is given to the Chinese immigrant experience. The Chinese case does not fit as neatly into the package of ethnic immigrant success stories, since there is a significant incidence of poverty in the Chinese-American population. But to the extent that Chinese-Americans seem to "do better" on average than most Americans (M. Wong 1980, 511–512), their case crops up in the success pot time and again. Steinberg (1981, 130–132) argues persuasively that the differential patterns of accomplishment among the ethnic Chinese themselves can be best understood by the social class factors, once again. Moreover, for a population that had reached only 435,000 by 1970 (L. Wong 1976, 33), the influx of twenty thousand immigrants from China's professional classes in the aftermath of the 1949 ascendance of the Communists in China (M. Wong 1980, 521) would have a marked effect on the mean profile of the Chinese-American population.<sup>18</sup>

Are there ethnic groups that have in fact significantly changed their class status after immigration to the United States? Two examples customarily given are Irish-Americans and Cuban-Americans. The case made for the Irish is especially ironic from the standpoint of Sowell's thesis, since he portrays the Irish as relatively less successful. While acknowledging that ". . . it is clear that the Irish have risen from their initial poverty to reach (or surpass) American standards of income or education" (Sowell 1981, 42), he also describes them as "the slowest rising of the European ethnic groups" (1981, 36). For Sowell patterns of "ethnic ecological succession" were not uniform, and the Irish fall short particularly in comparison with the Jews: "The Jews . . . arrived in the United States with even less money than the Irish; initially earned less than their Irish contemporaries; but then overtook and outdistanced the Irish in income, occupation, and education" (1981, 37). Sowell indicta the Irish inheritance of an "ancient Celtic culture" as a major element that slowed Irish advance (1981, 37). Celtic culture is alleged to be antiliteracy in outlook; Ireland is described as the only major Western nation that did not build a university in the Middle Ages; and the Irish are characterized as being devoid of a significant intellectual tradition (Sowell 1981, 37–38). To compound matters, the Irish-Americans mistakenly, according to Sowell (1981, 17–18, 37),

relied excessively on municipal politics as the route to economic advancement rather than on business or scholarship, and the payoffs never matched the investment of resources.<sup>19</sup>

Andrew Greeley contends that Sowell is mistaken in his assessment of Irish-American economic performance. Sowell's mistake, according to Greeley (1981, 6, 112), is due to the former's reliance on census data that mixes Irish Catholics with Irish Protestants in the United States. Greeley says that Irish Protestants are a bit more numerous and generally less successful than Irish Catholics. Greeley describes ". . . the Irish [Catholics] as a group [that has] moved far beyond the average white American in income, education, and occupation" (1981, 4). He reports further, based largely upon data from the late 1970s, "Among Americans under forty, Irish Catholics earn three thousand dollars a year more than the average, have almost two years more of education, and are several grades higher on measures of occupational prestige" (1981, 4). They are, in Greeley's words, "the most affluent gentile ethnic group in America" (1981, 4).

Utilizing data collected in 1977 and 1978 from the National Opinion Research Center's General Social Survey, Greeley (1981, 11) points out that 26 percent of all U.S. families reported an annual income in excess of \$20,000, while 30 percent of those families describing themselves as British Protestants reported incomes above \$20,000. In contrast, 46 percent of Jewish families and 47 percent of Irish-Catholic families said that they had incomes greater than \$20,000. Irish Catholics also rate well above the national mean on occupational prestige scales, years of schooling, and percentage with professional and managerial positions. Contrary to Sowell's dismissal of Irish-American scholarly activity, Greeley finds that Irish Catholics made a low-key, post-1960 surge into U.S. academic circles:

In the years after the Second World War, about one-fourth of the higher academy (top state universities and private universities) suddenly became dramatically and obviously Jewish. In the years after 1960, another fourth of the academy became more gradually, more quietly and more surreptitiously Catholic. So quietly, in fact, that neither the Church nor the academy had noted the change. . . . (1981, 108)

Somewhat flamboyantly, Greeley adds, "The Irish have come to the Ph.D. world, they have come to stay, and they are going to stay as Catholics" (1981, 109).<sup>20</sup>

The largest wave of Irish immigrants came to the United States between 1870 and 1900. Greeley (1981, 114) says, "By 1910, the Irish were going to college and choosing managerial and professional careers at a higher rate than that of typical white Americans. . . ." The Irish

Catholics had reached educational parity with the rest of the nation by the 1930s and already exceeded the national average prior to the Second World War (Greeley 1981, 6). Apparently an ancient Celtic culture did not prevent the Irish Catholics from "[pushing] their way solidly into the affluent middle and upper classes . . ." just as rapidly as the Jewish immigrants (Greeley 1981, 114).

If indeed the Irish immigrants were of peasant origins, their "ethnic history" appears to provide a clear instance of a group that achieved upward mobility in a social class sense. Even Greeley (1981, 115) raises questions about how impoverished and illiterate the Irish immigrants really were, both those who came prior to the mid nineteenth century and those who came after 1870. But if we accept that Irish Catholics, in particular, came from "peasant stock," we are faced with the intriguing problem of Irish-Catholic exceptionalism in the face of mounting evidence that immigrants to the United States typically displayed lateral social mobility.

Again, contrary to Sowell, if the Irish Catholics climbed an urban escalator, it seems they did so by capturing municipal governments as a resource base. Sowell appears to be correct in his assertion that the Irish generally did not build an empire in private industry. Peter Eisenger, utilizing as his main example the case of Boston, stresses that public-sector jobs—in the police force, sanitation departments, and white-collar clerical positions—provided "job security for a small but significant portion of [the Irish] work force and the creation of a small middle-class core group that had found the avenues of opportunity in the private sector closed" (1980, 195). Eisenger concedes that it is hard to detect "a strong link between aggregate economic achievement and Irish political power *in the early decades of Irish urban ascendancy*, [but] it is nevertheless worth noting that the Irish [Catholics] rank today as the most successful white, gentile ethnic group in America in terms of income and education" (1980, 195; emphasis added). Concludes Eisenger, ". . . it would seem unwarranted to argue that the conjuncture . . . between the political power of the Irish over history and their current level of achievement . . . is purely coincidental" (1980, 195).

It may be the case that an ethnic group with a predominantly lower-class prior background must resort directly to politics to alter their class position in part by acquiring an extensive network of ethnic niches in public-sector employment. This may not always prove to be a successful strategy, but it may be the only strategy available to a group that does not already possess a history of middle-class attributes.

Finally, very brief attention is devoted to the Cuban-American immigrants, the high economic achievers among Hispanics in the

United States. Here it seems obvious that the immigrants who entered the United States immediately after the 1959 overthrow of Batista were self-selected members of the Cuban elite. They plainly feared the loss of their privileged status in Cuba after the revolution and were part of a "golden exile" to the United States. Their ability to place funds in Florida and New York banks, as well as their long-standing familiarity with Miami, probably facilitated adjustment for the new Cuban-Americans.

