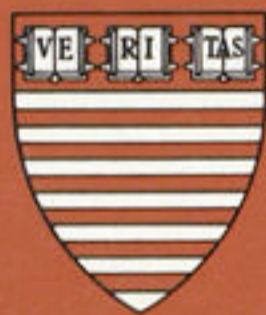


**PREMIER ISSUE**

**HARVARD JOURNAL  
OF  
AFRICAN AMERICAN  
PUBLIC POLICY**

**CONTRIBUTORS:**

**Ronald David  
Sadie R. Gregory  
Franklin J. James  
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Glenn C. Loury  
William Julius Wilson**



**Volume I • 1992**





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## EDITORS' REMARKS

**N**ow, when perhaps the most tumultuous times in American race relations have returned as a vivid reminder to those who lived them and as a striking reality to those who studied them, politicians and academicians have begun to raise questions about the efficacy of policies designed to address the litany of ills affecting the African American community. Emerging out of the Civil Rights Movement and the War on Poverty, many of these policies were thought to be the end-all antidotes that would bridge the social, political, and economic disparities between blacks and Whites.

But while many argue that conditions for African Americans have improved, others point to conditions which have simply worsened. According to a recent study, the infant mortality rate for African Americans is 17 per 1,000 births, one of the worst in the world. The unemployment rate of African American men is double that of White men. Homicide is the leading killer of young African American men in the United States.

Many of these issues are more subtle than the ones civil rights leaders and activists dealt with in that era -- blurring lines of race, gender, and poverty -- which makes it even more important that these issues are accurately, precisely, and fairly identified, recognized, and addressed.

We at the **JOURNAL** view it as our job to ensure that policymakers have at their disposal analyses and perspectives, such as those in this premier issue, to clarify their tasks, especially as they apply to the African American community.

The articles reflect our commitment to ensuring that the problems the African American community face are properly defined, and if necessary, redefined to the academicians, practitioners, and students, who will eventually shape and implement public policy.

We also recognize that some of the most divergent views on the welfare of the African American community are held by African American policy makers and theorists themselves.

To this end, we are pleased and proud to present this issue's six articles. David offers a critical rethinking of the health crisis in the African American community, urging a "rediagnosis" of health concerns disproportionately affecting the community, in the context of society rather than of traditional medicine.



Two empirical studies examine housing finance and job discrimination. In the first, Gregory presents evidence of disparate bank lending practices by crucial financial institutions based on recently disclosed data on mortgage lending. In the second empirical piece, James and DelCastillo use audit research to study job discrimination -- an innovative approach to directly and perhaps more accurately measure job discrimination than past techniques have allowed.

Karenga presents a theory regarding the role African Americans should play in reconstructing social policies to reflect cultural and historical contributions to the development of social policy in African and African American traditions.

Finally, Wilson and Loury present similar criticisms of existing policies -- particularly affirmative action policies -- designed to improve the conditions of blacks. However, the approaches considered by each for addressing what they both agree to be the conditions of the "truly disadvantaged" -- namely, the black poor and disenfranchised -- differ. Loury essentially challenges Wilson's strategy of coalition building around color-blind policies.

Just as our use of words affects the way we think about a given situation, the way we define policy issues affects the policy tools we use to address these issues. Our goal in this premier issue, and in others that follow, is to promote a forum for critical dialogue on approaches to solving the problems of the African American community. Just as Dr. Martin Luther King, Jr., proclaimed in 1963 that his dream for African Americans was deeply rooted in the American Dream, so too are the conditions that confront the African American community today. To ignore this is to live in a state of denial. To accept this is to begin, as Karenga proposes we must, to move toward a socially just, multicultural society.



# *The Health Crisis In African American Communities: Rethinking the Diagnosis and Prescription*

Ronald David, M. D.  
*Harvard University*

Ethnic communities of color in the United States experience a disproportionate incidence of morbidity and mortality, from a variety of diseases, when compared to European-Americans. The disparity is especially but not uniquely evident in the African-American community.

The prescriptions for closing the gap between privileged and disenfranchised communities are based on a diagnosis firmly ensconced in the pathogenic paradigm of contemporary American medicine. Specifically, they have been focused on providing culturally sensitive health education, improving access to medical care, and increasing the number of African-Americans and other "minorities" trained to deliver such care. Rarely has the validity or adequacy of this prescription been challenged.

In this paper, I briefly examine the political utility of adhering to the foregoing prescription and its implicit diagnosis. In addition, I offer an alternative hypothesis to account for the disparate health status of the poor and disenfranchised in America. I suggest a return to holistic conceptualizations of health and healing for African-Americans. This alternative has implications for all Americans.

## **Introduction**

**I**t has long been acknowledged that African-Americans suffer disproportionately (though not exclusively) from despair, disease, dysfunction, and premature death when compared to European-Americans. The major contributors to this disparity are, in order of frequency: cancer, cardiovascular disease and stroke, chemical dependency (as measured by deaths due to cirrhosis complicating alcoholism), diabetes, homicide and unintentional injuries, and infant mortality.

In the early 1980s, the then Secretary of the United States Department of Health and Human Services, the Honorable Margaret M. Heckler, convened a federal task force on black and minority health to study this problem and an apparent paradox: "Despite the unprecedented explosion in scientific knowledge and the phenomenal capacity of medicine to diagnose, treat and cure disease, blacks, Hispanics, Native Americans and those of Asian/Pacific Islander heritage have not ben-



efited fully or equitably from the fruits of science....”<sup>1</sup>

It is clear from this and other statements made in the executive summary that the problem was being defined in the context of the pathogenic paradigm of contemporary American medicine (*vide infra*).<sup>2</sup> Thus defined, the findings and recommendations of the task force were predictable. Specifically, its focus was on the following issues:

- providing culturally sensitive health information and education,
- delivering and financing professional health services,
- developing a cadre of “minority” and other culturally sensitive health care professionals,
- encouraging cooperative efforts with the nonfederal sector, and
- developing better quantitative data and a research agenda.<sup>3</sup>

Members of the task force did address “cross-cutting issues in minority health.” In particular, they examined the relationship between socioeconomic position and poor health. They hypothesized that this relationship might be a function of the “downward drift of less healthy people into lower socioeconomic strata,” differential patterns of risk factors, and/or differences in access to health care. However, they did not explore the possibility that there might exist social forces adversely affecting the health of individuals. Nor did they question the adequacy, efficacy or validity of the medical model in addressing either those forces or the diseases resulting therefrom.

In this paper I do not endeavor to expose the fallacy and limitations of medical care as a prescription for widespread disease and despair in human communities; though largely ignored, that argument has already been persuasively made by others.<sup>4</sup> Rather, I briefly examine the political utility of framing the problem of poor health as it has been heretofore. In addition, I offer an alternative diagnosis and concomitant prescription.

### The Politics of African American Health

In 1851, a European-American physician, Dr. Samuel Cartwright, wrote an essay entitled, “Report on the Diseases and Physical Peculiarities of the Negro Race.”<sup>5</sup> The essay was originally published in the *New Orleans Medical and Surgical Journal*. In essence, Dr. Cartwright described and named two new diseases, “drapetomania” and “dysasthesia Aethiopsis,” which were to be taken as evidence of the Negro’s biological inferiority to whites, and as justification for enslavement.

Drapetomania was manifested by the slave’s propensity to run away from his or her master. (The term can still be found in contemporary medical dictionaries and is defined as “the insane desire to wander away from home.”) Of this condition Cartwright declared, “The cause, in the most of cases, that induces the negro to run away from service, is as much a disease of the mind as any other species of alienation, and much more curable, as a



general rule.”

Dysasthesia Aethiopsis, in contrast, was a disease “affecting both mind and body” and was characterized by the Negro’s neglecting or refusing to do

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work. Cartwright noted, “From the careless movements of the individuals affected by the complaint, they are apt to do much mischief, which appears as if intentional, but is mostly owing to the stupidity of mind and insensibility of nerves induced by the disease. Thus, they break, waste and destroy everything they handle—abuse horses and cattle—tear, burn or rend their own clothing, and paying no attention to the rights of property, they steal others to replace what they have destroyed.”

Today, Cartwright’s absurdity and villainy is evident. He labeled as medical conditions behaviors which were the inevitable and understandable responses to oppression and dehumanization. In doing so, he attempted to justify man’s inhumanity to man as

manifest in the slave state—focus was shifted from the dastardly deeds of a nation to the purported frailties of the victim.

Although it may appear extraordinary, I believe that this is a compelling example of a persisting but subtle and invidious practice. Specifically, in the analysis of pervasive social problems, causal significance is attributed to different, deviant and/or undesirable characteristics identified in individuals experiencing those problems. For example, in a class conscious, sexist, and racist society, social scientists search for, identify and attribute pathology in the poor, women, and people of color. Among others, Nelson and Caplan have detailed the political utility of this kind of attribution bias in the social sciences.<sup>6</sup> The political advantages are five-fold:

1. They offer a convenient apology for freeing the government and primary cultural institutions from blame for the problem.

2. Since those institutions are apparently not the cause of the problem, it can be legitimately contended that they cannot be held responsible for amelioration. If they do provide such help, they are credited with being exceedingly humane, while gaining control over those being helped, through the manipulation of problem definition in exchange for treatment resources.

3. Such interpretations provide and legitimate the right to initiate person-



change rather than system-change treatment programs. This in turn has the following functions: (a) it serves as a publicly acceptable device to control troublesome segments of the population, (b) it distracts attention from possible systemic causes, and (c) it discredits system-oriented criticism.

4. The loyalty of large numbers of well-educated, melioristic-minded, and privileged individuals is cemented to the national structure by means of occupational involvement in "socially relevant" managerial, treatment, and custodial roles required to deal with those persons designated as needing person-centered correction.

5. Person-blame interpretations reinforce social myths about one's degree of control over one's own fate, thus rewarding the members of the great middle class by flattering their self-esteem for having "made it on their own." This in turn increases public complacency about the plight of those who have not "made it on their own."<sup>7</sup>

To the extent that professional health care must be considered a social science<sup>8</sup> it, too, colludes in attribution bias and thereby serves to perpetuate the problem of declining health in disenfranchised communities. In his essentially unchallenged assessment of "the seamy side of [medical] progress against its more publicized benefits," Illich cogently addresses this issue. He notes, "A professional and physician-based health care system that has grown

beyond critical bounds is sickening for three reasons: it must produce clinical damage that outweighs its potential benefits; it cannot but enhance even as it obscures the political conditions that render society unhealthy; and it tends to mystify and to expropriate the power

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of the individual to heal himself or herself and to shape his or her environment."<sup>9</sup> This sentiment was echoed by Tesh from a perspective that is especially relevant to the Task Force findings and recommendations noted previously. She observes that in developing public health policy, our explanations for disease "...implicitly assigns responsibility for prevention to a different group of people, thereby taking a position in the ongoing political debate over which features of contemporary society are immutable and fixed, which are transient and amenable to redress."<sup>10</sup>

Our current approach to defining and resolving the health crisis in African-American communities is politically expedient but imprudent and unjust. It legitimates medical care as a prescription, without demonstrated validity or efficacy, in treating social ills. And it implores persons at risk for



poor health to change their behavior while it ignores the social forces that make them sick.

### **Background for an Alternative Diagnosis**

*"I would not know how to be a human being at all, except I learned this from other human beings. We are made for a delicate network of relationships, of interdependence. We are meant to complement each other. All kinds of things go horribly wrong when we break that fundamental rule of our being."*

Bishop Desmond Tutu<sup>11</sup>

I propose an alternative diagnosis or explanatory hypothesis that is founded on 1) a definition of health that is contrary to conventional wisdom and, 2) the power of "group" or "connectedness" in nurturing and sustaining health.

Perhaps the most useful operational definition of health has been suggested by Illich. "Health designates a process of adaptation. It is...an autonomous yet culturally shaped reaction to socially created reality. It designates the ability to adapt to changing environments, to growing up and to aging, to healing when damaged, to suffering, and to the peaceful expectation of death."<sup>12</sup> This definition of health is inimical to that which is implied in the work of contemporary health care professionals. Specifically, health is more than the absence of disease; it is not a service to be rendered nor a product to be purchased; and it cannot free us

from the inevitability of pain and suffering and death.

