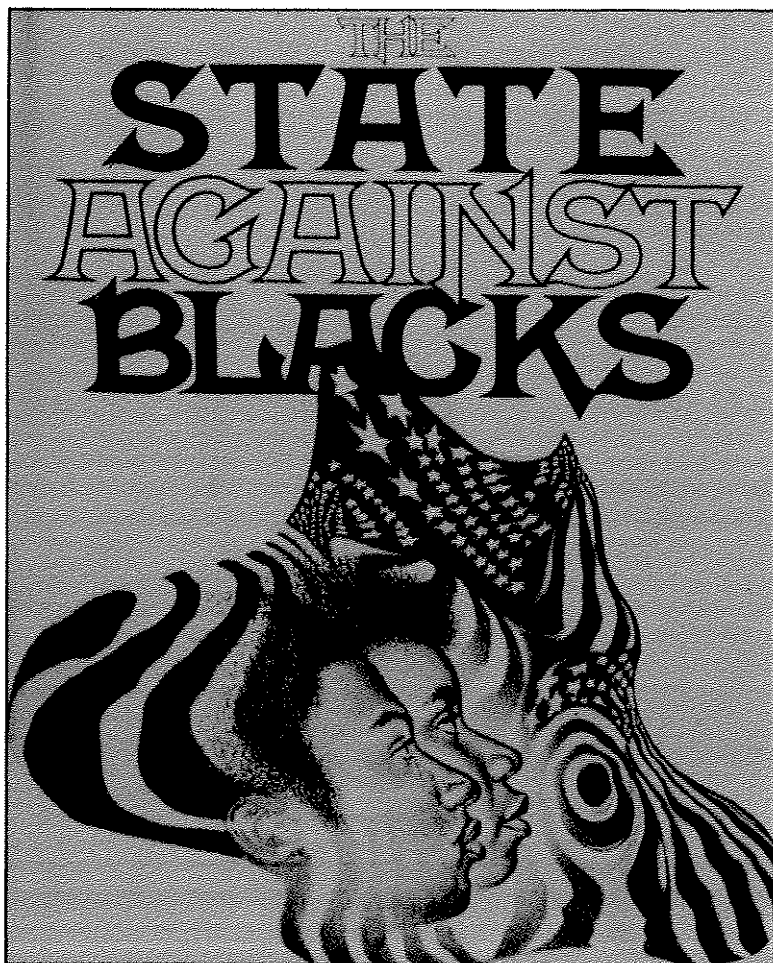


MANHATTAN REPORT

ON ECONOMIC POLICY

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Can persistently, and disproportionately, high rates of unemployment among blacks and other minority groups be explained by racial discrimination? This is the dominant opinion in most civil rights organizations, political parties, labor unions, in the media and academia; and on it the demands that government overcome the handicaps of minorities in the marketplace are based.

Professor Walter Williams of George Mason University doesn't deny the existence of racism in American (or in any other) society. But he rejects the hypothesis that racial discrimination alone accounts for minority group economic problems; and he emphatically rejects the conventional solution to their problems, namely government intervention in, and restrictions and manipulations of, the labor market. What minorities need most, according to Williams, is a free, unrestricted economy. It is state encroachment into free contracting that has in fact "effectually cut off the bottom rungs of the economic ladder" for outsiders—among whom minorities are a disproportionate number.

Professor Williams has presented his radical arguments in a new book, *The State Against Blacks*. This book has sparked radio, T.V., and newspaper interviews, and speeches around the country. The Manhattan Report presents here excerpts from Williams's recent, heavily attended address in New York City, and from a provocative debate that is part of a video documentary based on his ideas.

The State Against Blacks

William Hammett—We're very privileged today to have Mr. Carlos Campbell introduce our speaker. Mr. Campbell is the Assistant Secretary of Commerce for Economic Development, and chief administrator of the Economic Development Administration, one of the prime agencies in Washington charged with the task of promoting economic development and technical assistance in depressed areas of the United States.

Carlos Campbell—I want to tell you a little story about a man who had a tremendous vision about fulfilling his dream, if he could just get to America. He was about 21 years old at the time and was living in Panama. The year was 1925. He left Panama, and, via Havana, Cuba, worked his way to the United States. He arrived without any high school education. So he worked his way through high school, as a cabdriver in New York City, and graduated in 1929 from DeWitt Clinton High School. Notwithstanding the Depression, he worked his way through St. John's College in Brooklyn, graduating in 1933 at the age of 29 from the School of Commerce with a degree in economics and banking. Subsequently, he served a brief apprenticeship and opened an accounting practice in Harlem at 125th Street and Seventh Avenue. He also ran a barbershop on the side to make a little extra money. The barbershop was doing well, so he went to the bank and asked for money to open up two more barbershops. The banker looked at him and said, young man, you have your nerve asking for this kind of money. He took a long pause and continued: but if you have enough nerve to ask, I have enough nerve to make the loan. So he started two more barbershops. After the war, he opened a liquor store,

and in 1957 he organized Allied Federal Savings and Loan. He was the Chief Executive Officer and President. Unfortunately in 1966 he passed away. But about three months ago Allied Federal merged with Carver Federal, and today it's the largest black-controlled Savings and Loan Association in the country.

I like to tell that story because the man from Panama was my father. What connects his life to Walter Williams's book is that he did not have to put up with a lot of regulatory hurdles and barriers. He had absolutely no assistance from the federal government. There was no CETA job training program, so he did not get diverted from his original goal to get a high school diploma and then graduate from college. There was no Small Business Administration, either. The government didn't help him out, but it didn't stand in his way.

When I reflect on his experience, and when I read Dr. Williams's book, I also think about Malcolm X, who said that the lullaby sung by the liberals made the Negro a beggar. I remember Martin Luther King, who said that we have to get rid of the slave mentality. I recall his speech to the nation, standing in front of the Lincoln Memorial, where he expressed *his* dream—of an America where his children would be judged, not by the color of their skin, but by the content of their character. And then I ask if we need a Congressional body that focuses on color instead of dealing with condition and character? Do we need a Black Caucus, when the real challenges blacks confront are general economic conditions that face all Americans?