Lisandro Perez (1986, 6) recently has observed that the "golden exile" had dissipated by the late 1960s and early 1970s: "New arrivals were not so likely as the earlier immigrants to be selected from Cuba's displaced elite classes. Increasingly, the migration flow from Cuba was approximating the socio-demographic profile of the island's population." He describes "the Mariel boatlift of 1980"—or the so-called Castro flotilla—as "a culmination of that trend." Nevertheless, Perez finds that ". . . despite the progressive increases in the proportion of Cuban immigrants that did not possess the same characteristics that purportedly gave the earlier exiles an advantage in economic adjustment, the U.S. Cuban population . . . has nevertheless apparently maintained its economic edge in relation to the remainder of the Hispanic population" (1986, 6).

Why is this the case? Perez proposes that the economic transition is eased for the most-recent immigrants by the existence of the community-level organizational structure constituting "the Florida enclave" (1986, 6–8). The prior immigrants who have established a significant economic foothold can integrate later arrivals—even those not from elite backgrounds—into an economic system designed by the earlier (elite) arrivals. But Perez builds his empirical case on the basis of 1980 U.S. Census of Population data that does not reflect the full impact of the Mariel boat lift immigrants. Absorption of a trickle of immigrants from the nonelite strata of Cuban society would not be expected to alter the aggregate picture for Cuban-Americans. It remains to be seen what the 1990 census data indicate when the effects of the large 1980 influx of Cuban immigrants will be present in census results.

In the end, it is really the native black American experience that comes to look exceptional against the backdrop of these immigrant success stories.<sup>21</sup> At this stage, it is not difficult to explain black exceptionalism. Black American exceptionalism vis-à-vis these ethnic success stories originally derives from slavery times. Transplanted Africans, stripped of tribe and clan, were denied knowledge of a coherent class history. Africans from various ethnic and class backgrounds were brought to these shores as a largely undifferentiated pool

of slave laborers. New patterns of class differentiation emerged within the incubator of the slave system, along the dimensions of color lines ("mulattoism") and freedman status. The mass of blacks were relegated historically to the lowest strata of U.S. society. When blacks migrated from the South to the North, their class origins were predominantly those of a rural peasantry. Institutions and organizations among blacks, as Ikeda (1973) suggests, were continuously subject to external authority and supervision. Nor was there any cross-governmental support or a preestablished welcoming support group for this population of forced immigrants to America comparable to that experienced by Eastern-European Jews in the late nineteenth century, West Indians after the Second World War, the Japanese in the nineteenth century, the Chinese in the twentieth century, the Irish after 1870, and the Cubans after the 1960s.

Eisenger, while recognizing the importance of control over municipal government to Irish-Catholic economic gains, asserts that increased political control over city governments is likely to have similar long-term effects for blacks (1980, 195–196). Eisenger anticipates that blacks will emulate the Irish pattern of climbing the American urban escalator. But the analogy again appears to be forced. Warren Kalbach in a review of Eisenger's *Politics of Displacement* has observed:

The limitations of black political dominance of the central city are made readily apparent. Central city blacks still depend on the white elites of the larger metropolitan community who have greater access to business and financial resources; lacking an adequate tax base, the blacks need metropolitan reform in order to provide basic services. Their political ascendancy is illusory or at best only partial because, unlike Boston at the turn of the century, the modern central city encompasses much less of the total functional community and enjoys much less autonomy. The author's analysis of the process of political displacement of whites by blacks and its consequences is weakened considerably by his failure to emphasize the significance of the larger metropolitan community as a context within which the city is only a part. (1983, 1069)

A second critic, Seymour Leventman, is even more blunt:

Urban political power as a goal for ethnic groups is much less relevant than in former times. Paraphrasing John Nance Garner's characterization of the vice-presidency, one might say, "Mayoralties today ain't worth a bucket of warm spit." With declining revenues, near bankruptcy conditions, massive unemployment of blacks, conditions of private splendor and public squalor, and increasing urban dependency upon external emergency financing plans, one could almost view with suspicion anyone desiring to become a big city mayor. (1982, 336)

The timing of black ascendancy in American urban politics is more likely a case of too little, too late.

Where ethnicity and class status overlap, a major conclusion can be drawn. Historically, the relative position of ethnic groups disproportionately represented in particular class positions remains remarkably stable as they migrate from one country or region to a new one. The ethnic success stories in the United States merely confirm this generalization. Irish-Catholic exceptionalism can be attributed, in large measure, to the timing of their capture and mobilization of municipal political bases. Although a small percentage of individuals from various ethnic groups may display upward mobility, in general, ethnic groups that have been typically middle class are likely to become middle class again; ethnic groups that have not been are unlikely to become so. Those "cultural" attributes that appear to be associated with economic success are linked primarily to social class rather than ethnicity.<sup>22</sup> Endowments of ethnic culture do not dictate the economic performance of the members of a particular group, but endowments generated from a group's shared experiences in middle-class status certainly enhance group members' achievement. A commonly shared class heritage means the group "knows" in a collective sense how to carve out a preferred niche and what are the requirements—largely of a political power nature—to maintain their position. This is far from being a matter of teaching the young sobriety and proper work habits; it is one of exercising ethnic group control over a tier or set of tiers of a society's occupational-cum-hierarchical structure.

Differences in ethnic culture fail as explanations for differences in patterns of ethnic achievement on theoretical grounds because of what might be termed "the Austrian problem." They fail on empirical grounds because the evidence of ethnic immigrant success stories omits considerations of social class. But a major reason why economists have wandered into the domain of cultural determinism is because of their inability to reconcile market discrimination (or even extramarket discrimination) with competitive conditions. However, there are two alternative conceptions of competition that can be reconciled with market discrimination—classical and Marxist.

Classical competition (see Sraffa 1960) posits a tendency toward uniformity of the rate of profit in all activities. It leaves in abeyance the question of the formation of the general rate of profit toward which all rates gravitate.<sup>23</sup> Be that as it may, rigidities, imperfections, barriers to entry by firms, and the like are irrelevant to the existence of competitive conditions, so long as it is possible for rates of return to equalize everywhere. The process of adjustment toward uniformity typically is not fully specified but appears to have something to do with

capital mobility where capital has financial form. In Veblen's formulation (1904) equalization takes place indirectly via stock valuation and arbitrage in securities markets. Such factors as monopoly positions, product differentiation, and Veblen's "goodwill" need not be treated as competitive imperfections—since competition inheres in the tendency toward uniformity of the rate of return earned by equity holders for all firms.<sup>24</sup>

In a dual economy—an economy with one sector with high wages and high productivity and one with low wages and low productivity—whites could be overrepresented in the former sector and blacks crowded into the latter sector. Earnings differentials arise between blacks and whites, even if they are equally able, because productivity is determined by differences in sectoral techniques. These differences can persist because the stability condition in classical political economy is uniformity of profit rates. Uniformity of profit rates is feasible if wage differentials offset the sectoral productivity differentials. Employers seek the general rate of profit, and if it can be obtained without transferring equally able black workers to the high-productivity sector, there is no reason for employers to do so.

