

DISCRIMINATION

Robert Cherry

ITS ECONOMIC
IMPACT ON
BLACKS,
WOMEN,
AND JEWS

Discrimination

*Its Economic Impact on Blacks,
Women, and Jews*

Robert Cherry

Brooklyn College of the
City University of New York



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Preface and Acknowledgments

This book highlights the broader theoretical underpinnings of contrasting theories of discrimination. Beginning with the detailing of general viewpoints, the book then applies them to contemporary issues that affect blacks, women, and Jews. Historical background is included when necessary, but the emphasis is on presenting the range of current economic research on the varied aspects of discrimination presented.

By presenting material on blacks, women, and Jews in one volume, readers are able to compare and integrate evidence and theories. Without understating the distinctive quality of each area of discrimination, care is taken to draw out the common threads. The consistency of each viewpoint in its approach to all areas of discrimination is highlighted.

I have attempted to avoid partisanship, particularly in the general presentations (chapters 2, 3, and 4). Each of the competing perspectives is developed in the most persuasive manner possible. One value of a nonpartisan presentation is that the role of empirical evidence is not overstated. While empirical evidence is used, sometimes providing important insights, I do not believe it can be decisive in determining the relative merits of competing views. A number of times I present hypothetical data to highlight statistical issues rather than trying to emphasize the superiority of a particular data set. I hope that readers will have an enhanced understanding of important data issues encountered when measuring discrimination and testing theories.

I wrote this book so that it would be accessible to noneconomists. I avoided specialized terminology and provided no graphical analysis. While the book does have some areas of primary research—assessment of black–Jewish relations and the evolution of conservative and liberal views—its primary strength is its ability to synthesize and summarize current research. The book is intended to give readers a firm understanding of the research findings on a wide variety of topics related to discrimination. Since all viewpoints are covered, the source references are comprehensive, providing a starting point for students and faculty wishing to research further particular topics.

Not only is this an excellent reference book for individuals, it is quite usable in undergraduate classes. The nonpartisan approach forces students to think seriously about what *they* believe, not what the author thinks; it also increases their appreciation of the importance of theory rather than reliance on evidence. Students can gain a better understanding of interpreting evidence as a result of the way data are presented in this book. Finally, the comprehensiveness allows students a broad choice of term paper topics, which they can relate to the material presented within the book. Students can go back to references quoted and write papers on more detailed topics or relate historical or sociological material to the economic studies presented.

The book was organized to be equally valuable for courses that desire an emphasis on racial or gender discrimination. The foundation chapters (2, 3, and 4) integrate examples of racial and gender discrimination. This integration enhances the presentation and is valuable when topics that cut across race and gender lines, such as welfare policies, are discussed.

This book also would be useful for students in various labor courses, since labor texts often make competitive assumptions that minimize their treatment of discrimination. In addition, this book can supplement political science courses that emphasize political strategies and coalition building.

This book has benefited from the constructive comments made by many individuals. I am indebted to Robert Blecker, Ann Davis, Jane Farb, Dana Frank, Gertrude Goldberg, Tom Michl, Joseph Schneider, Stephen Steinberg, and Roger Waldinger for their suggestions and encouragement. I would also like to thank my editor at Lexington Books, Karen Hansen, for her advice and help, as well as for overseeing the final stages and production. Finally, the patience of my family with my (extended) moments of preoccupation made it possible for me to complete this book.

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1

Introduction

Beginning with the Carter administration, there has been a curtailment of programs and policies intended to reduce the discrimination faced by members of disadvantaged groups. The Reagan administration claimed that these programs interfere with the free market system. Many economists joined forces with the administration, contending that the programs actually worsened the situation for black and female workers.