Dr. Williams uses the term "poverty pimp," and it is unfortunately an appropriate one. If you

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"Free markets tend to eliminate false stereotypes."
—Walter Williams



Walter Williams

go back and look at the \$53 or \$55 billion spent on the Comprehensive Education and Training Act (CETA) program, you see that only 30 percent of the people got placed into what are called "real" jobs. What happened to the other 70 percent of the people who were ostensibly trained? Who really benefitted by the enormous expenditures? The consultants and the administrators—the people handling the paper—were the people who got the windfall, not the people with the greatest needs.

We must move toward full employment, and this can only be done by creating an environment in which business can expand. Many of the diversions of the past have pacified people, but have not solved any problems.

I feel that a book like Dr. Williams's can contribute to the betterment of this nation. I think it can rip the mask off a lot of characters who have been engaged in a perpetual Halloween show and expose them for what they really are. We have to move beyond the politics of pacification. We have to leave demagoguery behind. We have to deal with the basics, so our economy can be open and responsive to all who want to work.

Walter Williams—Suppose you were to ask me what was the cause of the Grand Hotel fire in Las Vegas, and suppose my response to you was that the Grand Hotel fire in Las Vegas was caused by oxygen. You'd be a little disturbed. But yet I tell you, had there not been oxygen present, we

would not have had that great fire. Now, what's wrong with explaining the Grand Hotel fire by saying that it was caused by oxygen? It does not explain why the Carleton did not also burn down in Washington, since oxygen was around it as well.

Oxygen is so pervasive in the world that it alone cannot explain very much. Similarly, with discrimination. Discrimination is so pervasive that it alone cannot explain very much. When I say "discrimination," I mean *all* forms, including sexual discrimination, racial discrimination, and other kinds that I've been guilty of participating in as well. When I was choosing a wife I discriminated against Chinese women, Japanese women, white women, fat women, ugly women, and women who did not bathe regularly. I'm quite sure none of my tests for choosing a wife would ever meet the Equal Employment Opportunity Commission (EEOC) validation criteria.

In Southeast Asia the Chinese are discriminated against. They've faced mass expulsions and massacres over the centuries. But in some of those countries the Chinese own 60 percent of the GNP. The Armenians in the post-Ottoman Empire owned a lot of wealth despite the fact that the Turks tried to exterminate them. The Jews in the United States did not have to wait for the end of anti-Semitism to experience upward mobility. Neither did Japanese or Chinese people. Among Japanese and Chinese, 25 percent of their labor force are professionals while 15 percent of the general labor force in the United States are professionals. Or look at blacks. The median income of second generation West Indian blacks is higher than most whites in the United States. You can explain none of these phenomena by discrimination; some of the people who were discriminated against made and make much more money than the people who discriminated against them.

When I state that discrimination does not explain much, I do not say that it doesn't exist. But I am saying that when you're formulating public policy and you want to come up with compassionate solutions to people's problems, you'd best correctly identify the causal factors involved.

In *The State Against Blacks* I explain, moreover, that misleading and ambiguous terminology which confuses one phenomenon with another phenomenon is itself a contributor to social problems. Take words like "discrimination" and "prejudice." Discrimination is the act of choice; and people use a lot of criteria for choosing. Prejudice means pre-judging: it exists because people try to economize on information costs, and so form stereotypes.

Like discrimination, therefore, prejudice is pervasive. A company may not send its recruiters to an all-black high school to look for a person to



be trained as a physicist. Why? Not because the employer necessarily dislikes blacks or thinks they are incapable. But because his expectation of finding a successful candidate at a school whose average graduates read at the fifth and sixth grade level is not very high. Given that he has to pay interviewers to search, and the probability of finding a successful candidate is low, it doesn't pay to search at certain schools.

Looking at prejudice and discrimination in these terms, we can understand credit practices like "red-lining," or certain kinds of hiring practices, without falling into the trap of concluding that charging a black higher interest or prices than a white represents hate or bigotry. A more plausible hypothesis is that skin color or sex or age or whatever is being used as a proxy by an individual who doesn't want to seek more precise, but more costly information.

Income differences between groups do not necessarily reflect racial discrimination, not when there are other, more plausible explanations. For instance, besides skin color, there are other characteristics which set the black population apart from other groups, such as age. Black people as a class are much younger than most other ethnic groups in our society. For example, the median age of Russian Orthodox Jews is around 45 years. The median age of the Poles is 40, of the Chinese, 35; and the median age of the U.S. population in general is around 29. However, the median age of the black population is around 21 or 22, and that of Hispanics about 16. Would you be surprised to find that the median income of Hispanics is lower than that of Poles? Well, would you be surprised if the median income of 16 year-olds were lower than 40 year-olds?

For years people have asserted, as proof of racial discrimination, that black male professionals don't make anywhere near the income of white male professionals. They point to the median income of black male professionals, which is around 74 percent that of whites. There's a lot of literature focusing on this point. I investigated this issue some years ago at the Hoover Institution. First I looked at the median incomes of black female and white female professionals. I discovered one of the best-kept secrets in the United States since the Manhattan Project. It turns out that black female professionals' median income is 125 percent of white female professionals. That is, they make 25 percent more, working the same number of weeks a year, than white female professionals. Could it be possible that black females and white males are secretly conspiring against black men and white women? If that's the case, maybe black men and white women need to organize!

But first I performed a rank-order correlation test, a simple statistical procedure to compare different distributions. I looked across twenty-seven occupation groups in the census, and it turned out that white and black female professionals were virtually identically distributed across all the occupations. That is, the number one occupation for females, white and black, was non-university teaching. Forty-six percent of black female professionals were non-university teachers; about 41 percent of white female professionals were. The next important one was nursing, and so forth. As a matter of fact, I came up with a rank-order coefficient of somewhere around 85 percent.