In short, classical competition reconciles market discrimination and competition by allowing, by definition, rigidities that cannot exist or persist under neoclassical and Austrian conceptions of competition. Like neoclassical competition, the classical version deemphasizes process in favor of identifying competition with the (equilibrium) state of affairs that has a terminal point. For the neoclassicists the terminal point is ongoing price-taking behavior with all enterprises earning "normal" profit. For the classicists the terminal point—the "long-period" position—is the establishment of a uniform profit rate. In contrast both Austrian and Marxist competition emphasize process but differ as to the nature and outcome of the process.

Marxist competition subsumes the classical notion, accepting the view that competition involves a tendency toward equalization of all rates of profit. Competition between capitalists leads not only in the direction of a single rate of profit but also toward formation of the general rate of profit (Marx 1981, 254–301). Monopolies may occasionally deflect the speed with which profit rates equalize, but here monopoly positions are not the antithesis of competition (see Weeks 1981, 164–165). On the contrary, ferocious conflict among capitalists leads them to seek monopoly positions, whether by artificial or natural means. It also leads them toward aggrandizement of the scale of their operations, to centralize and concentrate (Marx 1977, 775–781), which may even facilitate both mobility of capital and equalization of the profit rate. Monopoly positions, cartels, and differentiated products all

are indicators of competition as *rivalry* in Marxist theory, rather than indicators of noncompetitiveness, as in neoclassical theory.

Monopoly positions may be long lasting; their duration is indefinite. This is quite unlike Austrian competition's winning entrepreneurs who inevitably will be driven from monopoly positions by the ingenuity of other entrepreneurs who will fashion either a direct or indirect method of entry (Kirzner 1973, 131, 205). The "winners" under Marxist competition can bar, indefinitely, entry of potential rivals. Moreover, the tendency toward centralization and concentration of capital is an immanent law of capitalist development.

Marxist competition can be extended to rivalries among owners of labor powers. Workers also can centralize and concentrate, particularly along ethnic and racial lines. In a hierarchical structure of occupations, workers may struggle for turf by forming allegiances with others of similar ethnic backgrounds. Workers themselves become the primary agents of discrimination although their motives are dictated by the preexisting unequal social structure. The putative line of demarcation between market and extramarket discrimination becomes meaningless. Via control or influence over training, networks (see Holzer 1987), evaluation, information (see Shelton 1987), and the definition of jobs, groups of workers can secure preferred positions for themselves while excluding others. They can try to protect themselves from incursions from rival groups, seek to obtain niches in newly emerging occupational categories, or strive to dislodge groups higher on the scale of stratification.<sup>25</sup> The favored opportunity, of course, is that afforded by entirely new occupations that promise high status and pay and that are not yet occupied by any rival group.<sup>26</sup>

Bonacich's (1979) development of what she terms "the split labor market hypothesis," based in part upon the pioneering research of Oliver Cox (1970) on ethnic antagonisms among workers, provides a foundation for a general theory of ethnic-racial inequality. It is a theory that can be applied to black and white economic differences in the United States as a specific instance of a more general class of phenomena. It also is a consistently Marxist theory of racial economic inequality, where rivalry is recognized not only between capital and labor, or between capitalists, but also between cliques of laborers.

The preliminary observation that has to be made is that modern differences in economic performance between the races, indeed, did arise with the development of capitalism. Racism and ethnic-racial exclusion can be seen as arising largely out of the self-interested actions of workers from the affected groups. The creation of Bonacich's split labor markets was an outcome of competition between labor powers under capitalism. Those groups of workers with greater power

could exert sufficient strength to carve out protected terrain in the capitalist labor process.

Competition between workers under capitalism has not been characterized primarily by atomistic wage-cutting by individual owners of labor power but instead by a movement toward concentration and centralization. At first glance, these consolidations may appear to center exclusively on common class status as proletarians in institutions like trade unions, but in fact ethnicity and race play a central role. Competition between labor powers under capitalism is rivalry between ascriptively differentiated workers. Here is where culture has played its important part—not in preconditioning the marketplace, but in determining group identification in an ethnically divided labor market.

Since the evolution of capitalism has meant the continual reproduction of a relative surplus population, someone must be cast into the most fragile and desperate strata of the working class. Successful combatants in the competition between labor powers are best protected from falling into the reserve of labor. Conversely, unsuccessful competitors are cast into the reserve with greater frequency. The burden of being part of the relative surplus population will fall unevenly on various racial-ethnic groups to the extent that victory and defeat fall unevenly across them as well. The hierarchical nature of capitalist society has dictated ethnic-racial protectionism.<sup>27</sup>

Who “wins” and who “loses” is not a matter of intrinsic ethnic or racial superiority or inferiority. It is a matter of timing, access to, and familiarity with open terrain. Once in a preferred position, the ethnic-racial group in place will defend its turf against all comers. Displacement of the ensconced group will be desired by capital if the newer entrants are cheaper, but the outcome of the ensuing struggle is not automatic. Displacement may give way to accommodation of new entrants in less-preferred slots once held by earlier entrants who may have moved on to still more preferred terrain. Displacement, arguably, is least likely in the public sector, where employers lack the profit motive to seek out cheaper pools of laborers.<sup>28</sup>

Split labor market theory, in examining the struggle not merely between capital and labor but between high-priced labor powers and lower-priced labor powers, points directly to the struggle over wage determination under capitalism. There are four routes that capital has historically pursued in dealing with wages: (1) at a given wage, capital may seek to lengthen the working day; (2) capital may seek to get labor to accept lower money wages; (3) capital may erode real wages by inflating the prices of wage-goods more rapidly than money wages increase; and (4) capital may seek to introduce new pools of labor that

will accept lower money wages. The fourth strategy might converge with the second if capital can get the new labor group to precipitate a bidding war with the workers already in place. It is the fourth strategy that lies at the heart of split labor market theory.