Antonovsky is in perfect accord with Illich as regards this concept of health. He goes further and draws attention to the use and consequences of a pathogenic paradigm wherein "the fundamental assumption...is that the normal state of affairs of the human organism is one of homeostasis and order." This is to be contrasted with his proposed "salutogenic" paradigm wherein "...the normal state of affairs of the human organism is one of entropy, of disorder, and of disruption of

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homeostasis." Health in this context is a capacity to adapt, to cope with this entropic tendency.

The capacity to adapt and to cope is greatest when the organism has what Antonovsky describes as "a sense of coherence." *"The sense of coherence is a global orientation that expresses the extent to which one has a pervasive, enduring though dynamic feeling of confidence that one's internal and external environments are predictable and that there is a high probability that things will work out as well as can be reasonably expected."*<sup>13</sup> (Italics in original quote.)

The components of a sense of coherence are comprehensibility, man-



ageability, and meaning. Individuals must "...perceive the stimuli that confront them as making cognitive sense...that resources are at their disposal that are adequate to meet the demands that are posed by the stimuli...[and] that at least some of the problems and demands posed by living are worth investing energy in...."<sup>14</sup>

The relationship between health and the critical components of a sense of coherence—empowerment and hope—has been examined by Schmale. He summarized the results of four separate studies of persons who were physi-

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*"Beyond its importance to societies and cultures, community and connectedness have been shown to be critical to biological survival, and the evolution of consciousness and spirituality."*

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cally or psychologically ill and hospitalized. Prior to the onset of signs or symptoms of disease, 80 percent of patients experienced "actual, threatened or symbolic loss of a highly valued form of gratification with feelings of either hopelessness or helplessness." This giving up—feeling hopeless and/or helpless—was "antecedent to diseases of all categories, from infectious and metabolic to those of degenerative and neoplastic origin in the medical group and from acute organic brain syndromes and schizophrenic reactions to psychoneurotic disorders and the clinical syndromes of depression in the psychiatric group."<sup>15</sup>

Returning to Antonovsky's work, the sources of a sense of coherence are "...life experiences that have three characteristics: consistency, an underload-overload balance, and participation in decision making."<sup>16</sup> In other words, we must be valued and be able to anticipate that this value will be sustained across relationships—women with men, blacks with whites, children with adults, Jews with gentiles; we must experience challenge alternating with periods of rest;<sup>17</sup> and we must have practice in self-determination.

In essence, the sense of coherence which defines health can only be developed and nurtured in the context of mutually supportive, loving human relationships. And it is in this context that one can more readily understand Eisenberg's admonition: "The transitions from person to patient and back represent social decision points rather than boundaries determined by shifting biological equilibria, as doctors so often suppose. Moreover, host resistance to pathogenic agents is weakened by social stress and strengthened by social support."<sup>18</sup>

Beyond its importance to societies and cultures, community and connectedness have been shown to be critical to biological survival, and the evolution of consciousness and spirituality.

Bennette described a series of experiments involving cells in culture. Specifically, cells organized in monolayers or as intact tissue, and maintained in nutritive petri-dish media could survive healthy for extended periods. However, when those same cells were isolated they exhibited ab-



normal biochemical functioning and cancerous growth.<sup>19</sup>

Bennette goes on to describe experiments with a strain of mice bred for their genetic propensity to develop breast tumors. When reared in isolation and nourished through mechanical feeders, the mice invariably realized their genetic potential—they developed breast tumors. However, when reared in colonies, petted and cared for by study investigators, there was a significant reduction in the incidence of tumors and those that did develop were smaller in size.

Similar findings were reported in a study of the development of atherosclerosis in rabbits fed a high cholesterol diet. Animals reared in isolation had a significantly higher incidence of disease than did those reared in colonies and treated as pets.<sup>20</sup>

It can be argued, of course, that animals reared in isolation experience significantly more stress. And, according to theories in the newly emerging field of psychoneuroimmunology, that stress could adversely affect endocrine and immune functioning and, thereby, lead to disease. However, such theories cannot explain what happens at the level of individual cells separated out of tissue culture.

One might also argue that the human organism, for its complex system of homeostasis and highly developed rational mind, is much more resilient than simpler, particularly unicellular, organisms. Paradoxically, this higher capacity and greater complexity may also be our Achilles' heel. Succinctly stated by Rene Dubos, "...the internal

environment is constantly responding to the external environment, and history—racial, social, as well as individual—conditions the manner of response just as much as does the intrinsic

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*"In the evolution of human consciousness we have become increasingly aware of this (apparent) separateness from nature, from other beings. With that separateness there follows a realization of a boundary to existence, an awareness of mortality."*

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nature of the stimulus. Moreover, past experiences render the individual susceptible to even the symbols of the stimulus."<sup>21</sup> The human organism may be as vulnerable, and succumb, to antecedent and anticipated (imagined) threats of isolation and alienation as it is to immediate, "real" threats.

Evidence of the importance of connectedness to the evolution of human consciousness and spirituality is as intriguing as that for biological well-being. Kovel notes that the "...self is an ensemble of social relations...a human being does not become conscious as a self-contained monad, but as a creature who begins existence inside another, and only constitutes its being, its consciousness, and its spirituality in relation to others." Yet, "...we are deeply attached to the delusory idea that the self is a separate and detachable entity from other selves, as if it were a body in the world, with an envelope of time and space separating



it from other bodies.”<sup>22</sup>

In the evolution of human consciousness we have become increasingly aware of this (apparent) separateness from nature, from other beings. With that separateness there follows a realization of a boundary to existence, an awareness of mortality. Time and culture are inventions with which to deny death, to reduce the anxiety associated with a keen awareness of mortality.<sup>23</sup>

It is this struggle, according to poets, perennial philosophers and theologians, that has been the warp and weave of human existence. As noted by Kovel, “Human being is...always poised between the affirmation of individuality and the lost fusion with the Other....Our consciousness is then of separateness, as is our language. For us, being is discontinuous—and yet this discontinuity is experienced as loss, and life is spent in trying to overcome it.”<sup>24</sup>

### Implications of an Alternative Diagnosis

**T**he foregoing data may be summarized as follows: biological, sociocultural, and spiritual health stand in dialectical relationship to each other; isolation and alienation, real or imagined, experienced in any one aspect of being affects the whole being; and the struggle for meaningful survival is toward functioning as an integrated whole. Nurturing relationships are buffers to despair, dysfunction, disease, and premature death whereas, to the contrary, dissonant relationships are catalysts. It is to our detriment that

“[t]he idea of a seamless embodied mind, or mindful body, such that disease is a function of mind-body disequilibrium, remains alien to our cultural images.”<sup>25</sup>

These constructs are central to an alternative hypothesis accounting for suboptimal health and premature death in poor and disenfranchised communities. Specifically, in our American culture there are deeply ingrained schisms in human relationships that stop us from healing, and from tran-

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*"We live in a time of heightened class consciousness and regressive race and gender relations. The conflicts are poorly dissembled by racial double-talk elevated to an art form by the likes of David Duke and George Bush."*

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scending the illusion of separateness and overcoming the associated sense of loss. The schisms are, among other things, materialism, racism, sexism, social class ostracism, nation-state chauvinism,...and capitalism. (This list is by no means exhaustive.)

On one level, materialism is the relentless pursuit of economic wealth fueled by the notion that every American can achieve middle-class status or greater with sufficient industry and proper education. It is a political lie and a utopia that is neither economically feasible nor spiritually necessary. It is the greyhound in pursuit of the elusive hare. On another level, materialism represents the denial of meta-



physical, spiritual aspects of being.

We live, now, in a time of heightened class consciousness and regressive race and gender relations. The conflicts are poorly dissembled by racial double-talk elevated to an art form by the likes of David Duke and George Bush. The gender conflict was ever so evident in the recent judicial hearings regarding Judge Thomas' appointment to the Supreme Court. Attorney Anita Hill was treated with such utter contempt and found incredulous, while Judge Clarence Thomas' consumption of pornography was undeniable...and unchallenged. (And what is pornography but the direct and indirect support of violence against and contempt for women?)<sup>26</sup>

Billye Avery, founder of the National Black Women's Health Project, has pondered the wide range of ills suffered by her sisters and their children, including cancer, diabetes, heart disease, and infant mortality. She asks, "...what causes all this sickness?...What causes all that heart pain?" And she answers, "When sisters take their shoes off and start talking about what's happening, the first thing we cry about is violence. The violence in our lives."<sup>27</sup>

Violence is but a manifestation of estrangement of man from himself, from other men and women, and from nature. At its extreme, notes Wilber, "The rage at being only a finite creature was soon turned into a rage at other finite creatures, so that today the world is split into large and heavily armed camps of finite creatures, glutted in overkill, bent upon mutual destruction."<sup>28</sup>

The father of estrangement in America is capitalism. Parenti candidly declares, "...capitalism propagates a kind of culture and social organization that destroys human potential and guarantees the perpetuation of poverty, racism, sexism, and exploitative social relations at home and abroad."<sup>29</sup>

At its core, our capitalist culture is defined by rugged individualism and competition. Kohn observes, "Comradery and companionship—to say nothing of genuine friendship and love—scarcely have a chance to take root when we are defined as competitors."<sup>30</sup> It is the manner in which we relate to one another in our American culture that retards or prevents the development of a sense of coherence and thereby adversely affects our capacity to adapt and cope with life's chal-

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*"It is the manner in which we relate to one another in our American culture that retards or prevents the development of a sense of coherence and thereby adversely affects our capacity to adapt and cope with life's challenges."*

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lenges.

This is not to argue that epidemics of disease, despair, and premature deaths do not accrue to other forms of government and commerce. Rather, it is to compel us to examine and acknowledge those risk-taking behaviors that are peculiar to or exaggerated



by the "lifestyle" of capitalists. For example, consider the following deadly amalgam of racism, capitalism, and materialism.

Homicide is the leading cause of death for men of color between 15 and 24 years of age. For young white males it is the second leading cause of death. Overall, the homicide rate is higher in America than it is for aged-matched cohorts in any other industrialized nation. In her eloquent and cogent description of these ugly facts,

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*"...the homicide rate is higher in America than it is for aged-matched cohorts in any other industrialized nation."*

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Prothrow-Stith attributes the problem, as it is witnessed among African-American males, to rage: "...the double whammy of class and race places them so far outside the economic and social mainstream that they can never find a place inside. Disenfranchised, they are perpetually irritable....Their free-floating, nonspecific feelings of anger are easy to ignite."<sup>31</sup>

This theme is played out poignantly and unequivocally in the tragic stories of African-American youths who are killing each other over high-priced, designer gym shoes and other sporting gear. Devalued both because they are black and poor, they learn what Williams describes as "new standards of relevance in [their] lives, reordering social relations in favor of the luxurious—and since few of us can really

afford luxury, blind greed becomes the necessary companion."<sup>32</sup> They learn these lessons of materialism (and violence as an outlet for anger) from a capitalist driven media, especially television. As Parenti notes, "...the psychological and propagandistic influence which television exercises over adults begins early in childhood. Passive spectatorism, individual isolation, militarism, superpatriotism, sexism and conventional gender roles, Anglo-White predominance, limitless consumerism, and money-grabbing greed—all virtues of an advanced capitalist society—are there in abundance throughout the day, for children of all ages."<sup>33</sup>

Such is the desperate search for meaning in a capitalist nation. Williams laments, "Blacks went from being owned by others to having everything around them owned by others. In a civilization that values property above all else, this means a devaluation of person, a removal of blacks not just from the market but from the pseudo spiritual circle of psychic and civic communion....This limbo of disownedness keeps blacks beyond the pale of those who are entitled to receive the survival gifts of commerce, the life, liberty, and happiness whose fruits our culture locates in the marketplace."<sup>34</sup>

In 1992, an innocent bystander was killed and a teenager injured in separate acts of violence in Boston's transit system. Both incidents were triggered by disputes between teenagers over designer jackets. Boston's Mayor Raymond L. Flynn declared, "As long



as our society glorifies both violence and material possessions rather than respect for one another and other basic values, there remains the potential for this sort of senseless and tragic behavior."<sup>35</sup>

### **Towards a Prescription for Healing**

**O**n the basis of the foregoing hypothesis and diagnosis, an essential ingredient of the prescription for what ails the African-American community is a reassessment of our values and relationships.