Among black and white male professionals, however, the rank-order correlation coefficient was 68 percent, suggesting a very dissimilar

*"There are now 600 licensed professions and over
3,000 licensing jurisdictions!"
—Walter Williams*

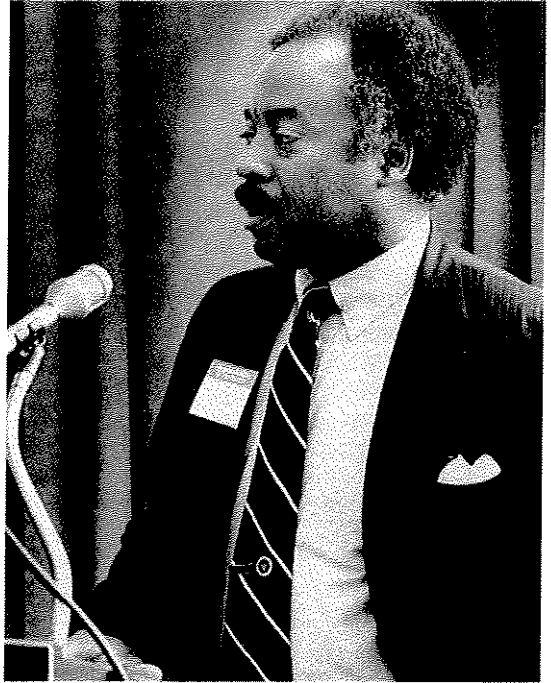
distribution. As a matter of fact, the most important category for black male professionals was non-university teaching—21 percent of them. But only something like 12 percent of whites could be thus categorized. The most important category for white males was engineering. Eighteen percent of whites were engineers while only 3 percent of black male professionals were engineers.

Now for the year that I did the calculations, the median income of male engineers was about \$14,000, while that of non-university male teachers was \$8,700 a year. This suggests that even if blacks were getting the same pay in every single job that whites were getting, there would still be a difference at the median, since black males tended to be employed in lower-paying occupations.

I haven't come up with a satisfactory reason why black female professionals earn more than white female professionals, unless it is that blacks are more urbanized than are whites. In urban centers, public school teachers and nurses earn higher pay than their counterparts in suburban and rural areas. The conspiracy hypothesis on racism isn't very compelling.

Now, what accounts for disparities in the occupational distributions, and in the different income levels that implies? Racism, answers the chorus. Well, one part of my book concerns taxicab ownership. I chose this job for investigation because it doesn't require a college education or a lot of start-up capital. Why don't blacks own more taxicabs? It seems like a natural occupation to get into now, just as it did for Mr. Campbell's father years ago.

Well, in many cities, like New York, Chicago, Philadelphia, and Baltimore, the number of licenses are restricted by law. Thus a newcomer has to purchase the privilege from a member of the guild. In New York, the price has gone as high as \$65,000; in Chicago it is around \$40,000; and in Philadelphia it is around \$20,000, down from \$33,000. The effect of occupational licensure in this case is to "discriminate" against poor people who cannot raise or borrow the money, or, in other cases, find it difficult to meet what are essentially arbitrary but legally mandated entrance requirements. In Philadelphia, I spoke to Wilson Goode, Chairman of the Public Utilities Commission (PUC). I asked him how many blacks owned taxis, and his guess was somewhere around 2 or 3 percent. In Washington, D.C., close to 80 percent of the taxis are owned by blacks. How can you explain this? Can you say that everywhere in the United States except Washington, D.C. is racist, but Washington, D.C., is utopia? Or is it the fact that you can get into the cab business for license fees of less than \$200?



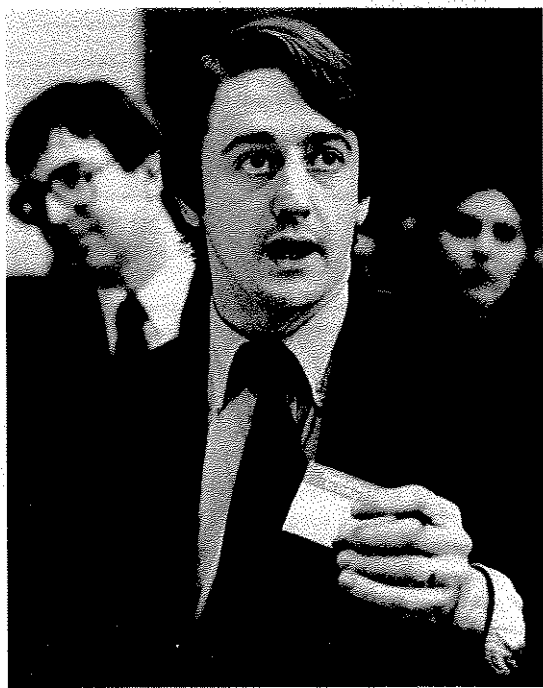
Carlos Campbell, U.S. Department of Commerce

Many, many laws, both State and Federal, deprive poor people, especially young people, of the chance of getting started. Some of these laws contribute to racial conflict. This dawned on me when I came across a black trucker in Omaha, Nebraska, who bid lowest on an Air Force contract to ship the household effects of Air Force personnel. He did not win the contract. Why? Because he did not have broad enough ICC authority. He had the fitness requirements, and he had trucks and people to move the stuff. But he could not move goods across state lines. Ultimately the contract went to another trucking company that bid \$80,000 higher than Ward Smith. Ward Smith lost out, and so did you and I, as taxpayers. What is the solution proposed by agencies like the Urban League, the NAACP, and sundry white liberal organizations? What do they see as the solution to the problem of blacks having very few federal contracts? They demand quotas, set-asides, and the like.

Ward Smith did not need a quota or a set-aside. What he needed was for the government to get off his back and allow him to go about doing his business. Quotas and set-asides don't deal with the problem. They do not deal with the monopoly power conferred on the trucking owners and the Teamsters by the ICC. Keep in mind, lobbies like the American Trucking Association and the Teamsters are not necessarily racially biased; they are not enthused about whites entering. They want to keep the number

down as low as possible so that they can charge higher prices; and there are many white people who can't get authority to ship goods either. What good does it do to extend special privileges to Ward Smith because he is black? What will happen to an excluded white trucker's sense of justice? To his feelings about black people? Does this whole sorry spectacle of exclusions, followed by quotas and set-asides, further the goal of achieving a society where people are judged, not by the color of their skin, but by the content of their character?

In America, there used to be only three licensed professions—doctors, lawyers, and ministers. There are now 600 licensed professions and over 3,000 licensing jurisdictions. They



Rick Bruns, *Time*

license jobs like landscapers, pool cleaners, cow milkers, commercial photographers. As a matter of fact, somewhere in Texas I came across a license requirement for commercial photographers in some particular town where, in addition to meeting all the other license requirements, you had to submit a negative Wasserman test!