Note that the lowering of the wage in Marx's terms is an effort to raise the rate of surplus value in absolute form. If that possibility does not present itself because of the strength of the working class, capital will move to raise the rate of surplus value in relative form, via the introduction of increasing proportions of machinery. But this leads into the widely misunderstood dilemma that Marx posed—the tendency of the rate of profit to fall. Laborers in place have been able to take a consistent position in resisting attempts to raise the rate of surplus value in absolute form, via the lowering of wages; labor has been more uncertain about what position to take vis-à-vis the introduction of machinery. There is no ambiguity in the analysis here because the introduction of new groups of (cheaper) workers fits squarely into efforts to raise the rate of surplus value in absolute form—which workers already in place will resist.

The very character of the struggle between capital and labor in a society where ascriptive differentiation exists across groups of workers will lead to the reinforcement of racism. These divisions are not exogenous, nor are they solely the product of propaganda directed toward labor by capital. Certainly capital can benefit from divisions between workers, but capital also benefits if it is able to raise the rate of absolute surplus value by introducing cheaper labor or getting labor already in place to weaken its wage demands. So it is valuable to refocus the nature of labor market discrimination from the perspective of labor itself, as the split labor market theory attempts to do.

New groups of workers are not introduced primarily because they will inflame racial tensions—for this can disrupt the order of the workplace. These new groups are introduced expressly *because they can be paid less for the same amount of labor time*. This establishes the importance of Marx's notion of the reserve army of the unemployed that potentially can be activated to become variable capital. The emergence of different groups from the reserve of labor at different points in time is all-important, for those that emerge earliest are more likely to have the ability to protect their position. This is the “inner truth” that lies behind notions of the “urban escalator.”

New groups of workers can emerge from the reserve army only to find their path blocked—blocked by workers already in place who perceive the new group as a threat. Indeed, if the new group comes in for less pay in significant numbers, they *are* a threat. For the new group

to successfully enter, the established group must be weak enough to be unable to bar their way.<sup>29</sup>

If the established group is strong enough to preserve its own position, then one of three things will happen: (1) the members of the new group will be absorbed into reclassified jobs—at lower pay—that do not threaten the position of the established group; (2) the new group will be absorbed into altogether new spheres of work where an established group does not exist; or (3) the new group simply will be cast back into the reserve of unemployed. If there are certain types of skills required that can be obtained through on-the-job training, the established group can deny access to the new group members by refusing to assist in their training. The established group is strengthened if there are educational credentials and skills specific to the occupation (what Chicagoans see as *specific* human capital) that the new group will have difficulty obtaining. In some fields (e.g., academia) the established groups can set and alter the criteria for entry. To the extent that the new group is ethnically or racially different, the ideology of racism is self-serving to the established group in promoting its struggle against the “outsiders.”

The established group, if it is strong, will accept the new group as long as its own pay or status is not reduced and its own numbers are not reduced. This fact explains the successful entry of blacks into particular sectors of the labor market when capital is on a wave of expansion and is the true source of the claim that minorities do better in periods of growth. There will be less of a threat to established work groups during such periods because entirely *new positions* are more likely to be created.

The existence of differences between people that place them in groups identifiably independent from their occupational position reduces the standard analysis of this question to an anthropological problem (see Nielsen 1985). The ultimate claim would be that there are workplace “tribalisms.” But the claim being made here is quite different—such tribalist attitudes intensify from the efforts of established groups of workers to resist the raising of the rate of absolute surplus value when capital’s strategy is to bring in new sources of labor.

Furthermore, even in a *postcapitalist* era, competition between labor powers, in this style, need not diminish. As unskilled positions with negligible credentialing requirements vanish in the new age of science and technology, the most depressed members of capitalism’s labor market will face the near impossible task of entering the labor markets of tomorrow. Those ethnic-racial groups who have staked out their terrain in the aristocratic occupations in the *postcapitalist* era will not be eager to relinquish their turf to new entrants, and exclusion will

appear all the more justified on grounds of merit and qualification. The competing groups will not meet the standards for entry; they will not have had the chance to meet them. As long as *postcapitalist* (or what I prefer to call *managerial*) society is hierarchical, it will be racist.<sup>30</sup>

Barbara Bergmann (1971) has asked whether racial discrimination can be eliminated under capitalism; the answer from this analysis patently is no. The answer should have been evident from Oliver Cox’s (1970, 398) analysis of race, class, and inequality. But as the trajectory of history moves beyond capitalism, the answer still appears to be no. Once racial discrimination is in the air, it becomes a useful means for preserving status by ethnic-racial groups in class-divided societies, whether capitalist or noncapitalist. The greater security of ethnic-racial groups in public-sector occupations signals the potential for still greater ethnic-racial rigidity in *postcapitalist* society. If Bonacich errs, it is in conceiving the new trajectory that drives unskilled labor out of the marketplace altogether as a manifestation of so-called advanced capitalism, rather than the rise of managerial society.<sup>31</sup>

There is an astonishing volume of evidence to support the implications of this analysis. It is not only fruitful as a basis for understanding the variations that now exist in occupational and wage achievements in the United States. Native black Americans largely have been excluded from elite positions by the mechanism depicted in the split labor market hypothesis and crowded into the reserve of labor by similar mechanisms. The same mechanisms operate on a global scale.

The French Communist party, for example, has sought to protect French workers from incursions by non-French immigrants. The “White Australia” policy of the late nineteenth century provides more grist for the split labor market theory. Crawford and James observe that there was fear that “Chinese poverty and frugal standards of living might threaten Australian living standards” (1947, 59). Even Thomas Sowell offers an instance of white American and Japanese immigrant antagonism that conforms to the thesis of ethnic warfare in labor markets:

The very virtues of the Japanese eventually turned others against them. While Japanese migrants made excellent employees, that made them rivals feared and hated by American workers and American labor unions. AFL President Samuel Gompers denounced Asian workers and refused to allow them into unions, even in segregated locals. The thrift, diligence and ambitions of the Japanese meant that increasing numbers of them began to move up from the ranks of labor to become small farmers or small businessmen. With that, the American farmers and businessmen who had welcomed the Japanese as employees turned bitterly against them as rivals. Moreover, the occupational and

geographical concentration of the Japanese in a relatively few specialties in a few communities in California made them far more visible targets than otherwise. As the Japanese in California moved up from the ranks of agricultural laborers to tenant farmers or (more rarely) landowners, the hostility against them as competitors rose from the white agricultural laborers to the white farmers. The additional hostility—now including a more influential class—was enough to launch a wave of anti-Japanese legislation and practices that continued for decades in California. Chief among these was the Alien Land Law of 1913, which forbade the owning of California land by aliens ineligible for citizenship—that is, Asians in general and Japanese, in particular. At the national level, California led the political drive to stop Japanese immigrants from being admitted to the United States. (1981, 162–163)

It is notable that current Japanese-American successes are not in agriculture or landownership, but in professional-level occupations that *expanded* in the postwar era—open, once again, to those who had acquired credentials for entry.