Recounting Hansberry's play, "A Raisin in the Sun," hooks reminds us that in "Warning against rooting one's sense of identity, culture, and value in materialism, Mama reminds her family that black people survived the holocaust of slavery because they had oppositional ways of thinking, ones that were different from the structure of domination determining so much of their lives."<sup>37</sup> She (hooks) then cogently declares "...the most vital ways we sustain ourselves is by building communities of resistance, places where we know we are not alone."<sup>38</sup> Those communities of resistance are also places where we engage in a "...redemptive subversive challenge to white supremacist capitalist patriarchy."<sup>39</sup>

Indeed, it is a strong sense of community that has been, for example, the black women's salvation: "The best doctor, best medicine, best antidote for what ails us is the mirror reflection of ourselves: our friendships, our bonds, the comfort we seek and the support

we receive from each other. If the truth be told, black women would cease to exist if we didn't have each other."<sup>39</sup>

It is the "redemptive struggle" and "support we receive from each other" that will render the African-American community its capacity to adapt and cope—to live healthfully and meaningfully. Health promotion has a role to play but alone is, in effect, survival training in an inordinately hostile environment. Medical care, too, has a role but is not the panacea that we imagine it to be. Rather, it is much like

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*"We can stop the war of attrition that is a result of isolation and alienation, or we can continue to cry 'medic!'"*

---

triage on a battlefield. We can stop the war of attrition that is a result of isolation and alienation, or we can continue to cry "medic!"

The foregoing prescription is neither easy nor specific. Yet it is no less prescriptive than advising a patient with hypertension that an examination of, and change in, his or her lifestyle is more important to recovery than is medical management. Nor is it unlike advising the patient with a refractory cancer to "be a fighter." In either case, the redemptive struggle can be therapeutic in and of itself—even if a cure is not effected.

In accord with Katz, I define healing "...as a process of transition toward meaning, balance, wholeness, and connectedness, both within individuals and



between individuals and their environment."<sup>40</sup> In this broader context, Lemann's observation takes on more profound meaning for all of America. Specifically, he notes, "If we can heal the ghettos, which are part of the country most hurt by our current fragmentation, it will be a sign that we are on the way to a restoration of our spirit of community."<sup>41</sup>

For the African-American community to heal, we must engage in a redemptive, subversive struggle against all insidious forces and misplaced values that would tear at our relationships with one another.

#### ENDNOTES

1. U.S. Department of Health and Human Services. *Report of the Secretary's Task Force on Black and Minority Health*. Washington: Government Printing Office, 1985, Volume I.
2. The conventional medical model of disease causation and cure views the individual as an isolated "machine," and is the product of the mechanistic world view espoused by philosopher scientists Rene Descartes and Isaac Newton. The model is incomplete and fragmented in its deliberate exclusion of the human psyche and soul in health, healing, and survival. Newer models of health and disease are evolving. They are models which underscore and value the central role of relationships and connectedness in health. For example, see Dossey, L. *Space, Time and Medicine*. Boston: Shambhala, 1982; and Locke, S. and Colligan, D. *The Healer Within: The new medicine of*

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10. Noble Tesh, S. *Hidden Arguments: Political Ideology and Disease Prevention Policy*. Rutgers University Press, New Brunswick, 1988, page 4.

11. Tutu, N. *The Words of Desmond Tutu*. New York: New Market Press, 1989, page 73.

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In, *Behavioral Health*. Edited by Matarazzo, J.D. et al. New York: Wiley, 1984, page 118.

14. Antonovsky. "The Sense of Coherence...", pages 118-119.

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16. Antonovsky, "The Sense of Coherence...", page 122.

17. It should be noted that the stress that is inevitable in challenges is growth promoting and not inherently bad as is generally believed. Challenge is distressful and harmful when it either 1) overwhelms the organisms capacity to adapt, and/or 2) is of such frequency and duration that the organism is afforded insufficient opportunity to recover.

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22. Kovel, J. *History and Spirit: An inquiry into the philosophy of liberation*. Boston: Beacon Press, 1991.

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36. hooks, b. *Yearning: race, gender and cultural politics*. Boston: South End Press, 1990.
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39. Adisa, O.P. Rocking in the Sunlight: Stress and Black Women. In *The Black Women's Health Book*. Seattle: The Seal Press, 1990, page 12.
40. Katz, R. *Boiling Energy: Community Healing Among the Kalahari Kung*. Cambridge: Harvard University Press, 1982, page 3.
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# *Disparate Bank Lending Patterns: Evidence from the New Mortgage Disclosure Loan Files*

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**O**n August 9, 1989, the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) was signed into law. Title XII spelled out two very important provisions that provide analysts, for the first time, a firm basis for evaluating patterns of lending by the nation's financial institutions.

First, Title XII, Section 1211 amends the Home Mortgage Disclosure Act (HMDA) of 1975 to require that mortgage lenders record and disclose the disposition of loan applications, by number and dollar amount, by race, gender, income, and location of all mortgage applicants. Second, Title XII, Section 1212 amends the Community Reinvestment Act (CRA) of 1977 to require that the federal regulatory agencies of insured depository institutions assign a performance rating and a written evaluation of each institution's record of meeting the credit needs of the entire community, including low- and moderate-income neighborhoods.

The new data provided under HMDA are quite comprehensive and begin to shed light on the differing demands for home mortgages. The newly released data cover the entire

population of financial institutions that provide mortgage loans. The expanded set provides detailed information on the volume of applications received for each census tract, by all lenders, for alternative types of loans from alternative types of borrowers. The breadth of coverage provides, for the first time, a first approximation of the true demand for mortgage loans, as reflected in the volume of applications received.<sup>1</sup>

The main purpose of this paper is to examine the extent and pattern of mortgage denials that are associated with the observable and revealed demand for mortgages in the District of Columbia-Maryland-Virginia (DC-MD-VA) Metropolitan Statistical Area (MSA). On the basis of the volume of applications received, mortgage denial rates are computed for different types of mortgage loans, for different minority groups, and for census tract locations of differing racial composition.

This study does not seek to either prove or disprove that loan discrimination exists. The aim is to use the new data to highlight any systematic and startling differences in mortgage loan denial rates between different racial



and gender groups and for applicants from neighborhoods of differing racial mix. The results show that mortgage lenders in the DC-MD-VA MSA exhibit a distinct bias against lending in certain predominantly minority neighborhoods and to minority groups; and that the neighborhood bias persists, irrespective of the applicant's income level.

The paper is divided into four sections. Section I provides a brief discussion of the data and outlines the method of approach. Section II examines the denial rates for different racial, gender, and income groups. Special attention is given to the racial composition of the applicant's neighborhood and to the age of the housing unit for which the application is being submitted. These comparative evaluations are performed for the four major types of loans reported in the HMDA data. Section III reviews the basic underlying criteria that lenders use in reviewing mortgage loan applications and evaluates the specific reasons cited for loan denials. Section IV offers a few summary observations.

### **The Data and Methodology**

**T**his study uses the newly expanded HMDA data files to analyze the disposition of loan applications by mortgage lenders for each census tract in the DC-MD-VA MSA for the 1990 reporting year. The earliest HMDA data sets applied only to depository institutions—commercial banks, savings banks, savings and loan associations, credit unions—and their

subsidiaries. The expanded data set now includes reports filed by certain nondepository home mortgage lending institutions. Among these are independent mortgage companies, savings and loan service corporations, and the mortgage banking subsidiaries of bank and thrift holding companies.

Expanded coverage, that includes the mortgage bankers, helps capture a substantial portion of mortgage market activity which was, heretofore, absent from the earlier HMDA loan files. The mortgage bankers provide an expensive, but very important source of mortgage finance for minority groups. In his analysis of HMDA and CRA, King (1980) emphasizes their importance to minorities. King notes the close working relationship between real estate brokers in urban centers and their heavy emphasis on Federal Housing Administration-Veterans Administration (FHA-VA) mortgages. His policy implications make a strong appeal for the inclusion of the mortgage bankers in an expanded HMDA database.

The inclusion of the mortgage bankers in the newest HMDA files overcomes a major limitation of the earlier HMDA reports. Prior studies which relied exclusively on the earlier HMDA data sets were biased in that they only focused on a fraction of the market.

This study offers the advantage of using the entire data set for all HMDA covered financial institutions. The primary lending disparity measure is the percentage of mortgage denials, defined as the ratio of applications de-



nied to applications received. The focus is on the number of denials, as opposed to the dollar value of these denials. Standardizing the data in terms of applications received, facilitates a wide range of comparisons on the characteristics of mortgage lending. Standardizing also eliminates the notion that a lower volume of lending to certain groups or neighborhoods is directly related to the level of demand, as reflected in the volume of applications received.

The DC-MD-VA MSA was selected for the study because it has a substantial and identifiable middle class. Blacks comprise more than a quarter of the population of the entire area and almost three quarters of the population of the District of Columbia. The median income of the area ranks second of all MSAs in the country, and the area's number four ranking in terms of the percentage of persons in an MSA, completing 16 or more years of schooling, provides evidence of an educated labor force. Moreover, the range of income levels within racial groups permits a comparative analysis of the lending experiences of individual racial groups at alternative income levels.

The disclosure reports for the DC-MD-VA MSA contain data for 101,446 loan applicants from the area's 834 census tracts for four major types of home-loan categories—FHA-VA, conventional, and home refinancings of mortgages for single family owner-occupied units, as well as home improvement loans. A comparison of the data presented in this study with national averages shows that the DC-

MD-VA MSA has a larger proportion of FHA-VA loan applicants than the national average, but a smaller proportion of conventional, home refinancing, and home improvement loans.<sup>2</sup>

The data include information on income, race, gender, as well as the racial composition and age of the housing unit for which the application is being submitted. They show the disposition of all applications received in five categories: loan originations, applications approved but not accepted, applications denied, applications withdrawn and files closed for incompleteness. The main focus of this study is on loan denials. Descriptive statistics are presented in Tables 1 to 6. They compare loan denial rates for alternative race, gender and income groups as well as for neighborhoods of alternative racial composition, and for housing units of alternative vintages. The analysis is performed for the four major types of mortgage finance loans that have been identified above.

### **Disparate Patterns of Denials**

**T**he expanded HMDA database reveals a persistent pattern across the nation in which blacks and other minorities are rejected for home mortgages in disproportionate numbers. In Los Angeles, home of many of the nation's largest thrifts, black loan applicants are rejected one and a half times as often as whites. In New York, home of the largest commercial banks, the rejection rate for blacks is two times that of white applicants. In Atlanta, where the 1988 Pulitzer Prize



Table 1

Mortgage Denial Rates for Blacks  
Relative to Whites, Selected MSAs, 1990

MSA	Denial Rates
DC-MD-VA	2.5
Atlanta	2.2
Los Angeles	1.5
New York	2.0
National	2.4

Source: Author's computations from HMDA Loan Files, Board of Governors of the Federal Reserve System, 1990.

winning series, "The Color of Money" helped draw attention to these disparities, the rejection rate for blacks is slightly more than two times that of whites (Table 1).<sup>3</sup>

But, in the nation's capital where the per capita income of blacks is \$20,146, the highest in the nation, the rejection rate is an astounding two and a half times that of whites. The financial institutions covered by HMDA in the DC-MD-VA MSA rejected 22.6 percent of all black applicants for home mortgages compared with nine percent for whites. The disparity rises to more than three times that of whites in the case of the critically important home improvement loans.

The largest share of the 101,446 applications received by HMDA reporting financial institutions during 1990 were in the conventional market. These applications represented more

than half of the aggregate loan amounts requested in all loan categories (Table 2).