How did this come about? I found that during the 1930s the Supreme Court abandoned its previous policy of holding unconstitutional economic regulatory legislation which violated the individual citizen's right to freely sell his labor, price his goods, or pursue an occupation. Prior to the New Deal, the Court had interpreted the requirements of the Fifth and Fourteenth Amendments—that no citizen be deprived of his pro-

perty without due process of law—as substantively limiting the legislature's power to restrict economic transactions. But under Roosevelt's threat to pack the Court with judges sympathetic to his programs, the Court switched to a narrow, procedural interpretation of these provisions of our Bill of Rights. Now states can engage in any kind of regulation so long as it is not arbitrary, capricious, and discriminatory. That is, the Court will not sit in judgment on the wisdom of economic regulation by the states.

I would urge that those of you interested in solving our problems in the United States, and particularly the problems of blacks—and I hold that the problems that blacks face are only a tiny part of the major problem that we face as Americans—should consider that government is in the business of destroying people's choices, destroying their options. The market however, is in the business of expanding options for people. When I go back to the slums of North Philadelphia where I grew up, I see that kids don't have the opportunities for upward mobility that I had back in the late 1940s and early 1950s, during the so-called racially unenlightened times. Government, acting on behalf of powerful interest groups, has destroyed them. What options am I talking about? I'm talking about my cousin and I going to the Reading Railroad train station and getting jobs shoveling snow off of platforms. I'm talking about sweeping out supermarkets and bagging groceries. I'm talking about working for the Post Office during the Christmas holidays delivering mail and working at Sears in the packing department, and other things like that.

What happened to a lot of these jobs is that labor unions are not interested in seeing a kid shovel snow off a platform for twenty dollars a day when their members can get \$150 for doing the same job. They are not interested in seeing kids sweep out a supermarket or bag groceries for twenty dollars a day when their members can get over \$100 for doing the same job. And they're able to confront the supermarket owner, for example, with the following option: either you use our labor, or we will strike, set up a picket line, and physically prevent you from getting any labor at all. The government will at the least do nothing to prevent this; they may even find a pretext for intervening on the union's side and force the employer to bargain with the union! Government destroys options; it has been and continues to be a cause of blacks' problems.

Black people were enslaved in the United States because government did not do its proper job of protecting their individual rights. After Emancipation, black people were denied constitutional rights all over the United States, most particularly in the South. Why? Because govern-

ment did not do its job. So I would urge people not to look at government as the benefactor of blacks, at least poor blacks. It's the benefactor of elite blacks who get jobs controlling other blacks. But for blacks in particular, and Americans in general, what is needed is less government and more freedom.

Michael Kinsley, *Harpers*—Accepting your definition of prejudice as an example of information efficiency, is that the end of your analysis? Suppose a credit officer decides not to make loans to blacks because, in his experience, blacks are not trustworthy. Aren't there costs—moral and economic costs—that we impose on people simply as members of society because of the obligations they owe to the rest of us? We say you can't



Al Prettyman, *Journal of Black Philosophy*

trespass on someone else's lawn, even though that might be more efficient for the trespasser's purposes.

Walter Williams—Trespassing across somebody else's lawn violates their property rights, but failing to hire a person or failing to lend money to a person does not. I have every right not to lend you money if I don't want to, for whatever reason.

Michael Kinsley—Even if you have the right to do it, isn't it an example of bad citizenship for you not to impose on yourself voluntarily that extra information cost, and of not taking the short-cut?

Walter Williams—It's okay for you or I to seek uneconomical amounts of information, but not for us to impose our standards on others. In

general, however, an open market tends to generate good information. In an open market without usury laws, where interest rates are allowed to freely flow, people would lend money to individuals in groups wrongly perceived as "high risk," because they would make super-normal profits at higher interest rates. Other people, seeing this, would tend to enter the market and knock the price of a loan down to get the business. And eventually, interest rates reflecting true risks would become uniform.

Free markets tend to eliminate false stereotypes. Nobody gets up and says, "Those damn blacks; they can't play any basketball." But at one time blacks weren't allowed in professional basketball. What eliminated that situation was the economic self-interest of the owners. Whatever biases people had were quickly eliminated. Now blacks dominate.

Michael Kinsley—You're saying that some stereotypes are not mistaken, but are justified?

Walter Williams—Of course.

Michael Kinsley—Leaving aside whether there should or should not be a law against it, suppose



Richard Grenier, *Commentary*

you were running a bank, and your experience with market forces showed that on average, everything else being equal, blacks were less likely to repay their loans than whites for any number of reasons. You would have no problem with having differential loan rates simply on the basis of saving yourself the trouble and the cost of having to find whether any individual black was

or was not less creditworthy?

Walter Williams—I'd have no difficulty, just like some insurance companies—in the automobile field, for instance—that charge young men under twenty-five \$1,000 a year for a policy and people over twenty-five \$500 a year. Other companies will conclude that not all under-twenty-five-year-olds are bad drivers, and devise a mechanism for detecting the good ones, like grade point average, hoping to scoop up some of the market.

Michael Meyers, NAACP—I would like to have your views on this hypothesis. Let's say you had two landlords, both white. One landlord in the city does not wish to rent to any blacks, based on the belief that renting to blacks will bring down property values. The other landlord doesn't object to renting to blacks as long as he can limit their number, on the theory that once a certain tipping point is reached, the building goes the other way and the investment will sour. Let's say he cuts off the number of apartments for blacks at no more than 5 percent or 10 percent.

Do you see a legitimate role for government in either case?

Walter Williams—No. I testified in the House Judiciary Committee that in a free society people have the right to hate whomever they please for whatever reason they please, just like they have a right to love whomever they please. But they don't have the right to interfere with people or use the state to interfere with people.

Congressman Drinan, a priest from Massachusetts, said "Williams, I don't understand you." I replied that I live in a predominantly white, high income neighborhood in the Philadelphia suburbs, and I think my neighbors have a right to get me out of their neighborhood so long as they don't use coercion or use the coercive powers of government. Father Drinan still couldn't understand. So I said that I think my neighbors have every right to offer me \$800,000 for my house. I will call Bekins that night and their neighborhood will be restored.