This would not be a cause for concern if economic data indicated that discrimination in labor markets had been eliminated. Indeed, if women and blacks had attained earnings and occupational distributions similar to comparably skilled white males, the elimination of special policies would be cause for celebration. This is exactly the posture taken by Reagan administration officials, and it has been reinforced by studies conducted by conservative economists. For example, James Smith and Finis Welch (1986) suggest that discrimination against blacks, particularly black males with a postsecondary education, has been virtually eliminated. They note that by 1980 almost 30 percent of black males had incomes above the median income of white males, and that since 1970 the economic benefits from a college education for black males exceeded the benefits for white males. Smith and Welch believe that rising educational attainment and not government anti-discrimination policies have been responsible for these results. They believe focusing on government policies to aid minority groups is counterproductive. Smith and Welch claim, "The three issues that dominate the recent political debate—the safety net, affirmative action, and busing—are a good illustration of the problem. All three issues have their merit, but if history provides useful lessons, they are not the key to long-run reductions in black poverty" (p. 27).

Evidence also appears to indicate that there are no labor market barriers impeding women from attaining incomes as high as their male counterparts. Data demonstrate a dramatic rise in the number of women in highly visible professions. By the 1980s, more than one-third of the entering classes in medical and law schools were women (Parrish 1986). These gains have undercut contentions that women face significant discrimination. Indeed, President Reagan's appointment to head the U.S. Civil Rights Commission, Charles Pendleton, has labeled recommendations that the government adopt comparable worth procedures to reduce female-male wage gaps "a proposal as loony as 'Loony Tunes'" (Sorensen 1988, 33).

Despite these upbeat findings, evidence continues to indicate that wage differentials by race and by gender persist. Indeed, many liberal and radical economists contend that after making certain adjustments, these differentials are almost as great as they were at the beginning of the civil rights era. When either family or individual income is used as the measure, median black incomes are still less than 75 percent of white incomes (see table 5-1), and median female earnings are less than 70 percent of median male earnings even if we restrict comparisons to full-time year-round workers (see table 8-1). The only change has been the closing of the gap between black and white women.

The next three chapters in this book present the reasoning behind conservative claims and the opposing views of their liberal and radical critics. Central to the conservative viewpoint is the belief that competitive market forces are beneficial to groups that suffer from discrimination. Conservatives contend that competitive forces make discrimination so costly that it discourages discriminatory behavior in the marketplace. Liberals agree that competitive forces can be beneficial, but they do not believe that these forces are strong enough to have a significant impact on discriminatory behavior. For this reason, liberals believe that government antidiscrimination programs must supplement the marketplace. In contrast, radicals contend that competitive forces may encourage discriminatory behavior. For government policies to be effective, they must supersede, not simply supplement, the marketplace.

The perspectives presented in these three chapters differ substantially from those presented by sociologists and psychologists. These noneconomists usually begin their analysis with cultural and psychological explanations for the presence of discriminatory attitudes. They contend that policies that reduce discriminatory attitudes are necessary if we desire less discrimination in labor markets.

Economists, in general, have a different perspective on the relationship between discriminatory attitudes and discriminatory behavior. Conservatives tend to believe that discriminatory behavior can be eliminated without changing discriminatory attitudes. They believe that costs incurred will be sufficient to discourage discriminatory behavior in the marketplace. Discriminatory attitudes will remain, but conservatives believe that it is not the business of government to legislate attitudes. Thus, conservative economists do not think it is important for people to know the source of these attitudes and do not believe it is warranted to develop policies to change them.

Radicals believe that discriminatory attitudes are strongly influenced by the economic effects, both real and imagined, of discriminatory behavior. Discriminatory attitudes often function to rationalize exploitive relationships. It was comforting for plantation owners to believe that slavery was a benevolent institution that cared for blacks who could not care for them-

selves. The belief that this was the white man's burden was a useful outlook for those engaged in imperialist conquests.

Radicals contend that as long as groups perceive that they benefit from the maintenance of unequal relationships, they will continue to cling to discriminatory attitudes. Thus, radicals claim that changing attitudes cannot be accomplished without changing the perceptions held by those who believe they benefit from discriminatory behavior. Some radicals believe that white male workers benefit from discriminatory practices. Other radicals believe that within racially or gender-divided labor markets, white male workers are harmed by discrimination. For this reason, these radicals claim that it is possible to build a united movement of black and white working-class men and women.