Black Americans in the DC-MD-VA MSA are not, generally, heavy demanders of these higher limit loans in the conventional loan market. They submitted only 7.9 percent of all loan applications processed by banks for this category. Nonetheless, for this relatively small share of applications, they experienced a denial rate of 17.6 percent, or approximately 2.5 times that of whites (Table 3). The importance of conventional mortgage finance should not be understated. In 1991, the maximum size of conventional single family mortgages that could be purchased or guaranteed by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) was \$191,250. Conventional



Table 2

Distribution of Loan Applications Received in the DC-MD-VA MSA by Type of Loan, 1990

	Number	Number Share (%)	Amount (\$000's)	Amount Share (%)
<b>Home Purchase Loans</b>				
FHA, FMHA and VA	23,727	23.39	2,670,920	21.24
Conventional	39,710	39.14	6,349,620	50.50
Refinancing	18,138	17.88	2,624,716	20.87
Home Improvement	15,772	15.55	459,055	3.65
Multifamily	444	0.44	90,473	0.72
Nonoccupant	3,655	3.60	379,602	3.02
<b>Total</b>	<b>101,446</b>	<b>100.00</b>	<b>12,574,386</b>	<b>100.00</b>

Source: Author's computations from the HMDA Loan Files, Board of Governors of the Federal Reserve System, 1990.

loans up to this limit often have a slightly lower interest rate and can be easily sold in the secondary mortgage market.

Shear and Yezer (1983) argue that the conventional mortgage market gives differential treatment based on age, race, sex, and/or property location, and that the FHA-VA market does not use demographic or neighborhood characteristics as an integral part of the credit evaluation criteria. The data suggest a greater propensity for blacks to seek the FHA-VA form of mortgage finance for which the demographic and neighborhood characteristics are less critical to the evaluation criteria.

Blacks in the DC-MD-VA MSA tend to rely much more heavily on

FHA-VA government-backed mortgage loans. These loans typically have lower down payments and are generally of longer term than conventional loans. Additionally, these FHA-VA loans are frequently at below-market interest rates. Blacks submitted 24 percent of these applications and were rejected on 13.1 percent of their submissions (Table 3). Thus, for blacks, the considerably heavier demand for the FHA-VA form of mortgage finance tends to be associated with a lower denial rate than is the case for their relatively light demand for the conventional form of mortgage finance.

Of special interest to community interest groups and other advocates of affordable housing is the performance of mortgage lenders in the making of



Table 3  
Share of Applications Received, and Denial Rates  
by Race and Type of Loan, for the DC-MD-VA MSA, 1990<sup>a</sup>

Race	FHA-VA		Conventional		Refinancings		Improvements	
	Appl'n Share	Denial Rate	Appl'n Share	Denial Rate	Appl'n Share	Denial Rate	Appl'n Share	Denial Rate
American Indian	0.53	12.00	0.52	9.66	0.40	15.07	0.54	21.18
Asian	2.88	7.91	7.06	8.99	3.50	14.96	1.89	28.28
Black	24.02	13.09	7.90	17.64	9.64	19.74	13.39	39.94
Hispanic	4.26	6.53	2.30	12.46	1.58	12.59	1.35	33.02
White	53.61	4.90	67.99	7.08	75.01	10.99	44.68	13.14
Other	0.51	14.88	0.90	13.17	0.88	18.87	0.78	42.28
Joint <sup>b</sup> (Wh/Min)	2.78	4.55	2.14	6.82	1.87	12.39	1.26	19.19
Race N/A	11.42	6.28	11.18	12.33	7.12	23.47	36.12	39.80

Source: Author's computations from the HMDA Loan Files, Board of Governors of the Federal Reserve System, 1990.

<sup>a</sup>Appl'n Share = Applications Received, by racial group divided by total applications received; and Denial Rate = Applications, by racial group divided by total applications received.

<sup>b</sup>Joint means white and minority group co-applicants.

home improvement loans. These loans can make a significant contribution in the fight against urban blight. Ryker, Pol, and Guy (1983) analyze these home improvement loans for the major lending institutions in the city of Memphis, Tennessee. They conclude that these loans are key to providing the much-needed funds for the revitalization of inner-city neighborhoods.

For these relatively small-size loans for home repair, rehabilitation, and other improvements, blacks who submitted 13.4 percent of all applications were rejected at a rate of 39.9 percent. By contrast, whites who submitted 44.7

percent of these applications were rejected at a much smaller (13.1 percent) rate.

With respect to gender, the data reveal that, with the exception of Hispanics, a male applicant for a home mortgage loan in the DC-MD-VA MSA has a higher probability of being denied a loan than is a female applicant (Table 4). In the case of Hispanics the advantage that males have over females is very small and is largely concentrated in applications for refinancing home purchase loans as well as in home improvement loans. A combined male/female application always



experiences a lower denial rate than a one-person application.

Black male denial rates are higher than those of any other racial or gender group. Black males have a higher denial rate than other male racial groups and black females top the list of denial rates for all female racial groups.

While overall loan denial rates for the DC-MD-VA MSA show a bothersome pattern, even more disturbing is the record of bank lending in minority neighborhoods. The data reveal an inherent and persistent bias against lending in predominantly minority areas.

Regardless of the type of loan, applicants from predominantly minority areas in the DC-MD-VA MSA are generally more than twice as likely to be denied a home mortgage loan than are applicants from predominantly nonminority areas (Table 5). Approximately 13 percent of all FHA-VA mortgage loan applications in minority communities are denied, while only 5.1 percent are denied in predominantly nonminority neighborhoods.

For home improvement loans, the denial rate is even higher. One out of every two applications for home improvement loans in minority neighborhoods is denied. This denial rate of 49.6 percent is more than three times as high as the denial rate for home improvement loans in predominantly nonminority neighborhoods.

The data show that, other things held constant, income is less important a determinant of loan denial rates for FHA-VA loan applications than for other types of loans. Indeed, for gov-

ernment-insured FHA-VA loans the gap in loan denial rates for low- and moderate-income persons and upper-income persons is only 2.8 percentage points. Moreover, the denial rates are virtually identical for middle- and upper-income persons for government-backed loans.

For other types of loan applications however, differences in denial rates between low- and moderate-income persons and upper-income persons are clearly evident. The loan denial rate gap between low- and moderate-income persons and upper-income persons increases from 4.8 percentage points in the case of conventional loans to 20.6 percentage points in the case of home improvement loans.

Although the degree of loan bias is less severe as income level increases, a degree of bias is evident at all income levels. For example, upper-income persons in the DC-MD-VA MSA living in predominantly minority communities experienced loan denial rates of 8.8 percent, while persons of identical income living in nonminority neighborhoods experienced denial rates of only 5 percent.

Even more striking is the observation that low- or moderate-income persons living in predominantly nonminority areas generally experienced a lower loan rejection rate than upper-income persons who live in largely minority communities. To illustrate, a typical low- or moderate-income white person from a largely nonminority neighborhood in the DC-MD-VA MSA experienced a loan denial rate of 5.1 percent on an FHA-VA



Table 4  
 Loan Denial Rates, by Race and Sex of Applicant,  
 by Type of Loan for the DC-MD-VA MSA, 1990  
 (Percent)

<u>Race and Gender</u>	<u>FHA-VA</u>	<u>Convent'l</u>	<u>Refinan.</u>	<u>Improve</u>	<u>Means<sup>b</sup></u>
Amer. Indian	12.00	9.66	15.07	21.18	14.48
Male	16.67	21.43	16.67	28.57	20.83
Female	12.00	5.26	12.50	27.78	14.39
Joint	13.33	8.41	11.43	17.07	12.56
Asian	7.91	8.99	14.96	28.28	15.03
Male	12.96	11.99	21.30	41.27	21.88
Female	4.62	8.02	18.18	37.04	16.96
Joint	6.72	8.40	13.01	22.61	12.68
Black	13.09	17.64	19.74	39.94	22.60
Male	13.77	20.63	21.61	42.44	24.61
Female	11.27	17.04	18.97	43.75	22.76
Joint	13.98	7.03	19.53	36.56	21.77
Hispanic	6.53	12.46	12.59	33.02	16.15
Male	9.77	12.97	6.98	42.86	18.14
Female	2.08	9.38	19.51	47.22	19.55
Joint	6.85	13.27	12.18	23.39	13.92
White	4.90	7.08	10.99	13.14	9.02
Male	4.97	8.54	14.70	21.04	12.31
Female	4.04	7.27	11.21	16.27	9.70
Joint	5.16	6.86	9.95	10.32	8.02
Other	14.88	13.17	18.87	42.28	22.30
Male	28.57	18.29	23.08	52.27	30.55
Female	5.26	7.69	15.79	57.14	21.47
Joint	10.45	12.39	17.24	31.75	17.96



Table 4 (cont.)

Race and Gender	FHA-VA	Convent'l	Refinan.	Improve	Means <sup>b</sup>
Joint					
(Wh./Min.) <sup>a</sup>	4.55	6.82	12.39	19.19	10.74
Male	9.38	3.45	21.74	44.44	19.55
Female	0.00	2.60	13.04	33.33	12.24
Joint	4.48	7.50	11.34	17.93	10.31
Mean <sup>b</sup>	9.29	10.86	15.52	31.86	16.88

Source: Author's computations from the HMDA Loan Files, Board of Governors of the Federal Reserve System, 1990.

<sup>a</sup>Joint means white and minority group co-applicant

<sup>b</sup>Unweighted means of the percent denial rates for the four categories of loans used in the analysis.

loan application. By contrast, an upper-income black person from a largely minority neighborhood, faced a loan denial rate of 8.8 percent on the same type of FHA-VA loan application.

Moreover, this advantage enjoyed by low-income whites over upper-income blacks persists irrespective of the type of loan application submitted; and is substantially larger for other types of nongovernment-backed loans. For example, a white person, of low- or moderate-income, in the DC-MD-VA MSA who applies for a home improvement loan in a nonminority neighborhood experienced a denial rate of 16.1 percent (Table 5). An upper-income black person from a largely minority neighborhood experienced a denial rate that was more than twice as high—33.3 percent.

The data also reveal a degree of lender bias in the DC-MD-VA MSA

against loan applications associated with older housing units. This bias is most evident in the case of home improvement loans. Applications for home improvement loans for older housing units—built prior to 1939, have a denial rate of 35.2 percent; while newer units, built between 1970 and March 1990 have a denial rate of 21.6 percent. The denial rates for conventional loans on newer and older units is roughly identical.

### Underwriting Guidelines and Reasons for Denial

Any examination of mortgage loan denials should evaluate the basic underwriting criteria that lenders use in reviewing applications. The underwriting standards adopted by lenders seek to ensure that the borrower will repay the loan through



Table 5  
 The Denial Rate Gap, by Type of Loan, by Income, Racial  
 Composition and Age of Housing Unit for the DC-MD-VA MSA, 1990  
 (Percent)

Characteristics	FHA-VA	Conventional	Refinancing	Home Improve
<b>Income<sup>a</sup></b>				
Low or Moderate	9.22	12.32	14.98	38.37
Middle	6.94	9.26	13.63	26.89
Upper	6.38	7.53	1.35	17.74
Denial Rate Gap	2.84	4.79	13.63	20.63
<b>Racial Mix<sup>b</sup></b>				
Largely Minority	13.01	16.05	21.15	49.64
Largely Nonminority	5.09	7.77	11.61	15.69
Denial Rate Gap	7.92	8.28	9.54	33.95
<b>Income and Racial Mix</b>				
<b>Low or Moderate</b>				
Largely Minority	14.44	15.11	20.32	51.05
Largely Nonminority	5.12	11.62	8.36	16.08
Denial Rate Gap <sup>c</sup>	9.32	3.49	11.96	34.97
<b>Middle</b>				
Largely Minority	9.79	18.75	23.66	46.23
Largely Nonminority	5.11	7.78	13.15	16.72
Denial Rate Gap <sup>c</sup>	4.68	10.97	10.51	29.51



Table 5 (cont.)

Characteristics	FHA-VA	Conventional	Refinancing	Home Improve
Largely Minority	8.84	15.65	18.12	33.33
Largely Nonminority	5.02	7.30	10.62	14.48
Denial Rate Gap <sup>c</sup>	3.82	8.35	7.50	18.85
<u>Age of Housing Unit<sup>d</sup></u>				
Largely Old	10.85	8.59	14.14	35.21
Largely New	6.19	8.81	12.60	21.56
Denial Rate Gap	4.66	-0.22	1.54	13.65

Source: Author's computations from the HMDA Loan Files, Board of Governors of the Federal Reserve System, 1990.

<sup>a</sup>Low Income = less than 80% of MSA median; Moderate Income = 80 to 99% of MSA median; Middle Income = 100 to 120% of MSA median; Upper Income = 100 to 120% of MSA median; Denial Rate Gap = Upper Income less Low or Moderate Income.

