

PART THREE
ECONOMICS

Discrimination, Economics, and Culture

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RACIAL DISCRIMINATION is usually not very discriminating, in the sense in which a wine connoisseur is discriminating in being able to detect subtle differences in tastes, aromas, or vintages. When Marian Anderson was refused permission to sing in Washington's Constitution Hall in 1939, it had nothing to do with her characteristics as a singer or as a person. She was black and that was it. Similarly in baseball, before Jackie Robinson broke the color line in 1947, no one cared what kind or quality of pitcher Satchel Paige was or how powerful a slugger Josh Gibson was. They were black and that was enough to keep them out.

If we are to examine discrimination and its consequences today, we cannot be as indiscriminate as the racists of the past or present. We must make distinctions—first as to some consistent meaning of the word “discrimination” and then in deriving criteria for determining when it applies. We must also distinguish discrimination from other social or cultural factors that produce economic and other differences in outcome for different individuals and groups.

Meanings of Discrimination

To many—perhaps most—Americans, there is racial discrimination when different rules and standards are applied to people who differ by race. To these Americans, there is “a level playing field” when the same rules and the same standards apply to everybody, regardless of race.

As traditional as this meaning of discrimination has been, a radically different conception of discrimination has a strong hold on many in the media and the academic world today, as well as among political and legal elites. For them, differences in “life chances” define discrimination. If a black child does not have the same likelihood as a white child of growing up to become an executive or a scientist, then there is racial discrimination by this definition, even if the same rules and standards are applied to both in schools, the workplace, and everywhere else.

For those with this definition of discrimination, creating “a level playing field” means equalizing probabilities of success. Criteria which operate to prevent this are considered by them to be discriminatory in effect, even if not in intent.

Whatever definition—and accompanying set of policies—one believes in, a serious discussion of racial discrimination or of racial issues in general requires that we lay our cards face up on the table and not hide behind ambiguous and shifting words that render any attempt at dialog futile and ultimately poisonous.

For purposes of our discussion here, the definition of “discrimination” will be the traditional one. Other views behind other definitions will not be dismissed, however, but will in fact be examined closely.

Cause and Effect

Definitions are not chosen out of thin air. Underlying different definitions of racial discrimination are different beliefs about the way the world operates. So long as these beliefs confront each other only as

opposing dogmas, there is no resolution other than by trying to shout each other down or prevail by force, whether political or physical.

Many people believe that differences in life chances or differences in socioeconomic results are unusual, suspicious, and probably indicative of biased or malign social processes that operate to the detriment of particular racial and other groups.

While there have certainly been numerous examples of discrimination—in the traditional sense of applying different rules or standards to different groups—in the United States and in other countries around the world, that is very different from claiming the converse, that group differences in prospects or outcomes must derive from this source.

Intergroup differences have been the rule, not the exception, in countries around the world and throughout centuries of history.

Today, one need only turn on a television set and watch a professional basketball game to see that the races are not evenly or randomly represented in this sport and are not in proportion to their representation in the general population of the United States. Racially, the teams do not “look like America.”

Although not visible to the naked eye, neither do the beer companies that sponsor this and other athletic events. Most, if not all, of the leading beer-producing companies in the United States were founded by people of German ancestry. So were most of the leading piano manufacturers. Nor is German domination of these two industries limited to the United States.

The kind of demographic over-representation in particular lines of work found among blacks in basketball or Germans in beer brewing and piano-making can also be found among Jews in the apparel industry—not just in contemporary New York but also in the history of medieval Spain, the Ottoman Empire, the Russian Empire, Brazil, Germany, and Chile. At one time, most of the clothing stores in Melbourne were owned by Jews, who have never been as much as one percent of the Australian population.

Most of the people laying cable in Sydney, Australia, are of Irish ancestry. All the billionaires in Thailand and Indonesia are of Chinese ances-

try. Four-fifths of the doughnut shops in California are owned by people of Cambodian ancestry. The list goes on and on.

It would be no feat to fill a book with statistical disparities that have nothing to do with discrimination.¹ What would be a real feat would be to get people to realize that correlation is not causation—especially when the numbers fit their preconceptions.