Only liberal economists hold views consistent with those of sociologists and psychologists. Liberal economists believe that few groups either benefit from or are significantly harmed by their discriminatory behavior. Liberals believe that people's attitudes are not influenced by economic factors and will be changed only by policies advocated by sociologists and psychologists.

These three theoretical perspectives also differ in their assessments of government intervention. Many conservative economists believe that government intervention has had a harmful effect on disadvantaged groups. They contend that government programs often reduce incentives for firms to hire the most efficient workers. Without this incentive, it is more likely that the employer will rely on prejudicial attitudes. Conservatives also contend that government programs create a disincentive for disadvantaged groups to attempt to better themselves. In particular, conservatives claim that government social programs have generated a welfare dependency among the poor that discourages their labor market effort.

For entirely different reasons, radicals also do not believe the government can be relied on to end discrimination. Radicals contend that discrimination is profitable to important interest groups, which are powerful enough to circumvent most antidiscrimination policies. Indeed, radicals suggest that in the past governments have justified and protected discriminatory policies. Thus, radicals contend that only a mass movement that consistently pressures the government to enforce antidiscrimination regulation has any possibility of reforming the system.

Only liberal economists are optimistic that government programs are capable of reducing discrimination. They reason that much of the discrimination that takes place is unintentional and has no economic value to firms that discriminate. For this reason, they believe that there will be little organized resistance to government antidiscrimination policies. Since liberal economists believe efficiency will be improved, they believe antidiscrimination policies will be accepted by the corporate community once their benefits are realized. Thus, liberals are confident that together with the educational pro-

grams advocated by sociologists and psychologists, government antidiscrimination policies will eliminate discriminatory attitudes and behavior.

Following the detailing of each of these perspectives, chapter 5 presents assessments of the black–white income gap and affirmative action programs. This chapter also describes competing histories of the origins of the 1960s civil rights legislation and its impact on discriminatory practices. Whereas liberals believe the civil rights legislation was indispensable, conservatives believe it was unnecessary, resulting in reverse discrimination. Radicals believe it diverted activists away from building militant multiracial movements that would benefit both black and white workers.

There are a number of reasons why this book was organized to present empirical evidence only after a full presentation of each of the perspectives. First, while black male income is only three-quarters that of white male income, each theoretical framework may have a different interpretation of the data. Thus, we must understand the theoretical structures of each viewpoint in order to assess the different interpretations. Second, the most relevant information consists of those facts that can help us decide the relative merits of each perspective. Only after presenting each viewpoint can we determine the data we desire. Third, even if empirical evidence is consistent with one theoretical perspective, it is incorrect to leap to the conclusion that this demonstrates the accuracy of that viewpoint. The same data may be consistent with alternative perspectives.

Finally, we should expect that there will be little empirical evidence that can provide a decisive basis for choosing one theoretical perspective over another. If this evidence was available, we would not have the persistence of alternative perspectives. Social science data have severe limitations and often require relatively arbitrary assumptions to be made. For example, suppose we look at a simple hypothesis that discrimination rather than skill differences explains the female–male wage gap. How do we measure skills and discrimination? Do we compare only full-time workers or all workers? Even if we could obtain unbiased sample data, the results might be extremely sensitive to the choices made. Measuring skills by educational attainment might give entirely different results from those obtained by measuring skills according to on-the-job training. For this reason, it might be more appropriate to emphasize the foundations of each perspective than to try to obtain data that will enable us to determine the “correct” theory.

Chapters 6 through 11 apply the theoretical perspectives developed to a number of specific aspects of discrimination. Even the most upbeat assessments of the progress made by blacks in the post–World War II period do not ignore the employment problems of black youths, which is the subject of chapter 6. Since the 1960s, the unemployment rate of black youths has been double that of white youths and has generally been over 30 percent. Conservatives and many liberals suggest that racism has little to do with

black youth unemployment problems and that minimum wage legislation has been harmful. Conservatives tend to believe that cultural deficiencies are the principal cause and reject all government initiatives. In contrast, liberals believe that some government programs are helpful. They support targeted educational programs and improved matching of job locations with job seekers.