Now, most people, when they want to engage in various kinds of racial discrimination, find \$800,000 too expensive. They would much rather use ink—make a law—excluding Negroes. But the \$800,000 ploy wouldn't work either. My next-door neighbor, a fine white gentleman, would go to Philadelphia, find some black guy and say, look, why don't you buy my house for \$400,000. These white fools will come around and bid up the price, and we can split the money! In a free market, this behavior would not be economically very viable.

Take New York's Harlem or Philadelphia's Strawberry Mansion, neighborhoods that are all black now. At one time they were white and they

were affluent. But even during racially hostile times, way before there was a HUD, one could not prevent whole neighborhoods going from white to black virtually overnight. How did these poor, discriminated-against people seize control of these neighborhoods? They simply used the market mechanism. They simply outbid affluent white people for it.

Impossible? Imagine a three-story building in Harlem, Brooklyn, wherever, owned by someone who doesn't like blacks and won't rent to them. So he rents the building for \$200 a month to some whites. Now, however, six black families come up to him and ask him to cut this building up into six parts, and they will pay him \$100 per part. So what does the landlord say? That he doesn't hate blacks *that much*, and he tells the whites to get out.

Why haven't blacks inundated the suburbs to the extent that they've inundated cities? Is it because blacks don't like the suburbs? No. It's government regulations, such as zoning requirements, minimum floor spacing, and single-family dwelling laws, that rig the market against low-income people. What I'm saying is that if there is discrimination against a particular group, then you make their case harder if you have laws denying them the right to pay higher prices for what they buy and lower prices for what they sell.

Let me give you another example of this. Suppose you see a fat, old, ugly, cigar-smoking man, married to a beautiful young lady. What kind of prediction would you make about that man's income? You'd guess it's high. What is the man doing? He's saying to the beautiful young lady that he can't compete with a guy like Williams. So he compensates for his handicaps by offering her a very high standard of living. Now "socially concerned" people might ask if it's fair for beautiful young ladies to treat fat, old, ugly, cigar-smoking men any differently than they do handsome men. They might say, no, it isn't fair. So they make an equal wage law, or whatever, to ensure that beautiful young ladies cannot treat fat, old, ugly men any differently than they treat Williams.

After the law is passed, what happens to the probability that a fat, old, ugly, cigar-smoking man will marry a beautiful young lady? It goes virtually to zero. That is, you have taken away his only way of competing. Of course, if you made the law, you could have a quota program!

Lynn Walker, Ford Foundation—Do you think there is any need for civil rights laws of any type which prohibit discrimination on the grounds of race?

Walter Williams—We need laws guaranteeing every American constitutional rights, but we

(Continued on page 14)

A Manhattan Institute Book

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"Before the nation's smoldering economic underclass erupts into our livingrooms, we would do well to consider Walter Williams's particular arguments for changing the 'rules of the game' now rigged against black access to jobs."

—Alfred E. Prettyman, *Publisher*
The Journal of the Society for the Study of Black Philosophy

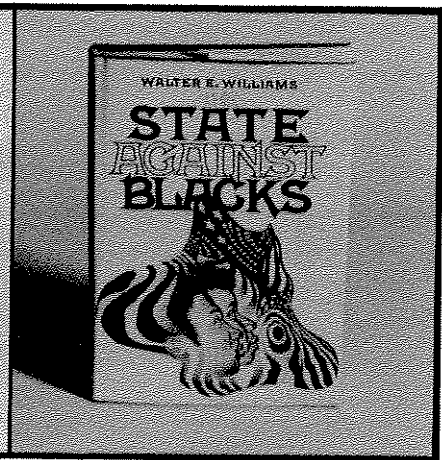
"If indeed the basis of better race relations is better understanding, then *The State Against Blacks* is a good place to start. It's a solid, objective step in the right direction."

—Bryant Gumbel, *Host*
"Today," NBC-TV

The State Against Blacks

by Walter E. Williams

New Press/McGraw-Hill
\$14.95



"... an absolute must for anyone interested in the impact of public policy to reduce racism and to provide equal opportunity for blacks in the last thirty years. Dr. Williams carefully and clearly presents evidence that much of that public policy has worked against blacks."

—The Honorable Clarence M. Pendleton, *Chairman*
U.S. Commission on Civil Rights

"In this timely volume, Walter Williams sets forth the black agenda for the 1980s."

—J. A. Parker, *Editor*
The Lincoln Review

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Depressed Minorities, Government Priorities: A Debate



Althea Simmons, Barbara Bergman, Anne Crutcher, Jay Parker, Walter Williams.

The Manhattan Institute has produced an hour long documentary, shot on location, based upon Walter Williams's controversial ideas about the causes of, and cure for, black and youth unemployment. The exchange of views below is a brief extract from part of the film. Anne Crutcher, Editorial Page editor of the Washington Times, moderated; the discussants were Barbara Bergman, Economics Department, University of Maryland; Jay Parker, President, Lincoln Institute; Althea Simmons, Director of Washington Bureau, NAACP; and Walter Williams. The entire documentary is available on video tape; for rental or purchase information, please contact Andrea Pappenheimer, Manhattan Institute, 20 West 40th Street, N.Y., N.Y. 10018.

Barbara Bergman—It is true that the minimum wage cuts off some teenage jobs. It is true that taxi licensing does reduce the opportunity for some people to go into the taxi business, and it is true that beauticians' licensing does cut out a few people from beauticians' jobs. But the problem is that all of these things, which Professor Williams sort of makes the centerpiece of black problems, don't amount to a hill of beans. To give you an example, most of the studies on the extent to which the minimum wage cuts out jobs for teenagers seem to come down to an estimate—the best estimate, I'm informed—that a 10 percent decrease in the minimum wage might increase teenage employment by one percent.

The major problem we have in this country is still that black men and women, and white women, too, are excluded from many jobs—out of custom, out of habit, out of prejudice. This cuts their income and their ambition, because if you have nothing much to hope for, then maybe it's not so important to succeed in school. What we need is something we've never really had, a good enforcement of the anti-discrimination laws in employment.

So, contrary to Professor Williams, we need emphasis—and really big emphasis—on getting

rid of job reservations principally for white men. I don't think lowering the minimum wage or even getting rid of it would do much good.