Very often the groups predominating in a particular field have no power to keep others out, except by excelling in the particular activity. Blacks cannot discriminate against whites in basketball, where the franchises are owned by whites. The Chinese minority in Malaysia or Indonesia cannot stop Malaysians or Indonesians from opening businesses, though historically most of the major domestic enterprises in both countries were created by people of Chinese ancestry. Nor could immigrants from India stop either blacks or whites from opening businesses in Kenya, though Indian entrepreneurs were once so predominant in Kenya and other parts of East Africa that the rupee became the predominant currency in that region.

Some statistical disparities are of course caused by discrimination, just as some deaths are caused by cancer. But one cannot infer discrimination from statistics any more than one can infer cancer whenever someone dies. The absence of corroborating evidence of discrimination has forced some into claiming that the discrimination has been so “subtle,” “covert,” or “unconscious” as to leave no tangible evidence. But this method of arguing—where both the presence and the absence of empirical evidence prove the same thing—would prove anything about anything, anywhere and any time.

Sources of Differences

Perhaps the most sweeping explanation of intergroup differences is that people are innately, genetically different and that these differences permeate everything they do. As Madison Grant put it in his best-

selling book *The Passing of the Great Race* in the early twentieth century, “race is everything.”

Virtually no one believes that any more and the Nazis revolted the world by showing where such doctrines can lead. However, the innate inferiority doctrine remains important socially and politically because it is an ominous presence in the background of discussions about other immediate practical issues. Much of the tone and substance of what is said today reflects a desire of many whites to escape the charge of racism and of many blacks to escape the charge of inferiority. A whole range of current trends, from cultural relativism to bombastic Afrocentrism, are hard to explain on their own intrinsic merits, without reference to the ominous racial doctrines that they are seeking to exorcise.

Without getting into the IQ controversy that I have dealt with elsewhere,² history alone makes it hard to believe in fixed or innate superiority or inferiority among the peoples of the world. A thousand years ago, the Chinese were clearly far more advanced than the Europeans, whether technologically, organizationally, or economically. Equally clearly, that relationship has reversed in recent centuries—without any corresponding changes in the genetic makeup of either the Chinese or the Europeans. Within a much shorter period of time, Eastern European Jews in the United States went from having below-average scores on intelligence tests during the First World War to having above-average scores on such tests within one generation afterward.

The enormous variety of geographic, cultural, demographic, and other variables makes an even, random, or equal distribution of skills, values, and performances virtually impossible. How could mountain peoples be expected to have seafaring skills? How could an industrial revolution have occurred in the Balkans, where there are neither the natural resources required for it nor any economically feasible way of transporting those resources there? How could the indigenous peoples of the Western Hemisphere have transported the large loads that were transported overland for great distances in Europe and Asia, when the Western Hemisphere had no horses, oxen, camels or other comparable beasts of burden?

Add to this great differences in the flora, fauna, climate, disease environments, topography and fertility of land from one region of the world to another, among other variables, and the prospects of equal achievements among peoples whose cultures evolved in very different settings shrinks to the vanishing point, even if every individual in the world had identical genetic endowments at the moment of conception.

Nor are the effects of these environmental factors likely to vanish immediately when people from a given culture in a given environment move to another culture in another environment. Particular skills and general attitudes may follow the same people around the world. Given that Germans were brewing beer in the days of the Roman Empire, there is no reason to be surprised that they continued to brew beer in Milwaukee, St. Louis, Buenos Aires, and Australia's Barossa Valley. Even when two groups begin to acquire skills initially foreign to both, they may do so making different choices and applying themselves to different things. During the decade of the 1960s, the Chinese minority in Malaysia earned more than four hundred engineering degrees, while the Malay majority earned just four. Nor can such differences be reduced to external differences in the immediate environment, for the Malays had preferential access to financial aid for higher education. But they came from a culture very different from that of the Chinese.

Just a superficial glance like this suggests something of the innumerable factors operating against the even or random distribution of peoples in different activities and institutions that is assumed as a baseline for measuring discrimination statistically. In some cases we can trace through history the particular skills that led to the dominance of one group or another in particular industries or occupations. But in other cases we cannot. In no case can we presuppose that the distribution would be random in the absence of discrimination.

Empirical Evidence

If we cannot rely on simple statistical differences, presuppositions, or definitions to determine how much discrimination exists, much less its actual effects on end results, then we must depend on corroborating empirical evidence. How much income difference, for example, is there between blacks and whites with the same objective qualifications? Do these qualifications predict future performances of each group equally or for either group validly? What of cultural bias in these criteria?