Most radical economists claim that the assumptions necessary to justify minimum wage legislation as an aid to the poor are reasonable. They also note that empirical studies do not provide strong support for conservative contentions. Radicals suggest that other factors cause black youths to be trapped in unstable employment situations. They suggest that black youths have become an important component of the industrial reserve army of the unemployed and that only a militant confrontational movement might significantly reduce black youth employment problems.

Chapter 7 evaluates the impact of government social welfare programs on the behavior of low-income groups. It summarizes conservative contentions that government welfare programs have undermined individual incentives and been responsible for the growth of poverty and female-headed households. Most liberals believe that conservatives overstate the size of the welfare-dependent population and the impact of welfare programs on family structure. While liberals reject welfare cutbacks, they favor welfare reforms that encourage work. In addition, liberal proposals provide funding for day-care, education, and training programs. This chapter also presents radical criticisms of liberal welfare reform proposals. It details radical contentions that the plight of the poor will be improved only if welfare reform is combined with policies that raise the wage level of low-wage workers.

Chapter 8 further develops the theoretical structures presented in earlier chapters to include discrimination against women. Discrimination against women differs somewhat from racial discrimination. First, whereas society is very segregated by race, it is highly integrated by gender; individuals tend to marry, and children tend to be enrolled in coeducational institutions. Thus, female stereotypes may operate in ways that differ substantially from the ways in which racial stereotypes operate. Second, jobs are much more segregated by gender than by race. Hence, interoccupational wage differentials have a greater impact on male–female wage differences than on black–white wage differences. Third, whereas most theories of the racial earnings gap assert that educational disparities are a significant explanation, there is little educational disparity between men and women; the male–female earnings gap must be explained by other factors.

Chapter 8 details conservative theories that link female stereotypes to choice of occupation and skill development. Conservatives find that women choose occupations and education that are consistent with their preferences—preferences that differ dramatically from male preferences. In con-

trast, both liberals and radicals believe that the gravitation of women to lower-paying occupations is not due to female preferences. Both viewpoints identify discrimination against women as the dominant reason why women work in lower-paying occupations, but they differ in their views of how discrimination works. Whereas liberals tend to emphasize the need for stricter enforcement of affirmative action guidelines, radicals believe that the government should uphold comparable worth as an appropriate method of determining wage rates.

The analyses in chapters 7 and 8 contain only occasional references to discrimination against women outside the labor market. Many feminists have argued that the source and perpetuation of discrimination against women in the marketplace is the unequal patriarchal relationships found in the family. They argue that only by ending these patriarchal relationships will it be possible to end discrimination in the marketplace. Chapter 9 presents these feminist views.

Chapter 9 begins with an outline of the reasons why feminists believe it is impossible to assess accurately labor market discrimination against women without a systematic analysis of family relationships. It continues with a presentation of mainstream and traditional Marxist assessments of the nuclear family. Whereas mainstream theorists believe that the nuclear family benefits both men and women, Marxists believe that it serves only the interests of capitalists.

This chapter presents left-feminist criticisms of both mainstream and traditional Marxist views. In contrast with mainstream theorists, these feminists believe that the nuclear family is patriarchal—that is, males have power and privileges over females. In contrast with traditional Marxists, they believe that the patriarchal family persists because it serves the interests of working-class men as well as capitalists. Traditional Marxists suggest that left feminists incorrectly analyze the impact of patriarchy on capitalists, the ability of working-class men to enforce patriarchy, and the conflict between bourgeois and working-class women.

In response to contentions that the persistence of racial income differentials results from discrimination, conservatives point to the economic success of other minority groups that have experienced similar levels of discrimination. While black West Indians and Japanese Americans are mentioned, the preeminent comparison made is with the eastern European Jewish immigrants. Chapter 10 assesses the experiences of these immigrants and the relevance of their success to the black experience. While Jewish immigrants have been more successful than other immigrant groups, Jewish poverty and deviant behavior were more widespread and lasted longer than many histories indicate. Moreover, the anti-Semitism experienced by Jewish immigrants has been different from the racism experienced by black Americans.

Other factors external to Jewish values and culture may have been re-