Althea Simmons—I believe the NAACP is in favor of the minimum wage. We believe that even if you did not have the minimum wage, it would not take care of a large number of our young people who are unemployed. There are some seven categories in the Fair Labor Standards Act that allow a less than minimum wage. As a matter of fact, you find that all of those categories have not even been used.

A commission on unemployment set up in 1977 made its report last year. They came out very strongly saying that regular and predictable increases in the minimum wage would be non-inflationary. They also said that there were about 10.6 million workers at or below the minimum wage, and that 69 percent of them were not teenagers. It ended up not recommending a sub-minimum wage for youths.

Occupational licensing doesn't get to the issue of why we have large-scale unemployment. If you'll recall, there was an experiment done just about two years ago where the Department of Labor, a foundation, and businesses were involved in trying to get young people trained on

“Unions do not have to be explicitly racially discriminatory for union behavior to have a racial effect.”—Walter Williams

the job. Many persons in industry didn't want to be bothered with young people, even when they did not have to pay for it. So the problem goes beyond having to pay the price of the minimum wage.

Jay Parker—You referred to a commission whose report was released in 1981. Now, probably most Americans read Volume 6 or 7, which is a summary of the report representing the views of the people who were appointed to the commission. But I urge you to read the preceding volumes. They spent \$6 million or \$13 million to hire staffers and economists all around the country to do studies on the effects of the minimum wage law. I believe that every single professional economist that they hired pointed out the devastating effects of the minimum wage law. They said that the minimum wage law destroys jobs, and it creates unemployment. There is a debate over the magnitude of the effects of the minimum wage law, but there's no debate at all in the direction of the effects.

However, the commissioners completely ignored the reports of their professional staff.

I endorse what Professor Williams has set forth. I think his major point, that the black community has moved from a system of living in slavery to a system of new dependency, is correct. There has developed in this country, through the various programs of the New Deal, the Fair Deal, the Great Society, New Frontier, and the like—a whole new dependency. Black people have found themselves dependent upon the various units of government, the local, state, and the federal. The federal government has promised and over-promised that they would solve any problem and raise individuals to a certain level of economic well-being. This has not happened, and I think the larger question addressed by Professor Williams is that at some point you've got to make a decision to move government out of the way, so that people will have the opportunity to improve themselves. We need economic expansion, so that we will not be put in a position of having to take jobs from each other. So that blacks or women will not have to argue that there are not enough jobs and demand a certain percentage of them.

Walter Williams—Professor Bergman said that blacks are being excluded from certain jobs. At the turn of the century 98 percent of firemen on some railroads in the South were black. By 1938 something like 34 percent were black, and by 1960, 4 percent were black. Now, we can't attribute this phenomenon to increasing racism in our society.

Barbara Bergman—What do you attribute that to?

Walter Williams—Union exclusion of blacks.

Furthermore, look at Washington, D.C. The Market Center, the Freeman's Bank, and several of the schools were built by black artisans at the turn of the century. And in the South blacks did construction as bricklayers and stonemasons and so forth. A lot of the buildings were built by blacks under black supervision. Now, you don't hear of any such thing today. Again, they were eliminated through various kinds of government laws that gave monopoly powers to unions.

Yes, if we got rid of licensing, that would not solve all black problems. There are all kinds of vested interest groups—both unions and businesses—that set up lobbies in Washington and at state capitols for the express purpose of keeping people out. This is going to have a disproportionate effect on blacks. Blacks were the last major ethnic group in the United States to become urbanized and get their civil rights. They differ from other groups because when they became urbanized and got their civil rights they found a restricted and unfree market. This is the problem that blacks face. I say that black people do not need any handouts. They need government off their backs. They need government to stop rigging the game in favor of all these rich union organizations and business associations that locate down here and pay Congressmen off to close the market to people. That's what black people need.

Barbara Bergman—I think the union picture is very mixed. Some unions have worked very hard to exclude blacks. I think that can be fairly said of construction craft unions. On the other hand, some unions have done a lot of good. I think, for example, if you go and you see the workers who remain on the auto assembly lines in Detroit, you will see a group which is very highly integrated by race, sex, and age. That's an amazing phenomenon to go and see one of those assembly lines. I think the United Auto Workers deserve some credit for that.

Walter Williams—Unions do not have to be explicitly racially discriminatory for union behavior to have a racial effect. Any time you can successfully establish—through collective bargaining or by law—that the minimum wage for a carpenter or a plumber is \$14.00 an hour, that law discriminates against the employment of any low-skilled carpenter worth only \$7.00 an hour. Unions recognized this long ago. Where unions could not get away with discriminatory practices, they supported various kinds of wage regulation to accomplish the same end. In South Africa, white racist unions are the major supporters of minimum wage laws and equal pay for equal work laws. Their stated intention is to protect white jobs from low-wage, low-skilled black competition.

"The major problem we have in this country is still that black men and women, and white women too, are excluded from many jobs..."

—Barbara Bergman

In the United States, unions' stated intentions in support for these kinds of laws are quite noble, but the effect in South Africa and the effect in the United States is the same, that is, unemployment for the most disadvantaged worker.

Barbara Bergman—I am not a defender of the Davis-Bacon Act which keeps wages up in contract construction jobs on government projects. But I know that in order to get blacks into the construction trades and get them trained, we need government pressure—far more government pressure than we've ever had.

Walter Williams—We agree on that. I've argued that if you want to keep a law like the Davis-Bacon Act on the books that systematically excludes blacks in construction, then in that case I call for hard and fast racial quotas. What I would like to see ideally is for them to eliminate both racial quotas and eliminate the Davis-Bacon Act.

Barbara Bergman—I think racial quotas are something we need temporarily. I think we have to get ourselves over the hump.

Anne Crutcher—If you've started with them, though, could you ever give them up?

Althea Simmons—Of course you could. As a matter of fact, when you talk in terms of goals and timetables, you don't even have to deal with quotas.

Anne Crutcher—Except that they always become...

Althea Simmons—No. The courts have used quotas where there has been a pervasive history of discrimination. What has happened outside of the courts has been an attempt to try and get affirmative action through the use of goals and timetables. Voluntary goals and timetables are set, but changed if they cannot be met. I think what has happened is that we have too frequently tried to mix all these things together and come up with a nice, trite expression that doesn't get to the heart of the problem.