<sup>b</sup>Largely Minority = 80 to 100% of population is minority; Largely Nonminority = less than 10% of population is minority; Denial Rate Gap = Largely Minority less Largely Nonminority.

<sup>c</sup>Largely Minority denial rates less Largely Nonminority denial rates.

<sup>d</sup>Largely Old = Units built pre-1939; Largely New = Units built between 1970 and March 1990; Denial Rate Gap = Largely Old less Largely New.



monthly installments without unreasonable servicing difficulties or the institution of foreclosure proceedings.

Today, a substantial number of mortgage lenders adhere to the underwriting standards promulgated by the two leading government sponsored enterprises for housing—the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). It is estimated that these two secondary mortgage market entities control 70 percent of the market.

For every mortgage delivered to Fannie Mae and Freddie Mac, the lender is required to establish that the borrower has the ability to pay, that the borrower is willing to pay and that the underlying property is sufficient security for the mortgage. For these “conforming” loans, the borrower’s application package must contain sufficient information for the underwriter to reach an informed decision about whether to approve the mortgage. For these mortgages to be securitized, it is necessary that the lenders provide standardized documentation for underwriting and mortgage insurance. This information allows the investor in mortgage-backed securities to properly assess the risk of default.

While these standards help to minimize the risk of mortgage loan defaults, they have been criticized for their rigidity. The concerns have led both Fannie Mae and Freddie Mac to relax certain guidelines for the loans they purchase to encourage lenders to make more loans to the marginal borrower in low-income and minority com-

munities. To this end, Fannie Mae has moved to accept loans from borrowers with higher debt levels, and the corporation has generally taken a more flexible position on what constitutes an excellent credit rating.

The newest HMDA data sets do not provide a great deal of information on the credit worthiness of the applicant and the adequacy of the capital offered as collateral. There is no information provided on the credit documents that are required for underwriting alternative types of loans. Nonetheless, some information may be gleaned from the summaries provided on the reasons that are cited for loan denials. The Federal Reserve which aggregates and compiles the HMDA reports from the various financial regulatory agencies provides the following nine-item list of reasons for denial: debt-to-income ratio, employment history, credit history, collateral, insufficient cash, unverifiable information, credit application incomplete, mortgage insurance denied, and other.

On the basis of the Federal Reserve’s list of denials, poor credit history and excessive debt-to-income ratio are the two reasons cited most often by banks for rejecting mortgage loan applicants. Both whites and nonwhites experience the highest frequency of denials in the categories of poor credit history and excessive debt-to-income ratio. Nonetheless, the frequency rate in these two categories is considerably higher for nonwhites than for whites. This result may in part be explained by the considerable advantage that whites enjoy over nonwhites



in their access to inherited wealth.

Irrespective of the specific factors that account for a questionable credit history or excessive debt burden; there are, nonetheless, important disparities between racial groups in the reasons cited by lenders for denying loans that deserve investigation. This exercise can be instructive, because while there are significant differences in loan denial rates between black and white applicants in the DC-MD-VA MSA, the denial rates for Asians and Hispanics, although marginally higher than that of whites, are not very different from whites in a statistically significant sense.

The data show that blacks are denied loans on the basis of their credit history to a far greater extent than for any other single reason. While a poor credit history and excessive debt-to-income ratio may be major determinants in explaining the disproportionately high denial rates of blacks; these two reasons, alone, are not sufficient for explaining the generally lower denial rates that whites enjoy over Asian Americans and Hispanics.

For example, in the very important conventional loan market, a lower percentage of denials was reported for both Asian Americans and Hispanics than for whites in the two denial categories—poor credit history and excessive debt-to-income ratio (Table 6). For the entire nine-item list of reasons for denial cited in the HMDA disclosure data, Asian Americans reported lower denial rates than did whites in four of the nine denial categories for conventional loan applications. In-

deed, Asian Americans showed “substantially” higher denial rates in only two categories—posting collateral and submitting unverifiable information. But these two categories of denials combined represented less than a quarter of all Asian American denials for conventional loans, for which a reason is explicitly stated in the reports. Despite these generally favorable comparisons, Asian Americans experienced overall denial rates for conventional loans that were 1.3 times that of whites (Table 4).

A similar pattern unfolds for Hispanics who reported a lower rejection rate than whites on the basis of poor credit history and excessive debt-to-income ratio in the important conventional loan application category. For four items of the nine-item list, Hispanics reported essentially the same or substantially lower denial rates than whites on applications for which reasons for denial are stated explicitly. Only in the category of “other” reasons for denial did Hispanics report a higher denial rate than whites—and the Federal Reserve has not listed the components for this “other” category.

Despite the solid overall record of Hispanics relative to whites, the overall Hispanic denial rate for conventional mortgage loan applications was almost twice that of white applicants (Table 4). Additionally, the 2.5 to 1 ratio of Hispanic denials relative to whites for home improvement loans represents another troubling disparity, despite their marginally higher likelihood of reporting excessive debt-to-income ratios.



Table 6  
Denial Rates, by Reasons for Denial, by Race and Type of Loan, for the DC-MD-VA MSA, 1990  
(Percent)

Race and Type	Reasons for Denial								
	Credit History	Debt-to-Income Ratio	Employ. History <sup>a</sup>	Collateral	Insuff. Cash <sup>b</sup>	Unverif. Info. <sup>c</sup>	Appl'n. Incompl. <sup>d</sup>	Insurance Denied	Other
American Indian									
FHA-VA	38	13	13	13	-	13	-	-	13
Conventional	50	25	13	13	-	-	6	-	6
Refinancings	11	11	-	-	-	11	11	-	56
Home Improvement	20	40	-	-	-	-	-	-	40
Asian									
FHA-VA	11	42	3	5	8	21	3	-	8
Conventional	21	22	6	15	3	7	5	1	20
Refinancings	22	14	1	16	-	23	2	-	22
Home Improvement	33	44	2	13	-	2	-	2	4
Blacks									
FHA-VA	53	20	4	4	2	2	2	-	13
Conventional	52	19	2	6	4	1	2	-	13
Refinancings	45	22	1	9	1	8	2	1	10
Home Improvement	61	25	2	6	1	1	1	-	3



Table 6 (cont.)

## Reasons for Denial

Race and Type	Credit History	Debt-to Income Ratio	Employ. History <sup>a</sup>	Collateral	Insuff. Cash <sup>b</sup>	Unverif. Info. <sup>c</sup>	Appl'n. Incompl. <sup>d</sup>	Insurance Denied	Other
Hispanic									
FHA-VA	37	19	5	7	5	2	-	-	26
Conventional	28	18	6	6	7	5	1	1	28
Refinancings	17	24	3	21	3	21	3	-	7
Home Improvement	23	49	6	4	2	2	2	-	11
White									
FHA-VA	34	21	3	5	4	5	2	1	25
Conventional	31	23	5	8	4	3	4	1	21
Refinancings	26	17	2	10	1	26	4	-	14
Home Improvement	36	38	3	9	1	1	3	-	9

Source: Author's computations from the HMDA Loan Files, Board of Governors of the Federal Reserve System, 1990.

<sup>a</sup>Employment history.

<sup>b</sup>Insufficient cash.

<sup>c</sup>Unverifiable information

<sup>d</sup>Credit application incomplete.



In addition to experiencing the highest denial rates of all racial groups, blacks also recorded the highest percentage of applications withdrawn and the highest proportion of files closed for incompleteness. Benston (1981) addresses this issue. In his critical review of the mortgage redlining literature, he raises the possibility that negative attitudes on the part of lenders could have the effect of causing a number of minority applicants to withdraw their applications, or pursue other alternatives.

### Summary and Conclusions

**T**his paper has examined the extent and pattern of mortgage loan denials that are associated with various types of home loan applications in the DC-MD-VA MSA. The analysis employs the newly expanded HMDA reports which, for the first time, provide a comprehensive database for examining patterns of lending by financial institutions. Of special significance is the emphasis on the differential mortgage loan denial rates between alternative racial and sex groups and between neighborhoods of differing racial composition.

Although the findings are consistent with allegations of discrimination, the results presented here neither prove nor disprove that discrimination exists in mortgage lending in the DC-MD-VA MSA. Further analysis of the determinants of discrimination in mortgage lending requires more detailed information than is available from the HMDA data. It requires information

that would permit a full analysis that would contrast a lender's aversion for risk with his appetite for discrimination. A full analysis requires additional information on the price of the housing unit, the size of down payment, the mortgage interest rate, the term-to-maturity, the cost of lending, as well as the debt-to-income ratio and credit history of each applicant.

The results point to a strong lender bias against minority loan applicants in the DC-MD-VA MSA that is not very different from that reported for other parts of the country. The higher the percentage of blacks and other minorities in a neighborhood, the greater the likelihood of high loan denial rates in that area.

In the case of conventional loan applications, higher income levels are generally associated with lower denial rates. These higher income levels are not sufficient for bringing down the very high denial rates on conventional loan applications in predominantly minority neighborhoods relative to their low denial rates in predominantly nonminority neighborhoods.

For the year under consideration, each racial group in the DC-MD-VA MSA experienced denial rates on alternative types of home loan applications that were substantially below the group's national average. Thus, disparities in mortgage lending for other MSAs in which there are large concentrations of minorities in the population are likely to be of equal or greater magnitude than is the case for the DC-MD-VA MSA.

The results provide support for



public policies that encourage mortgage lenders in the DC-MD-VA MSA and elsewhere to expand the availability of mortgage loans to predominantly minority neighborhoods and to low- and moderate-income persons. Clear evidence emerges of a lender bias against these groups and neighborhoods.

Recently introduced public policy initiatives which require that certain housing-related Government Sponsored Enterprises (GSEs) dedicate a small portion of their net income each year to an Affordable Housing Program for low- and moderate- income persons are an important step in this direction. The magnitude of these and other government programs could be enlarged to have a real and meaningful effect. The CRA initiatives that direct depository institutions to take discretionary action in helping to meet the credit needs of low- and moderate-income persons must be pursued vigorously by both banks and regulatory agencies that assign performance ratings. Finally, the efforts of the two major GSEs—the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation—to expand their contribution and to adjust underwriting requirements to facilitate the making of these types of nonconforming loans is to be encouraged.

### Endnotes

1. Mortgage lenders with less than \$10 million in assets, or those with less

than 10 percent of their loans in home mortgages are exempt from coverage. Additionally, lenders with assets of less than \$30 million are not required to track and file reports on the race, sex, income or national origin of the applicant.

2. For a discussion of the national averages, see Glenn B. Canner and Dolores S. Smith, "Home Mortgage Disclosure Act: Expanded Data on Residential Lending," *Federal Reserve Bulletin*, Nov. 1991, 859-881.

3. See "The Color of Money: Home Mortgage Lending Practices Discriminate Against Blacks," a four-part series published in the *Atlanta Journal* and the *Atlanta Constitution*, May 1-4, 1988.

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# *Measuring Job Discrimination: Hopeful Evidence from Recent Audits\**

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## **Introduction**

**M**ost past research on the prevalence of employment discrimination against minorities has used indirect indicators of the effects of discrimination on economic status of minorities. Generally, multivariate analyses have been used to estimate relationships between the human capital of non-Hispanic white workers, and their earnings, occupational status, or some other measure of economic status. These analyses have then been used to predict the status of minorities, if they were rewarded in the labor market as are whites. Disparities between the actual status of minorities and the predicted status provide crude indexes of the potential impacts of employment discrimination. (Cain, 1986)

Though the evidence is mixed, some recent applications of this method have suggested marked declines in the apparent impacts of discrimination on

the economic status of Blacks. (Shulman, 1989) This is good news, but there is no unambiguous evidence to suggest that discrimination has been curtailed. Basic economic theory suggests that there may be little or no relationship between the prevalence of discrimination and its impact on the economic status of minorities.

In a competitive market, employers who do not discriminate can insulate minorities from adverse impacts on minority earnings and employment. (Cain, 1991) This suggests that the conventional method could understate the prevalence of discrimination in many markets. Moreover, the gap between actual and predicted status of minorities could also reflect cultural and behavioral differences, mis-specifications, or the influence of other factors such as residential segregation of minorities in inner city communities offering little economic opportunity.