If our purpose is to weigh beliefs against facts, rather than simply to generate plausible-sounding propaganda, then we must consider whether the inputs or the output that we are measuring are really the same. Family income data, for example, can be wholly misleading if the families differ in size from group to group and from one time period to another.

American families and households have been declining in size over the years, as parents have fewer children and children are better able to afford their own living quarters in early adulthood. Black families are smaller than white families, due to more breakups of marriage and more failures to get married in the first place. Moreover, higher income families average substantially more people per household.

An individual, however, always means one person, regardless of race or income, so per capita income data can present a very different picture from that deriving from family or household income data. Real income per black household rose only 7 percent from 1967 to 1988, but real income per black person rose 81 percent over the same span. On a household basis, blacks' average income was a lower percentage of whites' average income at the end of this period than at the beginning but, on a per person basis, blacks were earning a significantly higher percentage of what whites were earning in 1988 than in 1967.³ Needless to say, those who deal in politicized indignation prefer to cite family or household data. But if we are talking about job discrimination, we are talking about what happens to individuals. Employers do not employ households.

As far back as 1969, black males who came from homes where there

were newspapers, magazines, and library cards had the same incomes as white males from similar homes and with the same number of years of schooling.⁴ In the 1970s, black husband-and-wife families outside the South earned as much as white husband-and-wife families outside the South.⁵ By 1981, for the country as a whole, black husband-wife families where both were college educated and both working earned slightly *more* than white families of the same description.⁶ By 1989, black, white, and Hispanic males of the same age (29) with the same IQ (100) who worked year-around all averaged between \$25,000 and \$26,000 in annual income.⁷

In various ways, these data all tell the same story—that similar cultural inputs lead to similar economic outputs across racial lines. Note, however, that these inputs are somewhat more sharply defined here than in most intergroup comparisons, such as all black high school graduates versus all white high school graduates or all blacks with bachelor's degrees or Ph.D.s versus all whites with high school diplomas, bachelor's degrees or Ph.D.s.

On average, the pre-college educations of blacks and whites have never been equal. During the Jim Crow era in the South, blacks did not even go to school as many days in a year as whites, so that a black individual with 9 years of education might have been in school no more days than a white individual with 6 years of education. Even after the numbers of days in school were brought into line, the resources put into the schools were not the same and, after that had been remedied to some extent, large differences in test scores showed that the two groups of students were not learning the same, for whatever reasons.

At both the college and postgraduate levels, black and white degrees do not mean the same. First of all, they differ in the fields in which the students specialize—as do various groups in other countries around the world. Regardless of how much of these differences are due to discriminatory provision of education by government, or to differences in cultural values or other causes, when we are measuring education as an input that contributes to economic output, we are comparing apples and oranges if our comparisons of blacks and whites does not go beyond paper credentials.

In those cases where the statistics permit a finer breakdown that in-

cludes qualitative measures, the racial gap shrinks or disappears. We have already seen that with black, white, and Hispanic year-around workers with the same IQs. An earlier (1975) study of black, white, and Asian professors with Ph.D.s from departments of the same quality ranking and with similar numbers of publications showed the blacks generally earning at least as much as the whites and usually more than Asians with the same qualifications.⁸

If our definition of a level playing field is applying the same rules, standards, and rewards, regardless of race, that was approximated years ago. But if our definition is equal prospects of success, then none of these data indicate that, for different proportions of different groups come from homes with library cards or from good quality schools and different proportions of them are in different regions of the IQ distribution. All these are serious social problems but they are not employer discrimination—and talking as if they are only distracts attention from the real causes that need attention.

In many other areas as well, discrimination has been claimed on the basis of statistics which treat people as comparable who are not in fact comparable. For example, the fact that black applicants for mortgage loans are turned down at a higher rate than white applicants has been widely cited as proof of racism among lending institutions. The *Washington Post*, for example, reported that a “racially biased system of home lending exists”⁹ and Jesse Jackson called it “criminal activity” that banks “routinely and systematically discriminate against African-Americans and Latinos in making mortgage loans.”¹⁰ But the very same data also showed that whites were turned down at a higher rate than Asian Americans.¹¹ Was that proof of racism against whites, and in favor of Asians? Of course not.