Barbara Bergman—The film emphasizes the harm which certain government regulations do to outsiders who are trying to get a foothold. Groups—who, by the way, have come here fairly recently, such as West Indians and Koreans—have been able to get a foothold. Now, the taxi license laws and the beauticians license laws haven't been suspended for them. That suggests to me that there must be something else holding blacks back that doesn't seem to operate for West Indians and Koreans. Could you talk about that a little bit?

Walter Williams—I'll attempt to. There are probably a combination of factors that spell upward mobility for people. For example, some Asian groups have cultural characteristics or traditions



that facilitate the borrowing and lending of money. Close family ties may facilitate the development of capital.

Althea Simmons—I am slightly confused. You said close family ties facilitate upward mobility.

Walter Williams—Religious values as well. Take the diamond business in New York. A lot of it is conducted by Sephardic Jews, and there are virtually no written transactions, but they have very strong religious bonds that control people in terms of their levels of honesty.

Althea Simmons—The black family is known to have close family ties. How do you fit that into your thinking?

Walter Williams—Many government policies have destroyed the black family. Great Society programs and all these welfare handouts lead to a 55 percent rate of illegitimacy among the black population, and 70 percent in some cities. This is a hell of a start for a person to have in life, and it does not bode well for very close family ties.

Barbara Bergman—Let me say that this is a kind of "blame the victim" rationale.

Walter Williams—I'm not blaming the victim. I am blaming government. I'm blaming the kinds of institutions that you support.

Barbara Bergman—You're saying, "Well, the Jews have this religious thing and the Koreans have this family thing, and they have this ability to borrow and lend money." Well, maybe they do, but these are very small corners of the economy. What we're talking about is why in many places blacks can't be state troopers. Why in many places blacks can't be truck drivers. Why in many places they can't be business executives.

Walter Williams—One reason is the rotten public education system that you support that robs black children, destroys them on a day-to-

"We need economic expansion, so that... blacks or women will not have to argue that there are not enough jobs and demand a certain percentage of them."—Jay Parker

day basis, gives them fraudulent diplomas, telling them that they can read at the twelfth grade level when they can barely read at the sixth grade level. Some of the teachers can't read and write themselves. If you do not focus on the rotten education delivered to black kids, you're going to need quotas in perpetuity.

Barbara Bergman—We need an alliance for some kind of constructive action on the public schools.

Walter Williams—Professor Bergman, you're not saying that we shall not save any of those kids in the ghetto until we save them all? You're not saying that? In the interim we ought to provide some help that will save some of the kids. Many black parents are opting out and sending their kids to parochial schools. Many parochial schools in many cities are 95 percent black and 90 percent Baptist. Now, why are those parents—poor parents—making sacrifices to get the \$600 or \$1000 to get their kid into these schools? Because they want a better education for their kids. They need a voucher system, or a tuition tax credit.

Althea Simmons—I think you're begging the question.

Walter Williams—No, I'm not begging the question. What I'm saying is that there are many poor parents who would like to be able to send their kids to parochial schools or Black Muslim schools or the community schools, but they just don't have the money.

Althea Simmons—You need more than the means. You also need the schools regulated so that you'll be sure they get a quality education.

Walter Williams—That's a hoax. Public schools are regulated and the kids are getting a rotten education. In the Catholic schools and the Black Muslim schools, the Black Muslims don't allow a regulator to come in their schools and their kids get a good education.

Barbara Bergman—Wouldn't the best solution be to improve the public schools?

Jay Parker—You cannot improve the public schools as long as you have a lock on the public schools by the American Federation of Teachers and the National Education Association. The trouble with that bunch at the AFT and the NEA is that they recognize kids do not pay dues. As long as they don't they are not going to worry about those kids getting a quality education. They only worry about whether teachers are getting a minimum and getting a certain amount of prep time and getting a certain amount of non-teaching assistants, and the like.

Althea Simmons—What does that have to do with the people who are elected members of Boards of Education, and who have the responsibility for ensuring quality education?



Jay Parker—Their predecessors have already locked them into practices they'll never get out of.

Althea Simmons—That's a cop out. I cannot accept that.

Jay Parker—Most of them don't have the intestinal fortitude to do anything about it because they haven't looked at the option of going to a non-public school.

Barbara Bergman—I would regret to see the public schools, which have been, for most groups, the engine of advancement in this country, dissolved and done away with. The public schools have done a bad job in some respects, especially recently, but I think there is hope for public schools. I think we ought to have a broad alliance to wrest them away from the control of Schools of Education. I think we ought to try to recruit, not the worst college students as teachers, but the best.

Walter Williams—What do middle class and upper income blacks and whites—even those on Capitol Hill—do in response to rotten public schools? They opt out. They send their kids to a private school. Shouldn't poor black parents have the same power? You've got these black civil rights leaders talking about integration, busing, and rotten schools—and sending their kids to private schools!

Althea Simmons—Are you opposed to a public school system—the whole concept?

Walter Williams—The school that my daughter goes to is a public school. My wife and I are satisfied with this school. If there were a voucher system or tuition tax credit, my daughter would still go to that school because we are satisfied with it. What people are doing when they speak against these kinds of measures for improving education is admitting defeat. They're saying that the public schools can only survive by keeping parents captive. If we offer parents free choice, the public system won't survive. That is a testament to failure. □

The State Against Blacks

(Continued from page 8)

don't need laws that prohibit discrimination in private activities. I do favor a law that would require a library to admit me if it is a public library and if I'm paying taxes. I think I have the right to go to that library. Let me say the following: I think there are far more effective ways than laws of eliminating racial discrimination; chiefly, open



Frederic Wile, *High School for the Performing Arts, N.Y.*

markets. I personally abhor the practice where a person makes employment or renting decisions solely on the basis of race. I think that is wrong from a moral standpoint. I would not do it myself. But an individual's commitment to individual freedom is not shown when he allows people to do what he agrees people should do. The true test comes when he permits people to do what he disagrees with.

Lynn Walker—You would not object to prohibiting discrimination in public sector, taxpayer-supported jobs?

Walter Williams—I would want to eliminate racial discrimination in those kinds of jobs. I would also want to eliminate many of those jobs. I would confine government to performing only its legitimate function, namely, defending us against foreign and domestic adversaries who would like to take our lives or our private property. Government has failed miserably in the latter task. You can't walk the streets.