The occupational crowding of the Maori in New Zealand (Brosnan 1987) is indicative of the same phenomenon. The experience of the Jews in Eastern Europe—their displacement through political and coercive measures from their previous pursuits—prior to their migration to the United States (Goldscheider and Zuckerman 1984, 237–238) is an additional instance. Brown and Philips (1986) have provided a detailed case study of the operation of split labor market conditions in California from the 1860s to the 1880s as employers sought to introduce Chinese laborers in manufacturing.

Of course, Bonacich (1979) also provides many examples to support the split labor market theory, such as the material basis for the historic Afro-Indo antagonism in Guyana. While the country was still a British colony, the local Guyanese labor force, mostly African ex-slaves, called a series of strikes between 1842 and 1847 against planter attempts to lower wages. Planters used public funds to import more than fifty thousand East Indian indentured workers to break the strike. Chinese workers were brought to Mississippi for the same purpose—to undermine free black laborers after the Civil War. Black Americans themselves were employed as strikebreakers against white trade unions in the northern United States early in the twentieth century.

But perhaps Bonacich's most remarkable example of all comes from South Africa's labor history, where white labor's racism blatantly served to promote its struggle with capital:

The displacement reality and threat led to the usual reactions by white labor . . . [w]hite labor's efforts to control capital's access to African cheap labour were seen by themselves as progressive, i.e., part of the class struggle against capital. The Labour Party in the 1930s simultaneously proposed socialism for

South Africa, and promoted the removal of Africans (who were seen as a tool of capital to undermine the class struggle) to separate territories. The Rand Revolt of 1922 was a major uprising by white labor against capital over the displacement issue, which brought the country to the brink of socialist revolution. One of the slogans of the Rand Revolt captures the link between the class struggle and racism: "Workers of the world unite and fight for a white South Africa" . . .

Thus we find the ironic situation that capital was, in a sense, promoting African labor and the breakdown of color bars (in order to increase competition between all workers and undermine the high price of white labor), while white workers were ostensibly fighting against African advance. White labor's anti-capitalism was closely linked with racist policies. (1979, 44)

The caste riots in Gujarat in India (Bose 1981) also fit the bill, since they were precipitated by conflicts arising over affirmative action ("compensatory discrimination") measures, policies ostensibly intended to benefit members of the lower castes. The Indian experience is instructive on another point. The mechanisms of the split labor market generally can circumvent legal remedies introduced on behalf of the excluded group as long as the structural conditions of stratification are unchanged. Thus, as Bose (1981, 713) observes, affirmative-action-style policies in India on behalf of the lower castes have been appropriated by the upper castes on their own behalf.

The same process is evident in the United States with the increasingly diffuse application of affirmative action toward "minorities" in general, rather than native blacks exclusively. Those blacks who have benefited from affirmative action also have been drawn disproportionately from the small middle-class segment of the black population (see Wilson 1981). Reforms of this type usually are advocated and designed by the dominant ethnic-racial groups in the labor market on behalf of the excluded, but either these policies will be gutted if they become viable threats to the preferred positions of the dominant groups or they will be utilized most intensively by the best-placed members of groups with relatively less preferred positions. Affirmative action will not produce parity between races in a fiercely hierarchical civilization.

The phenomenon of ethnic-racial conflict over occupational turf is nearly universal and plainly visible in hierarchical societies, whether capitalist or postcapitalist. In its Marxist competitive foundations, it obviates the puzzles that bedevil orthodox economists who seek to comprehend the persistence of discrimination. It addresses head-on the question of the processes that determine the ethnic-racial composition of the surplus population. Those processes disproportionately locate native black Americans within the surplus population in the

United States.<sup>32</sup> That is the core explanation for racial economic inequality.

Note, finally, that my argument also differs from certain "neo-Marxian" explanations for racial inequality (e.g., Reich 1981, 267) that depict capitalists as engaged in divide-and-rule tactics with respect to the work force. Certainly capitalists sought to take advantage of racial antagonisms when it served their ends (see Cox 1970), but here white working-class racism need not be due to capitalists' machinations. Instead, it is a consequence of white workers' (or any ethnic group's) own realization that there are preferred positions in the system of occupational stratification to be captured and held. In contrast, the "neo-Marxian" explanation à la Reich, as Bonacich points out, requires one to believe that either "the white working class has . . . been duped or bribed" (1979, 40).

In summary, class structure and social hierarchy thus dictate group self-interest in engaging in ethnic warfare to achieve overrepresentation in the comparatively aristocratic occupations of modern society, or at least those that offer secure and stable income.<sup>33</sup> This phenomenon need not be specific to capitalism. It is specific to any stratified society where certain slots hold more perquisites than others, which suggests that racial or ethnic discrimination need not end with the demise of capitalism. If capitalism is replaced by a hierarchical society of a different type, racial discrimination still will be evident. Public policy initiatives that leave hierarchy in place while seeking an ethnic or racial redistribution of positions do not eliminate the motivations for ethnic warfare. Groups with greater power simply will undermine initiatives, like affirmative action, that appear aimed at uplifting an outcast group.

Ethnic culture thus serves as an instrument whereby blocs of workers can consolidate to engage in struggle over turf. The focus shifts toward competition among workers on a monopoly basis, rather than between capital and labor or between capitalists. Exactly how high up the ladder a particular ethnic group can locate itself depends largely on the social-class history its members have shared and the political ammunition they can mobilize. Their recent social-class history, if it involves extensive middle-class experience, gives them an advantage in a struggle with ethnic groups that do not share a similar recent history. An occupational hierarchy potentially can be partitioned so that different clusters of occupations are associated with different class positions (see Wright 1979). Ethnic and racial heritage generally dictate which groups of workers coalesce; class heritage generally dictates where in the scheme of social stratification those workers can lodge themselves.

Culture has a role, but it is a vastly different one from that assigned it by the new cultural determinists. It is a weapon in an environment of trench combat between rival groups in America's workplace. Culture, instead of functioning as a substitute for discrimination in explaining racial inequality, becomes, instead, an instrument that mobilizes discriminatory action. Culture is eminently part and parcel of competition between labor powers; it "is the magnet that provides the basis for concentration of labor powers" (Darity and Williams 1985, 260).

So what's left of the economic theory of discrimination? Quite a lot. But economists need to be considerably more circumspect about what is left of their conventional concepts of competition as well as culture-based human capital explanations for racial inequality.