A widely-cited Federal Reserve study of racial disparities in mortgage loan approval rates did not control for net worth, nor take into account the loan applicants’ credit histories or their existing debts.¹² Nor was “the adequacy of collateral” included.¹³ When a more detailed follow-up study was done for the Boston area by the Federal Reserve Bank of Boston, it was discovered that in fact black and Hispanic applicants for mortgage loans

had greater debt burdens, poorer credit histories, sought loans covering a higher percentage of the value of the properties in question, and were also more likely to seek to finance multiple-dwelling units rather than single-family homes.¹⁴ Loan applications for multiple-dwelling units were turned down more often among both white and minority applicants but obviously affect the rejection rate more so among the latter, since they applied more often for loans for such units.¹⁵ Even among those applicants whose loans were approved—and the majority of both minority and white applicants had their loans approved—minority borrowers had incomes only about three-quarters as high as whites and assets worth less than half the value of the assets of the white borrowers.¹⁶

None of this implies that subjective prejudice has vanished. But a whole field of the economics of discrimination has been created by Nobel Prize-winning economist Gary Becker to show how the translation of subjective prejudice into actual discrimination can be very costly to the discriminator. One need only imagine a basketball franchise owner who refuses to hire blacks to see how financially ruinous it can be.

Nothing is easier than to find statistical disparities between groups. They exist in countries around the world, with and without discrimination, and many of these intergroup disparities in income, education, and other factors are greater than black-white differences in the United States. Merely parading these disparities may be sufficient for political purposes. But, if the purpose is to improve the condition of the less fortunate, then discrimination must be investigated in a more discriminating manner and other causes dealt with when they turn out to be more salient.

None of this means that prejudice and discrimination are things of the past. What it does mean is that their actual socioeconomic effects are an empirical question, not a foregone conclusion. Few would doubt that there has been more prejudice and discrimination against blacks in the United States than in Brazil. Yet black Americans have achieved higher incomes, both absolutely and relative to white incomes, than is the case in Brazil.¹⁷ Discrimination is just one factor among many and cannot be automatically

presupposed to be the most powerful factor, however politically convenient that assumption might be.

In practical terms, there is neither unlimited time nor unlimited resources available for dealing with racial issues. In order to maximize the impact of those resources, we must first decide whether our top priority is to smite the wicked or to help the less fortunate.

Implications

No one can be happy when life chances are so radically different among racial or other groups, especially when this means that serious prospects of rising out of poverty may be gone before a child's age reaches double digits. If we mean to improve this situation substantially, then we cannot simply "round up the usual suspects," such as discrimination.

Nor can we let the ghost of Madison Grant or of Adolf Hitler paralyze us from recognizing factors internal to various groups themselves. If Asian children are more likely to catch grief from their parents when they bring home report cards with Bs than black children are when they bring home report cards with Cs, then do not be surprised if Asian youngsters end up with higher grade point averages in school and higher test scores after years of such differences. It would be astonishing if it were otherwise.

Preoccupation with discrimination also distracts from achievements from within the black community, even in the face of racial discrimination. For example, in 1899 there were four academic high schools in Washington—three white and one black. In standardized tests given that year, the black high school scored higher than two of the three white academic high schools. Yet, nearly a century later, it would be considered utopian, by almost anyone, to set as a goal that black high schools score higher on standardized tests than most white high schools in the same city—especially if that city is Washington, D. C.¹⁸ Nor was this a one-time fluke. That same school repeatedly met or exceeded the national average in IQs for decades and sent more of its graduates on to college than most white high schools around the country.¹⁹

We need not speculate on what can be done or assume that only esoteric programs can succeed. Success has already been achieved in many black schools and in many black families, usually by doing the same kinds of things that have brought success to white or Asian schools and white or Asian families.

A word may be in order about “cultural bias” and the quest for “culture-free” tests. If cultural bias means that a given criterion will not predict either academic success or career success as accurately for one group as for another, then that is a purely empirical proposition that can be and has been tested innumerable times—and it has been found to be wrong innumerable times, not only as regards blacks in the United States but also as regards Indonesians halfway around the world.²⁰

As for “culture-free” tests, they would be relevant only in a culture-free society—and there is no such society anywhere. Even the most primitive societies in the world today contain a wealth of skills that an outsider would be hard-pressed to master.