Frederic Wile, *High School for the Performing Arts, N.Y.*—What are your thoughts on affirmative action programs?

Walter Williams—First we must speak plainly. Different people mean different things by affirmative action, but the bottom line is that they are racial quotas. In the hiring of professors, affirmative action helps blacks who don't need the help in the first place, and it penalizes those blacks who do. When a university is ordered by the government to have so many blacks on their faculty, the administration also recognizes that because of all kinds of laws, it's fairly difficult or costly to fire an employee who does not work out. They can't use the arbitrary "publish or perish" rule with blacks and females nowadays. In hiring, they are also virtually making a tenure decision at the same time. So the black they are going to hire is one with a track record. The others aren't as likely to get hired. This system bids up my salary, for instance, so I benefit. But I don't really need this kind of help.

Again, I would argue that there are other racial groups who have been discriminated



Lynn Walker, *Ford Foundation*

against in the past in the United States and denied access to things. All these ethnic groups—Jews, Japanese, and others who ultimately became "successful," if I might use that term, did so without quotas or affirmative action programs.

Jeffrey Hart, *Dartmouth College*—It seems to me that you're attempting to strip away from contemporary liberalism the rhetoric of compassion by translating it into economic analysis. But since the rhetoric of compassion, looked at economically, is worth billions to the liberals, won't

“... kids don't have the opportunities for upward mobility that I had back in the late 1940s and early 1950s, during the so-called racially unenlightened times.”

—Walter Williams

changing things be very difficult?

Walter Williams—Yes, because a whole lot of people have their livelihoods staked on the existence of a so-called “disadvantaged” class of people. I’m not only talking about the “poverty pimps” who administer and manage these programs. I’m also talking about professors who get Federal grants to study poverty, and then meet in Miami in the winter to discuss the problems of the poor. I’m talking about programs like UDAG (Urban Development Action Grants). UDAG grants are supposed to revitalize inner city areas. Who gets money from UDAG? The Marriott Hotel and the Hyatt Regency got six and eight million dollars, respectively, to build underground parking facilities for their hotels.

A whole lot of people are profiting from the existence of poor or disadvantaged people. They’re going to be very resistant to alternatives—to freeing blacks. For instance, you hear a lot of rhetoric denouncing the Reagan Administration’s cuts in some social programs. But why assume these programs have helped blacks? Some, like the AFDC program for example, have made them worse off.

It turns out that 55 percent of black babies born each year are born out of wedlock. In Harlem, it’s 77 percent; in Washington, 60 percent. Being born out of wedlock to a teenage mother—that’s a hell of a start to have in life.

Thomas Main, *The Public Interest*—A while ago you said that the function of government should be limited exclusively to defending private property, wherever the threat comes from. You also said that there are certain activities which should not be prevented by government, but which you nonetheless regard as immoral, such as racial discrimination. Is it wrong for society to proscribe behavior that is generally regarded as immoral or outrageous?

Walter Williams—The fact that a majority of people disagree with the behavior of a minority is no argument that the majority should tyrannize the minority through law.

Thomas Main—Is it tyrannical to proscribe immoral behavior?

Walter Williams—In many cases, yes. For example, you and I might view certain forms of voluntary, consenting sexual behavior among adults as immoral, but that does not justify outlawing this behavior.

Rick Bruns, *Time*—I’ve just seen a study of black and Hispanic reporters around the country. About 100 percent of the black reporters felt that their race had affected their being hired. Many also felt that their race kept them from getting the best assignments, and also kept them from getting promoted. I wonder if you have any reaction

to this problem, not of getting in the door, but of going “up the stairs?”

Walter Williams—I don’t know why these people aren’t moving up the ladder. It could be racial discrimination; it could be that they’re not as qualified as some other people. I don’t know. Surely the natural tendency for people to explain their own shortcomings is to say, well, it’s because I’m tall or because I’m short or because I’m a woman or because I’m a certain race. But I’m saying that I don’t know the reason why the black reporters aren’t moving up. Let us consider professional sports. Seventy-eight percent of professional basketball players are blacks. The highest paid ones are blacks. Look at baseball, at football, where a “disproportionate” number of highly paid players are black. Ask yourself: is there any systematic difference between owners of baseball or football teams and owners of newspapers or TV stations? Is it that owners of baseball or sports teams are good guys, and owners of TV stations are bad guys?



Walter Williams being interviewed after his speech

Rick Bruns—Suppose, in the instance of news people, that the only perceptible difference is visual. Suppose, in fact, that there is a very clear indication of *superior* ability coupled with visual difference.

Walter Williams—You’re saying that in some activities you can more accurately measure productivity, like when it is associated with dunking basketballs. But where productivity measures cross a whole group of personal attributes, the

market does not easily differentiate. Okay. That's one problem economists have not come up with a solution to.

Alfred Prettyman, *Society for the Study of Black Philosophy*—What are your thoughts about redirecting the thinking of civil rights groups away from government regulations and programs, and toward the opportunities in the private sector?

Walter Williams—They might, for openers, compare the fate of American Irish with other white ethnic groups. Irish economic progress was far slower than that of other white ethnics in the United States. Perhaps one reason is that the Irish were the *most* successful in the political arena. But it appears, at least from the studies by my colleague Tom Sowell, that this success was virtually a handicap in terms of upward mobility. Every other ethnic group in the United States able to melt into the mainstream of our society did it through the market mechanism and did it by starting at the bottom.

One of the big differences between blacks and other ethnic groups is that blacks were the last major ethnic group in the United States to become urbanized, and the last group to get its basic, constitutional rights. However, when they became urbanized and secured constitutional rights, they found many markets closed through laws. Blacks as a group, moving up the economic ladder, faced more regulatory hurdles than any other ethnic group in the United States. Secondly, and in summary, let me say that among all of us there is now, and undoubtedly, there will remain, many differences of opinion on the measures that will contribute to progress. But I would urge everyone to concentrate on areas where there is general agreement. Can anyone say that a \$65,000 license requirement is a good thing for blacks who want to own and operate cabs? And if not, can't we move to deregulate this, and other professions and occupations, which cut off the bottom rungs on the economic ladder? Why not give poor people—why not give freedom—a chance? □

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