## Notes

1. A rare exception is the 1985 investigation of the racial wealth gap undertaken by Francine Blau and John Graham using data from the 1976 National Longitudinal Survey (NLS) of Young Men and the 1978 NLS of Young Women.
2. Smooha and Kraus (1985, 155) note that the economists who have studied Israeli ethnic income differentials also are divided over the interpretation of the residuals: "Some researchers in this area interpret the residual effects of ethnicity as direct ethnic discrimination, while most hold that the unexplained variance simply stems from unmeasured variables." The latter might include "talent, adaptability and motivation" according to the second group of researchers. That, of course, still leaves open the question, by implication, of why the incidence of "talent, adaptability and motivation" is less among Oriental-Sephardic Jews than it is among Ashkenazic Jews in Israel.
3. Austrian economics is an uncompromising blend of individualism, *laissez faire*, and faith in entrepreneurial creativity. The contemporary Austrian school has its main intellectual centers in the United States at UCLA, New York University, Auburn University, and George Mason University. In Britain in the 1930s, the London School of Economics fell under the sway of Austrian influences when Lionel Robbins and Friedrich Hayek were there simultaneously. Prominent figures in the modern Austrian tradition have included Hayek, Ronald Coase, Ludwig Lachmann, W. D. Hutt, Armen Alchian, William Allen, and Israel Kirzner. Neoclassicists often dismiss the Austrians as anarcholibertarian extremists and devote little attention to the *theoretical* and *methodological* differences between neoclassical and Austrian economics. Therefore, neoclassicists sometimes unconsciously adopt Austrian modes of thought and, being insensitive to the contrast in approaches, may themselves walk down unintended paths. Members of the Chicago school, in particular, straddle an awkward landscape between neoclassical and Austrian economics. The Chicago synthesis is especially idiosyncratic and requires obscuring essential differences. After all, as early as 1914 the British economist Philip Wicksteed (1914) pushed the radical subjectivist aspects of Austrian economics to such limits that he argued that the supply and demand scissors approach is superfluous. At the core of Chicago economics is the use of supply and demand analysis.
4. Donald Cymrot (1985) claims to have provided empirical proof of the proposition that competitive conditions erode discrimination. He compares relative salaries of black

and white athletes in major league baseball in the United States before and after the December 1975 modification of the reserve clause, which had given team owners, in his words (p. 606), "virtually monopsonistic power." Cymrot finds that elimination of the reserve clause for players with six years or more major league experience led "to the partial elimination of discrimination against nonwhites in Major League Baseball." However, the change in the reserve clause was not triggered by entrepreneurial owners. Rather it was triggered by judicial decisions produced by litigation undertaken by the players. Moreover, Cymrot does not address the selection bias problem associated with the post-1975 environment. Do black athletes with the same evidence of potential as whites get entry into the major leagues, access to the same positions, and access to careers in baseball after their playing days have ended? Cymrot also finds it hard to determine whether the relative improvement in black athletes' earnings was due to the modification of the reserve clause or other social forces affecting the white public's "taste and preferences" for watching black athletes perform.

5. If Chiswick were to resort to the standard interpretation of the residuals prior to the rise of the new cultural determinism, he would be led to conclude that there is discrimination in favor of Jews in today's labor market. Plainly, Chiswick (1983b, 334) is reluctant to draw such a conclusion: "Why do American Jews appear to have higher rates of return on human capital? It seems reasonable to assume that labor market discrimination in favor of Jews is not the explanation." In his review of a book by Sowell, Chiswick emphatically observes in a similar vein: "Group differences in outcomes, holding constant a set of variables are assumed to measure discrimination. While the 'sign' may be right for some situations (e.g., comparing blacks and Hispanics with whites), the successes of various minorities in other countries raise a problem. Surely these successful minorities have not been the beneficiaries of favorable discrimination nor could discrimination by them explain their achievements! Some other factor (or factors) must be responsible for the achievements of the successful groups" (1984, 1159).

6. The distinction between premarket versus inmarket discrimination is popular among economists who acknowledge the existence of racial disadvantage but who believe (or want to) that the labor market processes all entrants in a color-blind fashion. But the distinction is difficult to draw with any degree of sharpness. As Paul Ryan has observed, "A bias toward the exoneration of the market can be detected even in economists whose approach to labour issues is otherwise distinctly heterodox. Thus Phelps Brown . . . in his discussion of discrimination, classifies discrimination in occupational access upon entry into the market as part of pre- rather than (more plausibly) in-market discrimination. The effect is a lightening of the case against the market as a source of inequality" (1981, 19, n. 2). Persistent inmarket discrimination is the trouble spot for orthodoxy, which must see it as something of secondary or tertiary importance or as nonexistent (see Ryan, 1981, 5–6). From the standpoint of the Austrian theory, though, the same forces that allegedly will purify the economy of "inmarket" discrimination—"the failure of the labour market to treat its participants even-handedly, in that it accords significantly different opportunities and rewards to otherwise comparable people" (Ryan, 1981, 4)—also should root out "premarket" discrimination, particularly since "premarket" discrimination also has pecuniary consequences. The distinction is especially forced from an Austrian perspective since entrepreneurs can make markets come into being for items that may not have been previously bought and sold, under the stimulus of profit-making opportunities.

7. If cultural differences are given a genetic origin it may be argued that they are not transferable across groups. In a paper of my own (Darity 1983a, 54), I suggested that Sowell's argument could be interpreted by some—if not by Sowell himself—as attributing genetic inferiority to blacks. He responded, "Anyone who thinks that I actually said what Darity claims I said on page 54 of his article—including 'genetic inferiority' explanations of economic differences—can read any of my writings until he gets eye strain without finding such a thing" (Sowell 1983, 127).

Perhaps Daniel Vining now has a severe case of eyestrain, but he seems to have found that Sowell's analysis is open to just such a reading: "In accounting for these differences [in the economic status of various ethnic and racial groups], which are persistent and widespread, Sowell does not reject the hypothesis that genetic differences are involved. And he goes on to say that even if the differences are all cultural and environmental in origin, then these cultural and environmental differences are of such a character and run so deep as to mimic genetic differences" (1985, 140).

Indeed, what exactly is one to make of the following passage from Sowell's *Civil Rights: Rhetoric or Reality?* "[T]he reality of group patterns that transcend any given society cannot be denied. Jewish peddlers followed in the wake of the Roman legions and sold goods in the conquered territories. How surprising is it to find Jewish peddlers in the American frontier or on the sidewalks of New York 2,000 years later—or in many places in between? No one needs to believe that Jews are *genetically* peddlers. But it does suggest that cultural patterns do not readily disappear, either with the passage of time or with social engineering" (1984, 29; *italics in original*). Or, the following from *Ethnic America*: "The eastern European immigrants were small and described by contemporaries as 'physical wrecks' and 'as the most stunted of Europeans.' Part of this may have been the result of their poverty and of traditional Jewish de-emphasis on the physical in favor of the mental" (Sowell 1981, 85).