Any success or failure, anywhere in the world, is going to take place in a given culture. We need not question whether blacks can succeed in the current American culture because there is no way to declare impossible what has already happened, often despite considerable opposition. The question is whether increasing the odds of more success can take precedence over the politically more tempting goal of rounding up the usual suspects and sounding the usual rhetoric.

Notes

1. Numerous, documented examples can be found in just two recent books of mine: *Conquests and Cultures* (Basic Books, 1998), pp. 43, 124, 125, 168, 221–222; *Migrations and Cultures* (Basic Books, 1996), pp. 4, 17, 30, 31, 567, 118, 121, 122–123, 126, 130, 135, 152, 154, 157, 158, 162, 164, 167, 176, 177, 179, 182, 193, 196, 201, 211, 212, 213, 215, 224, 226, 251, 258, 264, 265, 275, 277, 278, 289, 290, 297, 298, 300, 305, 306, 310, 313, 314, 318, 320, 323–324, 337, 342, 345, 353–354, 354–355, 355, 356, 358, 363, 366, 372–373. Extending the search for intergroup statistical disparities to the writings of others would of course increase the number of examples exponentially,

even when leaving out those cases where discrimination might be a plausible cause of the disparities.

2. "New Light on Black IQ," *New York Times*, March 27, 1977, pp. 15 ff; "Ability and Biology," *Newsweek*, September 8, 1997, p. 14; *Race and Culture*, chap. 6.

3. Compare U. S. Bureau of the Census, *Current Population Reports*, Series P-60, No. 167, pp. 9, 68.

4. Richard B. Freeman, *Black Elite* (New York: McGraw-Hill, 1976), chap. 4.

5. U. S. Bureau of the Census, *Current Population Reports*, Series P-23, No. 80 (Washington: U. S. Government Printing Office, no date), p. 44.

6. U. S. Bureau of the Census, *Current Population Reports*, Series P-20, No. 366 (Washington: U. S. Government Printing Office, 1981), pp. 182, 184.

7. Richard J. Herrnstein and Charles Murray, *The Bell Curve: Intelligence and Class Structure in American Life* (New York: The Free Press, 1994), p. 323.

8. American Council on Education data are tabulated and presented in Thomas Sowell, "Affirmative Action in Faculty Hiring," *Education: Assumptions versus History* (Stanford: Hoover Institution Press, 1986), pp. 85–87.

9. Joel Glenn Brenner, "A Pattern of Bias in Mortgage Loans," *Washington Post*, June 6, 1993, p. A 1.

10. Jesse Jackson, "Racism is the Bottom Line in Home Loans," *Los Angeles Times*, October 20, 1991, p. B 5.

11. See, for example, Paulette Thomas, "Blacks Can Face a Host of Trying Conditions in Getting Mortgages," *Wall Street Journal*, November 30, 1992, p. A 8.

12. Paulette Thomas, "Behind the Figures: Federal Reserve Detail Pervasive Racial Gap in Mortgage Lending," *Wall Street Journal*, March 31, 1992, p. A 1.

13. Glenn B. Canner, "Expanded HMDA Data on Residential Lending: One Year Late," *Federal Reserve Bulletin*, November 1992, p. 801.

14. Alicia H. Munnell, *Mortgage Lending in Boston: Interpreting HMDA Data*, Working Paper No. 92-7, October 1992, Federal Reserve Bank of Boston, pp. 2, 24, 25.

15. *Ibid.*, p. 25.

16. *Ibid.*, p. 24. Some further problems of the study are discussed in Peter Brimelow and Leslie Spencer, "The Hidden Clue," *Forbes*, January 4, 1993, p. 48.

17. See data and sources in Thomas Sowell, *Conquests and Cultures: An International History* (New York: Basic Books, 1998), p. 168.

18. Henry S. Robinson, "The M Street High School, 1891–1916," *Records of the Columbia Historical Society of Washington, D. C.*, Vol. LI (1984), p. 122.

19. The M Street School was subsequently renamed Dunbar High School. Its history

has been sketched in Thomas Sowell, "Black Excellence: The Case of Dunbar High School," *The Public Interest*, Spring 1974, pp. 3–21. See also Mary Gibson Hundley, *The Dunbar Story* (New York: Vantage Press, 1965).

20. Numerous studies can be found cited in Thomas Sowell, *Conquests and Cultures*, p. 474 (footnote 99).