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(Moss and Tilly, 1991)

Recently, economists have begun to use audit techniques to measure employment discrimination. In an audit, teams of testers posing as job applicants — generally one black or Hispanic and a non-Hispanic white, or “Anglo” — approach employers seeking workers. The teams of testers are presented to potential employers with as similar qualifications as possible, so that race or ethnicity is the primary distinction between them. Systematic differential treatment of minorities and Anglos by employers is therefore evidence of discrimination.

Audit research provides direct measures of discrimination and is therefore an exciting development. However, audit methods also have significant weaknesses when used to measure the prevalence of discrimination. Fundamentally, audits can only measure discrimination in the hiring process, up to the stage of the job offer. Audits cannot be used to measure discrimination in on-the-job training or promotion which can lock minorities into low-paying or low-status positions. Nor can audits be used to measure discrimination in firing decisions. Because audits can measure only one type of discrimination, they provide only partial insight into the prevalence of discrimination.

A case can be made however: discrimination in the hiring process is more significant than discrimination in other dimensions of employment. (Lazear, 1991) Hiring discrimination can deny minorities access to jobs in well-paying industries and firms, and

is difficult, if not impossible, for victims to detect. This means that employers can discriminate in hiring with impunity. Wage discrimination for persons in the same job category and/or with the same employer is not common. (ibid.) It is common for victims of wage, training, promotion, or firing discrimination to detect the problem and to seek redress. Indeed, such complaints have come to dominate the workload of federal civil rights agencies such as the U. S. Equal Employment Opportunity Commission (EEOC). Heckman and Siegelman have pointed out that the access to redress for discrimination in promotion or firing produces an incentive for employers to discriminate in hiring. (Heckman and Siegelman, 1992)

Recent audit or testing research in Chicago, Washington, D.C., and San Diego alleges that, in those cities, discrimination in hiring is common against young minority males seeking entry level work. (Cross, with Kenny, Mell and Zimmerman, 1990; Fix and Struyk, 1991; Mincy, 1991) This paper assesses the implications of these recent audits, and presents the results of a new audit of hiring discrimination against black and Hispanic males in Denver. Because audit research on employment discrimination is new, methods for doing audits and interpreting results remain in development.

All of the audits done thus far have found evidence of discrimination on the basis of race and ethnicity. However, current research reveals that earlier reports overstated the incidence of discrimination against blacks in Chi-



cago and Washington, D.C. Moreover, the results from Denver and Chicago suggest that relatively little discrimination prevails in those cities against either blacks or Hispanics. On the basis of available evidence — both audit research and statistical studies — we are driven to conclude that, while problems remain, the nation may have made significant progress toward purging labor markets of discrimination on the basis of race and ethnicity.

The research reported in this paper is still in exploratory stages. Below, we suggest an agenda for future research. If it proves to be correct, it is our hope that evidence of progress toward equal opportunity in labor markets might energize support for civil rights efforts, by demonstrating that success is possible if policies are appropriate.

### **Background**

**R**esearch in San Diego, Chicago, and Washington, D.C., by the Urban Institute has documented systematic discrimination in the hiring decisions of private firms against young black and Hispanic males. (Cross, with Kenney, Mell and Zimmermann, 1990; Fix and Struyk, 1991; Mincy, 1991)

Tests or audits by the Urban Institute in San Diego and Chicago measured discrimination against young “foreign looking,” “foreign sounding” Hispanic males seeking entry level jobs. These audits established that Anglos received considerably better treatment by many employers. Specifically, His-

panics were found to be three times more likely to receive unfavorable treatment when applying for jobs than their Anglo teammates. Anglos were favored in 31 percent of the audits, while Hispanics were favored in only 11 percent. Hispanics and Anglos were treated the same in the remaining audits.

Favorable treatment is defined as advancing further into the job application process than the teammate. For example, if an Anglo teammate received a job offer, and the minority did not, that would be classified as favorable treatment of the Anglo. If neither received a job offer, but the Anglo was interviewed and the minority was not, that would also be classified as favorable treatment of the Anglo. In total, Anglos received 52 percent more job offers than did their Hispanic teammates. (Cross, et al., 1990)

Similar tests of discrimination against Blacks were performed by the Institute in Chicago and Washington, D.C. These tests also documented a tendency for Anglos to be favored over their black teammates. In Chicago, Anglos were favored in 17 percent of the tests. Minorities were favored in only 8 percent. In Washington, D.C., Anglos were favored in 23 percent of the tests, while black teammates were favored in only 7 percent.

In recent result summaries of the audits, the Institute has reported that overall, in the cities, Blacks encountered “opportunity denying” discrimination in 20 percent of the audits, and Hispanics experienced this discrimination in 31 percent of the cases. The



Institute defined an audit in which the Anglo was clearly favored as an audit in which "opportunity denying" discrimination occurred. (Fix and Struyk, 1991) This is a dubious interpretation of the audit results. Anglo auditors might be favored for a variety of inconsequential reasons, in addition to intentional or systematic discrimination, as other Institute research has shown. (Yinger, 1991) Intentional or systematic discrimination on the basis of race or ethnicity occurred less frequently than is alleged by the Institute. Research by McIntyre, et al., has suggested that the random component in employer hiring decisions is very large. However, his research measured employer response to resumes rather than live testers. (McIntyre, et al., 1980, as cited in Heckman and Siegelman, 1992)

Moreover, the Institute analysis ignores the instances in which the minority was favored in its research. The minority auditor was favored in 11 percent of the Hispanic-Anglo tests by the Institute, and in 7 percent of the Black-Anglo tests. Employers who favor minorities are assumed to be committing reverse discrimination by the Institute. This is not necessarily the case. Accidents and unintentional factors can also influence employers to favor minorities.

At base, individual audits do not provide unambiguous indicators of discrimination. Audits provide no evidence of intent or causes of unequal treatment. Statistically significant differences in the treatment of minorities and Anglos are the best evidence available from audits on the prevalence of

discrimination. For understanding the potential effects of discrimination on the employment opportunities of minorities, the best indicator is the net difference in the probability that a minority or an Anglo would be favored, not the gross probability that Anglos would not be favored.<sup>1</sup>

This net measure of discrimination varies significantly in the Institute audits. Hispanics were 20 percent less likely to be favored than their Anglo teammates in San Diego and Chicago. It should be noted that this overstates the difference that would have been found had the Hispanic auditors not been "foreign looking," and/or "foreign sounding." Immigrant Hispanics generally suffer more disadvantages in the labor market than do other native born Hispanics.

Blacks were only 13 percent less likely to be favored in Chicago and in Washington, D.C. In Chicago, the only northern city in which audits of discrimination against Blacks were done, the net difference amounted to only 9 percent. It should also be noted that these findings are subject to potentially large sampling errors. In Chicago for example, the 95 percent confidence interval for the net difference in the probability that Anglos were favored over Blacks ranged from 2.5 percent to 15.5 percent. The confidence interval in Washington's Black-Anglo tests ranged from 9.9 percent to 22.1 percent.

The audits leave very considerable uncertainties regarding the real extent of discrimination in the cities.<sup>2</sup> A re-analysis of the Institute data by



Heckman and Siegelman has shown that the data from Chicago do not provide clearly significant indicators of discrimination in job offers by employers in that city against Blacks. The data reported by the Institute imply that in 20 visits by testers to Chicago, Anglos would be offered an average of four jobs, and blacks, three. However, Heckman and Siegelman have shown that this difference is not statistically significant (Heckman and Siegelman, 1992)

Overall, an independent reading of the Institute results strongly suggests a much more optimistic conclusion than is stated by the Institute. In fully 70 percent of the Institute audits of discrimination against immigrant Hispanics, and 80 percent of the Black-Anglo audits, the minority and Anglo testers were treated the same, or the minority was favored. It is virtually inconceivable that a similar audit in 1960 or 1970 would have found so much fairness in hiring minorities. Even more striking, evidence for discrimination against Blacks in actual hiring decisions was statistically significant in only one of the two cities investigated by the Institute. This suggests that the nation has made considerable progress during recent decades toward equal opportunity in hiring practices by private employers.

### **The Denver Research**

**T**he new Denver audits provide useful insight into the extent of national progress. Statistical analysis of the 1970 and 1980 census reports

has shown evidence of labor market discrimination against Blacks and Hispanics in Denver.<sup>3</sup> (James, 1984) However, Denver is a city in which discrimination against minorities is likely to be relatively modest, compared to other major U.S. cities. If national progress has been made toward equal opportunity in the job market, the progress would be apparent in Denver.

Little is known about the factors influencing patterns and severity of discrimination in various communities. Two factors may be important: First, the larger the size of the minority group in a community, the greater the perception by Anglos of economic competition or threat, and the greater the likely discriminatory response. (Lieberson, 1980) Second, the greater the socioeconomic disparity between a minority group and Anglos, the more likely it is that unfavorable racial and ethnic stereotypes or generalizations will stigmatize minorities. (Kirschenman and Neckerman, 1991)

Economic theory differentiates discrimination arising from employer animus, employee animus, and customer animus. A recent study in Chicago documents that employers in that city frequently base hiring decisions on generalizations about expected applicant productivity; these generalizations are based in part on the race and residence of the applicant. Blacks from inner city neighborhoods are particularly victims of such generalizations. (Kirschenman and Neckerman, 1991) This type of discrimination is less likely if socioeconomic disparities are smaller



between ethnic and racial groups. The same would appear to be true of discrimination resulting from customer preferences. Perceptions of smaller competition are likely to have particular effects on discrimination arising from employee animus. Fear of quotas or affirmative action programs is likely to be muted for both employees and employers when minority populations are small and likely to remain so. At the same time, a smaller minority community means smaller numbers of potential minority employers, customers or fellow employees. These smaller numbers reduce the potential for reverse discrimination by the minority community.

Denver has a very small black population—5 percent of metro area population in 1980. (Table 1) Moreover, the black population of the Denver area has relatively high levels of education, compared to other metropolitan areas in the U.S. In 1980, 74 percent of Denver's black adults had completed high school or better. Both Chicago and Washington, D.C., have much larger black populations with much lower levels of education than is true in Denver. The Hispanic population of Chicago is much more poorly educated than the Hispanic population in Denver, and is a slightly smaller proportion of the total regional population. The Hispanic population in San Diego has an equivalent level of education, but that population is somewhat larger than it is in Denver. Mexican immigration to San Diego has also occurred on a considerably larger scale than to Denver. Rapid immigration

can exacerbate discrimination against a group. (Lieberson, 1980) In 1980, 90 percent of Denver's Hispanic residents reported that they were born in the United States.

### Methodology

**L**ike the Urban Institute, the Denver audit of discriminatory hiring used young male auditors posing as high school graduates seeking their first permanent jobs. The auditors were carefully trained in job application techniques and interviewing skills. Two-person teams of one minority youth and one Anglo youth were used. The teams were matched on the basis of personal appearance and personality, as well as education, background, and so forth.<sup>4</sup>

Jobs for testing were selected using random sampling methods from Sunday newspapers, and employers were approached while the advertisements were still new and the jobs were most likely to still be available. Only private sector jobs were included in the audit. No employment-agency related jobs were used. Also, only jobs paying salaries or wages were selected; no commission-paying jobs were used. Testers kept careful records of all their contacts with employers, so as to facilitate thorough comparisons of the behaviors of the employers.<sup>5</sup> All field work was completed in the summer of 1990.

The methods used in the Denver audit were modeled on those used by the Urban Institute. There were some differences however. As has been dis-



Table 1

Characteristics of Minority Populations of  
Four Metropolitan Areas: 1980

Population Characteristics	Metropolitan Area			
	Denver	Chicago	San Diego	Washington, D.C.
Persons as Percent of Total Population				
Blacks	4.8	20.1	5.6	27.9
Hispanics	10.7	8.2	14.8	3.1
Anglos	82.2	69.3	73.8	65.7
Percent of Adults with High School Diploma				
Blacks	73.5	55.3	74.2	64.0
Hispanics	52.2	35.6	49.7	74.5
Total	81.3	67.5	78.0	80.1
Median Family Income				
Blacks	16,300	14,900	14,000	19,000
Hispanics	17,000	17,400	15,000	22,200
Total	23,600	24,500	20,300	27,800

SOURCE: U.S. Bureau of the Census, 1980 Census of Population, General Social and Economic Characteristics.

cussed, the Institute employed "foreign looking" and foreign sounding" Hispanic auditors. All of the Hispanic testers employed by the Institute had beards or mustaches, apparently in believing that such facial hair would make them more "foreign looking." To a large degree, the Hispanics employed by the Institute were not representative of the Hispanic population of the United States.