But even if variations in ethnic or racial group performance are given a genetic grounding, Austrian competition still provides a theoretical antidote. Entrepreneurs now would have to go back a step and develop the market for transmission of genetic traits rather than cultural traits. Given economic motives for marriage and procreation, the rise of surrogate motherhood, and the existence of sperm banks, one might argue that such a market is already extant. Austrian economists have not pursued their own logic to these lengths so there is much ambiguity about where they really stand on biological determinism.

8. As Rhonda Williams has noted in an excellent review of Sowell's *Economics and Politics of Race*, "Although his analysis reveals some awareness of the importance of class as a mediating factor in the transmission and reproduction of values, Sowell all but completely disregards the effects of class structure on ethnic and social relations" (1984b, 202).
9. The concept of ethnicity possesses its own ambiguities. A useful explication of various nuances of the concept can be found in Glazer (1977). The following quotations from his essay "Ethnicity: A World Phenomenon" are valuable in illuminating the sense in which the term is employed throughout my chapter:

*Race* tends to refer to the biological aspect of group difference, *ethnic* to a combination of the cultural aspect plus a putative biological element because of the assumption of common descent.

It is possible for a race to be an ethnic group . . . (1977, 198–199; *emphasis in original*)

There are two important social forms that are *not* ethnic groups. One of them is the political community: the state and its members. The other major exception is one's social class. (1977, 201; *emphasis in original*)

"Ethnic group", in my usage, refers basically to the vertical divisions of society in contrast to the horizontal divisions. The horizontal divisions refer to *class*; the vertical divisions to *ethnicity*. Sometimes they coincide, as in the case of the Negroes in the American South. (1977, 293; *emphasis in original*)

Thus, in principle, one can dichotomize cultural patterns that are linked to ethnicity, hence bridging class distinctions among people of "common descent" and "national" background, versus cultural patterns that are linked to class, hence bridging ethnic distinctions among persons sharing a common socio-economic status in a community's given hierarchical structure.

10. By "prior" class position, I mean the relative social standing of the majority of the members of an ethnic group in their country of origin. I do not mean all class positions held over the course of the "long" history of an ethnic group. Immigration may have been precipitated by a coercive loss of such social standing, but what is relevant to the analysis is the *highest* social status attained by the adult generation that constitutes the bulk of the migrants in their country of origin. Typically, the Irish and

Cuban cases are advanced as exceptions to my thesis that immigrant "success" stories in the United States are instances of lateral rather than upward mobility from country of origin to receiving country.

11. Prior class status can be masked by the current occupations held by migrants in the receiving country. But the prior class status can be retrieved rapidly by the younger generation whose parents can "endow" their children with the original social background. Consider the following striking example described in an article in *Time* magazine on Asian-American students: "Daniel Pak, an 18-year-old from Dallas entering Harvard, shines in everything he does, from math to violin. His brother Tony, 20, is studying physics at M.I.T. Their parents had such colleges in mind when they moved to the U.S. in 1970. The boys' father gave up his career as a professor of German literature in South Korea. Unable to get an academic position in the U.S., he eventually found work as a house painter." (Hull et al. 1987, 44).
12. Before Columbia inaugurated restrictive quotas, 40 percent were Jewish. (Goldscheider and Zuckerman 1984, 168). This pattern was commonplace (see Steinberg 1981), and even after restrictive quotas were introduced, percentages of Jewish students at prestigious American universities never fell low enough to approach the Jewish percentage of the U.S. population.
13. Goldscheider and Zuckerman (1984, 137) also comment that in general in the United States throughout the twentieth century, "An expanding economy and a relatively small national Jewish population have made political anti-Semitism insignificant." One can add that the presence of a sizable black minority also has served as a more visible and consistent target for ethnic/racial chauvinism in the United States, thus providing a buffer of sorts for Jews that did not exist in Eastern Europe.
14. Goldscheider and Zuckerman (1984, 170) document the extensive and intricate internal institutional development of organizations within the American Jewish community. For a brief related discussion see Andrew Greeley's (1986) review of their book and for a more detailed discussion see Glazer (1981).
15. Foner (1979) reports that there was selectivity in both countries' immigration policies. U.S. immigration policies simply were more selective. Foner writes: "Various surveys . . . show that while a high percentage of West Indian migrants to Britain in the 1950s and early 1960s were skilled workers . . . , only about 10 percent of West Indian workers emigrating to Britain could be classified as white collar. By contrast, of the approximately 91,000 West Indian legal emigrants to the United States between 1962 and 1971 who were listed as workers, about 15 percent were classified as professional, technical and kindred workers and about 12 percent as clerical and kindred workers" (1979, 290). Steinberg (1981, 104, n. 48) also points out that Sowell's own evidence indicates that West Indian immigrants to the United States possess, on average, superior educational credentials to native blacks. When incomes are compared between West Indians and urban native blacks, controlling for education, the differences all but disappear. This implies that West Indians also possess an "unexplained" statistical residual when compared with whites with comparable human capital characteristics, albeit a slightly smaller residual than the one possessed by native blacks.
16. Note the importance Christopher Jencks (1972) and his coauthors have placed on "luck" in dictating interclass mobility. That conclusion is *not* overturned in their

more recent work (1979). Again the alleged instances of en masse upward mobility—the Irish and the Cubans—will be addressed.

17. Arnold adds, "Sooner or later, discovering that white English ethnocentrism recognized few cultures and cultural adjustment, if any, to be equal to its stringent standards, West Indian immigrants were devastated. Their colonial masters in the Caribbean had failed to tell them many Britons believe culturally 'genuine Englishmen' must have the proper heredity" (1984, 57).
  18. Again the *Time* magazine study of Asian-American students is informative. The article (1987, 44) inquires about the academic successes of Asian-American youths "whose refugee parents [are] less well educated" and contemplates genetic and cultural explanations, the latter linked to Confucianism. But this inquiry immediately follows a passage (1987, 44) that reports, "Many Asian-Americans come from an educated elite in their native countries. Their children seem to do especially well." *Time* describes a study by psychologist Julian Stanley of 292 preteens who scored high on the math portion of the Standard Aptitude Test. One-fourth of them were Asian-Americans. Seventy-one percent of their fathers and 21 percent of their mothers had doctorates or medical degrees, in contrast with 39 percent of the fathers and 10 percent of the mothers of non-Asians. The same article (1987, 42) reports that a 1965 immigration law eliminated U.S. exclusionary quotas and "[t]hat brought a surge of largely middle-class Asian professionals—doctors, engineers and academics from Hong Kong, Taiwan, South Korea, India, and the Philippines—seeking economic opportunity." These families and their children generally have done well economically and educationally in the United States. But *Time* (1987, 42, 49) also reports that the post-1978 predominantly lower-class immigrants from Indochina remain mired in poverty and their children frequently are school dropouts in the U.S.
  19. This latter argument is representative of Sowell's general inclination to attack the efficacy of politics as a route toward ethnic group economic advancement (see also Sowell 1984, 117).
  20. Greeley (1981, 108) notes that one-quarter of the U.S. population is Catholic and one-quarter of all U.S. Catholics are of Irish descent, but one-half of all Catholic Ph.D.'s are Irish.
  21. Native black Americans are not uniquely "exceptional." There are, of course, other ethnic groups that have experienced less economic success than native black Americans, e.g., Mexican-Americans, Puerto Rican Americans, and Native Americans.
  22. In reaction to the "culture of poverty" controversy in the 1960s, Eleanor Burke Leacock made the following comment:
- subcultural variations along class lines . . . come closest to what culture-of-poverty theory is supposedly documenting. However . . . sociocentric methods of data collection and analysis, plus a nonhistorical theory of culture and its relations to personality, have contributed to stereotypical and distorted views of the class-linked cultural variations. (1971, 34)
23. Leacock's comment applies with full force to the "new" cultural explanation economists like Chiswick offer for the residuals in earnings equations by race and ethnicity.
  24. But see Dumenil and Levy (1987) for a formal explication of processes that engender uniformity of profit rates.
  25. Paul Ryan (1981, 18) has argued that labor market segmentation exists but is limited by "capital mobility," in a more physical sense of the term capital, or what he terms "indirect competition": "The fact that competition is, in the labour markets of developed economies, rarely direct—in the sense that [if] X is willing to do Y's job for a lower wage the employer will get rid of Y and hire X—certainly allows segmentation to flourish. Segmentation is, however, subject to bounds itself and these bounds may in turn be the product of indirect competition—as when the employer closes the plant in which Y works and moves production to a region where labour can be obtained at X's price, or lower. The increasing mobility of capital and production across national frontiers has augmented considerably the constraints placed upon segmentation by labour market competition, however indirect."

25. Herbert Hill's (1984) paper reveals that racial animosity toward blacks played a key role in Americanization and in unionization among ethnic immigrant groups. Their unions first displaced black workers from skilled industrial employments and then sought to exclude blacks permanently. The theory advanced here can be viewed as offering a unifying explanation for the events Hill describes in his paper.
26. The opening up and growth of entirely new lines of occupations was especially important for second-generation Eastern-European Jewish immigrants' advancement into professional occupations. Even when excluded from non-Jewish legal or medical practices, there was sufficient business for Jewish lawyers and doctors to start their own firms. The creation of new administrative positions with the expansion of government occupations associated with the Great Society programs in the 1960s provided a springboard for economic advancement for the black middle class (see Brown and Erie [1981]. Since they were entirely new positions there was not the same degree of conflict over access as there might have been if blacks had had to displace members of other groups already in place.
27. Frank Wilkinson (1981, xi–xii) comments: "The working-class has resisted capital by social and industrial organisation, which had maintained the family . . . , created trade unions, and influenced the state to legislate on conditions in factories, legalise trade unions, protect groups vulnerable in the labour market, and introduce and extend social welfare provision. Worker organisation has never been complete, and there is little doubt that the organisation of certain sections of the labour force has created privileged enclaves and left other sectors more exposed."
28. There are parallels with Julie Matthaei's (1982, 287–332) argument concerning job ladders in managerial positions in the late nineteenth and twentieth centuries. She contends that sex-typed jobs (also see Shelton 1987) evolved during this period when increased worker homogenization took place in the capitalist labor process and male workers successfully reduced prospects for wage competition with women. The notion that capitalists sought to "homogenize" the labor process at the turn of the century is a major theme of Gordon, Edwards, and Reich (1982). In a fascinating review article on the latter's book *Segmented Work, Divided Workers*, Nolan and Edwards (1984, 205–207) challenge the universality of the tendency toward homogenization. Regardless, the homogenization thesis is peripheral to my argument. Workers still may seek to coalesce to exclude others when capitalists are not pursuing such a strategy. As long as there are different benefits associated with access to different jobs—an even more likely phenomenon when homogenization is not underway—groups of workers will have an incentive to protect their turf. What is at stake is the spread between high-quality and low-quality jobs or joblessness, and the finiteness of high-quality jobs. Nor does my argument rest on a particular periodization of the history of capitalism. At all stages of capitalist development, after primitive accumulation has occurred, there are "reasons" for workers with preferred occupations to guard their positions, and as I argue below these reasons can extend beyond capitalism. I also suspect that gender-based inequality, at the most general level, requires a somewhat different analysis from ethnic/racial inequality; however, I do not address the former in this paper.
29. Here is a material basis for the race relations phenomenon Kevin Brown (1986) describes as "keeping distance."
30. In the interest of space I do not develop my full argument about the emergence of a policymaking, administrative and cultural elite—a managerial class—that is displacing capital for social dominance worldwide. I refer the reader instead to two of my other papers (Darity 1983b, 1986). For a related analysis of the emergence of the managerial class within orthodox Marxism see Rattansi (1985, 652–660 in particular).
31. Taylor, et al. (1986) demonstrate, again using the "vaunted" residual technique, that as more native blacks shift into public-sector employment in the United States, there is evidence of significant discrimination there as well. To the extent that advanced academic credentials are used as access flags for many of those positions, the percentage of blacks who are eligible for such positions remains relatively low. This

- contrasts sharply, for example, with prospects for American Jews, whose youth are heavily enrolled in the most prestigious universities in America. Among Ivy League schools, Jewish undergraduates typically comprise one-quarter of the students, ranging from a low of 12 percent at Dartmouth to highs of 30 percent at Yale and Columbia and 36 percent at the University of Pennsylvania. Typically, the U.S. Jewish population is estimated to be a mere 2–3 percent of the national total (see Bell 1987, 16–17).
32. Platzky and Walker's observations on South Africa are especially striking on this point: "It is clear that the changing nature of capitalist development in South Africa has resulted in an increased demand for skilled workers. As a result of increased capitalisation of industry, agriculture and mining, relatively fewer unskilled workers are demanded by the economy. The ruling class is attempting to consolidate an urban black population with a stake in the system. The government is determined to rid white South Africa of the unproductive, the unemployed, the disabled and those too young to work. From surveys and fieldwork it became clear that there are thousands of people who will never gain access to employment in urban areas. Unless they are prepared to work for R [one rand] a day on rural white-owned farms where there may still be some work, *they have been made redundant permanently. These surplus people will never enter the wage labour market under the present system*" (1985, xxii, emphasis added).
33. This approach is antithetical to the premises of so-called neoclassical political economy or the rent-seeking literature that sees interest groups springing up *de novo* out of individual interests without regard for a preexisting historical structure of social classes.

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EDITED BY STEVEN SHULMAN  
AND WILLIAM DARITY, JR.

# The Question of Discrimination

Racial Inequality in the U.S. Labor Market

Essays by

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