In Denver, the Hispanic auditors were all native born citizens of the U.S. None had pronounced Spanish accents.

All had recognizably Hispanic names and their skin and hair color made them "Hispanic looking." In these respects, the auditors were fairly representative of the Hispanic population of the Denver metropolitan area and of many other communities in the U.S. As noted out above, most Denver Hispanics are native born citizens of the U.S., and many are monolingual English speakers. Because of their assimilation, it is to be expected that Denver Hispanic auditors would encounter less discrimination than would



the Hispanics in the Institute audits.

In its tests of discrimination against Blacks, the Institute employed only college students as testers. Moreover, it imposed stringent controls to limit black auditors in dress, appearance, speech, and hair styles to patterns typical of Anglo middle- or upper-class college students. Deliberate efforts were made to exclude recognizably black mannerisms, speech, dress or other attributes except skin color. This means that the black testers employed by the Institute were not representative of the great bulk of the black population of the U.S.

In Denver, most of the Hispanic and the black testers were identified through community-based organizations operating youth service components for youth not eligible for means-tested summer employment programs. Most but not all Anglo youth were located through colleges or universities, and newspaper advertisements.<sup>6</sup> Careful efforts were made to ensure that teammates had equivalent educational backgrounds, dress and appearance. However, a number of the teams were composed of minorities and Anglos with only high school degrees, or only community college experience. While the teams would appear equivalent in all relevant dimensions to employers, there was more socioeconomic diversity among the Denver teams; the teams as a group were more representative of the general minority population of young men than appears to have been true in the Institute audits. This methodological difference could increase the amount of discrimination to

be expected in the Denver audit of discrimination against Blacks.

We believe that there is a particular potential for bias in the Institute audits. The Institute paid its testers per hour, and there was no reward for testers if they were successful in their job applications. Institute testers might therefore behave in a more passive and uninterested way than would be typical of most actual job applicants. Given the linkage of the research to civil rights advocacy and policy, minority auditors in particular might acquiesce in the face of relatively small roadblocks by employers, perhaps roadblocks which would not stop a real job applicant.

In the real world, job applicants have a powerful economic incentive to do as well as possible in the job application process. To provide an appropriate economic incentive for auditors, the Denver project paid its auditors more, the more successful they were in their job search. A bonus was provided when auditors successfully contacted employers, when they successfully completed an application, and when they were interviewed by the employer.<sup>7</sup>

It is important to keep these methodological approaches in mind, because they can shape study results. Though there is no evidence on how differences in audit methods shape results, we have no reason to doubt the comparability of the Institute's and our audits of discrimination against Blacks. The two major potential methodological differences between ours and the Institute's research — those



arising from auditor selection criteria and those arising from auditor payment arrangements — might be countervailing. Less apparent discrimination is to be expected in Denver because of payment incentives; more apparent discrimination is to be expected in Denver because minority auditors in Denver were more typical of minority high school graduates. The Institute used auditors typical of Anglo college students.

It should also be kept in mind that the Denver audit — like those of the Institute — measures discrimination in hiring against only a well-qualified, young male high school graduate with substantial skills in job applications, *and* who applies for jobs advertised in local newspapers. Minorities with different characteristics or sources of information about jobs may have different experiences in the labor market.

### The Research Results

Strikingly, the Denver audit provides no convincing evidence of systematic, widespread discrimination against young black or Hispanic males. Together, the black and Hispanic auditors received more job offers than did the Anglos. The minority auditors were no less likely to be treated favorably than their Anglo teammates. It must be emphasized that the audits only measure one type of discrimination against one particular group of minorities. Nevertheless, the results strongly suggest that, after 25 years of national efforts to extirpate discrimination, Denver has achieved a signifi-

cant measure of equal opportunity in hiring.

### The Outcomes of the Job Application Process

Table 2 presents one summary of the overall outcomes of the audits or tests. Specifically, it presents the number of job offers received by the auditors, their numbers of job interviews, and the number of job applications they were able to complete. The results provide no evidence of discrimination against Hispanics. Out of the 140 completed audits in the Hispanic-Anglo test, the Hispanic auditors received 25 job offers, while the Anglos received only 16. This outcome difference emerged despite the fact that the Anglo auditors received personal interviews in slightly more cases than did the Hispanics — 75 interviews for Anglos versus 70 for Hispanics. Numbers of completed job applications were also essentially equal for Hispanics and their Anglo teammates — 122 for Hispanics versus 116 for Anglos. If anything, these results suggest some reverse discrimination favoring Hispanic auditors. The difference in numbers of job offers is statistically significant at modest levels.

Neither do the research results suggest systematic discrimination against the black auditors. In the 145 audits completed in the Black-Anglo tests, black auditors were able to complete as many applications as were Anglos (117 for Blacks versus 115 for Anglos). Blacks were also interviewed about as frequently as were their Anglo teammates (64 for Blacks versus 66 for



Table 2

Summary of the Results of the Employment Audit  
in the Denver Metropolitan Area: Summer 1990

	Hispanic-Anglo Tests		Black-Anglo Tests	
	Hispanic	Anglo	Black	Anglo
Number of Completed Audits <sup>a</sup>	140	140	145	145
Number of Job Applications Completed <sup>b</sup>	122	116	117	115
Number of Personal Interviews Completed	70	75	64	66
Number of Job Offers	25*	16**	29	33

\*Statistically significant, .05 level or better, two-tailed test.

\*\*Statistically significant, .10 level or better, two-tailed test.

<sup>a</sup>Only audits in which both team members successfully contacted employers are counted. In the Hispanic-Anglo test, both auditors had to reach the employer by telephone or in person. In the Black—Anglo test, both had to reach the employer in person.

<sup>b</sup>Applications were counted as completed if, during a personal visit to the employer, the auditor was provided a written application for the advertised job or for another job, or if the employer took the auditor's name and telephone number in lieu of an application form. Applications were also counted as completed if employers offered the job at this initial stage to the auditors.

Anglos). Each group also received similar numbers of job offers: 29 for Blacks versus 33 for Anglos. Blacks and Anglos thus received like treatment from employers.

Table 3 presents direct measures of the frequencies with which employers favored minority and Anglo testers. As was discussed above, the tester who got further in the hiring process was

said to be favored. As shown, Hispanic testers were favored more frequently than were their Anglo teammates (36 versus 26). In the Black-Anglo test, Blacks and Anglos were favored to essentially equal extents — Blacks were favored 15 times, Anglos 17 times. Clearly, this more inclusive indicator provides no evidence of discrimination against minorities. <sup>8</sup>



Table 3

The Frequencies with which Minority and Anglo Auditors Were Favored in the Job Search Process<sup>a</sup>

	Number of Audits in which the:		
	Anglo Favored	Minority Favored	Neither Favored
Hispanic-Anglo Test	26	36	78
Black-Anglo Test	17	15	113
Total, All Audits	43	51	191

<sup>a</sup> An auditor was favored if he was offered the job and his teammate was not; or, if neither was offered the job, if he was interviewed for the job and his teammate was not; or, if neither was interviewed, if he was able to submit an application and his teammate was not.

With one exception, the results fail to document significant levels of discrimination in subsectors of the metro area economy of entry level work. (Tables 4 and 5) In the Hispanic-Anglo test, Anglos were as likely to be favored in the city as in the suburbs. (Table 4) Small employers, i.e., those with fewer than 15 employees, were more likely to favor Anglos than were larger firms. However, these small firms were also more likely to favor Hispanics than were larger firms. Small firms were less likely to be neutral, perhaps reflecting the closer working conditions of the firms, and their lesser ability, compared to larger employers, to offer jobs to both auditors.

Neither were there major differences in the treatment of Hispanics and Anglos in the major industries offering entry level work in the region (restau-

rants, business services, and retail trade, except department stores), or in the largest occupation groups (cashier/teller jobs, and miscellaneous positions).

The results of the Black-Anglo test were more troubling. No significant differences in the treatment of black and Anglo auditors were found among various industries and occupations. Nor were there differences between the city and the suburbs. In the Black-Anglo test however, smaller firms treated black auditors much less favorably than did smaller firms. In 32 visits of black and Anglo teams to employers with 15 or fewer employees, Anglos were favored seven times. Blacks were not favored once. These results demonstrate high levels of statistical significance (Chi Square,  $p = 0.02$ ).

Multivariate logit analyses were



Table 4

The Frequencies with which Minority and Anglo Auditors  
Were Favored in Various Types of Jobs:  
Hispanic-Anglo Test<sup>a</sup>

Type of Job or Employer <sup>b</sup>	Anglo Favored		Minority Favored		Neither Favored	
	Number	Percent	Number	Percent	Number	Percent
<b>Location:</b>						
Denver	6	19	10	31	16	50
Suburbs	20	19	26	24	62	57
<b>Employment Size:</b>						
15 or More	23	20	32	28	59	52
Under 15	3	12	4	15	19	73
<b>Industry:</b>						
Restaurants	5	16	11	34	16	50
Hotels/Motels	Insufficient Audits for Analysis					
Business Serv.	4	17	5	22	14	61
Retail, exc. Dept. Store	7	19	9	25	20	56
<b>Occupations:</b>						
Cashier/ Teller	1	6	5	31	10	63
Miscellaneous	1	6	5	31	10	63

<sup>a</sup> An auditor was favored if he was offered the job and his teammate was not; or, if neither was offered the job, if he was interviewed for the job and his teammate was not; or, if neither was interviewed, if he was able to submit an application and his teammate was not.

<sup>b</sup> Only categories of job or employers were included in which 15 or more audits were made.

used to provide a more sophisticated test for the existence of discriminatory pockets or sectors of the Denver economy. The analyses were designed to measure the determinants of the relative treatment of minority and

Anglo auditors: i.e., which was favored. Explanatory variables in the analyses included a number of the characteristics of the employers, including industry, employment size, and location in the city of Denver or its suburbs.



Table 5

The Frequencies with which Minority and Anglo Auditors  
Were Favored in Various Types of Jobs:  
Black-Anglo Test<sup>a</sup>

Type of Job or Employer <sup>b</sup>	Anglo Favored		Minority Favored		Neither Favored	
	Number	Percent	Number	Percent	Number	Percent
Location:						
Denver	3	13	4	10	28	77
Suburbs	14	9	11	11	85	80
Employment Size:						
15 or More	10	9	15	13	88	78
Under 15*	7	22	0	0	25	78
Industry:						
Restaurants	4	15	5	19	17	65
Hotels/Motels	3	17	2	11	13	72
Business Serv.	1	3	3	10	25	86
Retail, exc. Dept. Store	5	15	2	6	27	79
Occupations:						
Cashier/ Teller	1	6	2	12	14	82
Miscellaneous	1	6	5	31	10	63

\* Statistically significant, .05 level or better, Chi Square.

<sup>a</sup>An auditor was favored if he was offered the job and his teammate was not; or, if neither was offered the job, if he was interviewed for the job and his teammate was not; or, if neither was interviewed, if he was able to submit an application and his teammate was not.

<sup>b</sup>Only categories of job or employers were included in which 15 or more audits were made.

The occupation of the job was also included, as were separate dummy variables identifying the various audit teams. Including variables denoting the teams permitted an examination of

whether auditors were treated differently in some teams and not others. Overall, the results identified no significant pockets of discrimination against minorities in the region.<sup>9</sup>



It should be noted that multivariate analysis of employers' treatment of black auditors once again suggested that Anglos were more likely to be favored by smaller firms. However, this relationship was not powerful enough to generate overall statistical power for the multivariate equation as a whole. The Denver audits strongly suggest that many smaller employers discriminate against entry level black workers. Approximately 20 percent of the entry level jobs included in the audit were offered by firms with under 15 employees.

It should be emphasized that the Denver findings (like those of the Institute) are subject to considerable sampling error. Confidence intervals surrounding all of the available estimates of the prevalence of discrimination are uncomfortably large. As a result, though we find the results persuasive, the Denver audits do not prove without question that substantially equal opportunity prevails in entry level hiring for young men in the region.

As has been discussed, the best indicator of the probability of discrimination is the net difference between the probability that the Anglo would be favored and the probability that the minority would be favored. In the Black-Anglo test in Denver, this net difference amounted to 1.4 percent. Given potential sampling errors however, the real figure could be anywhere between 8.7 percent (indicating discrimination similar to what the Institute documented in Chicago) and -5.9 percent (indicating reverse discrimination as found for Hispanics in Den-

ver).<sup>10</sup>

In Denver's Hispanic-Anglo test, the net difference in probabilities amounted to -7.2 percent, indicating, as has been discussed, some reverse discrimination. The 95 percent confidence interval around this point estimates ranges from 2.2 up to -16.6.

Because of the relative rarity of discrimination documented in these studies, it is important for future research to use larger sample sizes. However, without question, the Denver audits are very good news indeed for the community and the nation.

#### Indicators of Occupational Steering

Job or occupational steering is frequently alleged, and would not be measured by indicators of which auditor was favored. Minorities might have been offered less attractive jobs or lower pay and fringe benefits, yet still have been counted as being treated favorably or neutrally in the preceding section. Unfortunately, too few auditors were offered jobs to provide statistically persuasive evidence on the extent of this type of discrimination.

The most direct evidence for job steering would be cases in which minority and Anglo teammates were both offered jobs by an employer, but the minority was offered a less desirable job. No such evidence of steering emerged in the tests. In the Black-Anglo test, 15 employers offered both the black and the Anglo auditor a job. In all such cases, the minority and the Anglo testers were offered jobs in the same occupational category.



In the Hispanic-Anglo test, only seven employers offered jobs to both the Hispanic and the Anglo auditor. In one instance, the Hispanic and the Anglo were offered jobs in different occupations: in this case, the Hispanic was offered a laborer position and the Anglo a sales position.

In a number of instances, employers would offer a job to one auditor but not the other. Employers offering menial jobs appear to have been more likely to offer the job to minority applicants. In the Black-Anglo test for example, three black testers were offered jobs as dishwashers. No Anglo testers were. Similarly, two Anglos were offered jobs in administrative or clerical positions; no black testers were.

In the Hispanic-Anglo test, Hispanic testers were more likely to be offered jobs as busboys, compared to their Anglo teammates (three Hispanics versus one Anglo). Hispanics were also offered fewer administrative and clerical jobs than were their teammates (three Anglos versus one Hispanic). However, there were also examples in which Hispanics appear to have been more likely to be offered attractive jobs than were Anglos. For example, two Hispanics and no Anglos were offered jobs as restaurant hosts or front desk persons.

Wages offered to the minority auditors provide a useful summary indicator of the quality of the jobs offered auditors. Wages were somewhat lower on average than the wage rates offered Anglos. However, the differences were not statistically significant.

At base, the evidence for occupa-

tional steering is inconclusive. Indeed, the audit technique can provide meaningful evidence on the quality of job offers only if numbers of audits are very large. In most cases, auditors are not offered jobs.

#### The Job Hiring Process

The evidence suggests that minority and Anglo auditors encountered generally similar job hiring procedures in the tests. However, there were troubling differences which may signal problems.

The minority and Anglo auditors had somewhat different experiences when they first approached employers in personal visits. Both Hispanic and black auditors were somewhat more likely to deal with lower-level staff in the initial personal visits than were Anglos. In 64 percent of their initial personal visits to employers, Hispanic testers reported dealing with a management official of the firm; 73 percent of Anglos did. This difference is too large to attribute to chance. (Pairwise t test,  $p = .02$ ) The experience of black auditors was essentially the same: 62 percent of Blacks versus 73 percent of Anglos were seen by management officials. (Pairwise t test,  $p = .04$ ) Despite their different receptions however, 94 percent of the minority auditors received a job application immediately upon request; 91 percent of Anglo teammates did.

No significant differences between the minority and Anglo auditors were found in employer job interviews, in terms of length, content, or courtesy of the interviewing officials.



The difference in the initial reception of minority and Anglo auditors raises potentially significant issues. While the difference did not affect the success of the auditors in this research, it might shape the success of real world job applicants with less skill and experience in the job application process.

#### Entry Level Jobs in Denver

The good news from the Denver audits is that something close to equal opportunity prevails in some employer hiring practices in Denver, and presumably, in some other communities. The bad news is that the audits suggest that the entry level job market in Denver offers relatively poor opportunities for both young minority and Anglo males.

Despite the strong qualifications and skills of the testers, the absolute level of success of the auditors in securing good jobs was modest at best. In total, the auditors received job offers only 18 percent of the times they sought jobs. Two thirds of the entry level jobs in the Denver metropolitan area were in services and trade. Blue-collar work has been a traditional route to economic opportunity for young men with modest educations. Only 3 percent of the jobs sought by the auditors were in manufacturing.

Moreover, entry level jobs in Denver provide low wages and poor fringe benefits. For the 75 job offers for which hourly wage information was available, the average hourly wage offered the auditors was \$4.60. Only seven of the 75 job offers paid wages of \$6.00 or more. Only 46 percent of the

auditors were told that health insurance was provided.

Finally, the entry level work which was available was not easy to travel to, especially for Denver youth. More than three fourths (76 percent) of the entry level jobs advertised in the Denver newspapers are located in Denver's suburbs. Such jobs were accessible to our auditors because all had cars. The situation would have been difficult for job seekers without cars, because public transportation is frequently marginal at best in the suburbs of the metropolitan area.

#### **Priorities for Future Research**

**A**udits of hiring discrimination against Blacks in private sector jobs have been conducted in three major metropolitan areas, and strong evidence of discrimination has been found in only one: Washington, D.C., a southern city with a comparatively small private sector. Audits of such discrimination against "native born looking," "native born sounding" Hispanics have been performed only in Denver, but no evidence of systematic discrimination was found. Together, this research is striking and amazingly good news.

The absence of discrimination in hiring for entry level jobs does not imply the absence of discrimination in on-the-job training, promotion, or firing. Neither does it imply the absence of discrimination in better jobs, or for different types of job applicants. However, the apparent progress documented



in Denver is consistent with other evidence, and is therefore more plausible. As has been pointed out, a growing econometric literature documents a declining gap in wage and earnings disparities between Blacks and whites, after controlling for a number of measurable personal characteristics. (Shulman, S., 1989) Perhaps more importantly, evidence compiled by Fix and Struyk shows that major changes in American attitudes have occurred over the past 20 years, changes that favor equal opportunity for minorities in the labor market. (Fix and Struyk, 1991) As early as 1972, fully 97 percent of American adults believed that "Negroes should have as good a chance as white people to get any kind of job..." (Fix and Struyk, 1991, Table 1) This was up from 85 percent in 1963. Such attitudinal changes make real progress in the labor market more plausible.

At the same time, it must be emphasized that direct measures of the economic status of Blacks continue to decline. (Moss and Tilly, 1991) If accurate, our findings add weight to the research and policy agendas outlined by William Julius Wilson. (Wilson, 1987)

Once methodological issues in audit research are resolved, a top priority for future research is to develop reliable measures of hiring discrimination in a large number of metropolitan areas. Such measures would provide a baseline against which to measure future national trends in the prevalence of discrimination. As importantly, they would help us investigate and under-

stand the factors which shape the severity of discrimination in a community. Such understanding could provide useful clues for how civil rights policies could be made more effective.

At base, what is needed is a national "labor market practices study" comparable to the two pathbreaking national audits of housing discrimination supported by the U.S. Department of Housing and Urban Development. (Wienk, Reid, Simonson and Eggers, 1979; Turner, Struyk and Yinger, 1991)

### Endnotes

1. This net difference measure was developed by Wienk in the first national study of patterns of discrimination in housing. (Wienk, Reid, Simonson and Eggers, 1979) Yinger has argued that for some purposes the gross degree of discrimination is a superior indicator of deliberate acts of discrimination in analyses of some types of housing discrimination, but not all. (Yinger, 1991) This hypothesis is important for understanding the frequency of illegal or culpable acts of discrimination occurring. However, the most important reason for measuring patterns of discrimination is to measure the degree to which it constrains minority opportunities. For this purpose, the net difference remains the most relevant.

2. These confidence intervals were calculated by us from the Institute's reports. The confidence intervals for the Institute's Hispanic-Anglo tests in San Diego were 23.5 percent to 36.5



percent; in Chicago, the confidence interval was 32.8 percent to 51.2 percent.

3. Compared to Anglo males with apparently similar qualifications, in 1970 and 1980, black and Hispanic men and women had lower average earnings, and higher probabilities of unemployment, poverty and work in a dead end occupation. (James, 1984) In 1980, the average annual earnings of black males were 14 percent lower than those of an Anglo man with similar education, experience, disability status, time in Colorado, and so forth. The earnings gap was 10 percent for Hispanic males. This type of statistical research cannot prove that the gap is attributable to actual discrimination however. Earnings gaps could also be the result of unmeasured characteristics of workers, such as their educational quality or their cultural values and motivation.

4. The auditors were between 18 and 22 years old, and all were high school graduates or better. All had access to reliable transportation, and had to show a commitment to completing the project. Both high school graduates and college students were used. All audit teams had equivalent education levels, except for two teams in which the minority had some college and the Anglo did not, and one team in which the minority was a high school graduate and the Anglo had some college.

5. Members of a team approached employers individually. They coordinated their approaches, taking turns as to which went first. A test was regarded as complete and useful in the Hispanic test if both auditors were able

to reach the employer by telephone. All Hispanics had recognizably Hispanic names, so telephone contact enabled employers to distinguish between Anglo and Hispanic teammates. In the black test, a complete test required both testers to visit the employer. Such a personal visit was required to ensure that employers could distinguish the black from the Anglo teammate.

6. Discussions with the Institute field staff have convinced us that hiring methods used in Denver were generally equivalent to those used by the Institute. Because of the small sizes of the minority communities in Denver, general media like newspaper ads were less effective in generating minority applicants than they were in Washington, Chicago and San Diego. Minority organizations were a better source. In private correspondence, the Institute has argued that our minority and Anglo auditors differed because they were hired in different ways. This is not true. No auditors were hired through need based employment or referral programs in Denver.

7. To ensure equity, each team member earned the highest amount earned by either team member. This protected minority auditors from being hurt by potential discrimination by employers.

Both we and the Institute believed it our responsibility to the testers to prepare them for likely psychological difficulties when they encountered discrimination. We therefore trained our auditors to deal with patterns of discrimination which they might run into. Such training could also lead some



minority testers to look for discrimination and acquiesce in the face of difficulties. It could lead Anglo testers to behave in a more confident manner.

8. Analysis of audit results shows that both black and Hispanic auditors were more likely to contact employers than were their Anglo teammates. In the Black-Anglo test, for example, the black auditors made follow-up calls to 32 employers following the written applications; Anglos made such calls to only 16 employers. After personal interviews, the black auditors made 12 follow-up calls to the employers, while the Anglos made only eight. In the Hispanic-Anglo test, auditors initiated 21 follow up calls to employers after submitting a written job application, while Anglos initiated only five. Following personal interviews, the Hispanic auditors initiated eight follow up calls, and their Anglo teammates initiated only one.

The greater efforts by the minority auditors to contact employers may have been the result of the economic incentives offered them. The calls did not affect the overall results of the study, however. In the Hispanic-Anglo test, Hispanic and Anglo contacts with employers were equivalent in 115 of the 140 completed audits. Hispanic auditors were favored more frequently than Anglos, even when efforts were equivalent. In the Black-Anglo test, 108 cases showed equivalent numbers of contacts between the testers and the employers. In these 108 cases, Blacks and Anglos were each favored nine times. There is hardly any correlation between numbers of calls and audit

outcomes.

9. Multivariate logit analysis was used in the analysis. The dependent variables were dummy variables indicating which of the auditors were favored. Equations were estimated including and not including dummy variables identifying the individual audit teams. Seven of the eight equations had no statistically significant explanatory power. The single significant equation suggests that there were significant differences among the teams in the Hispanic-Anglo test. The Anglo auditor was more likely to be favored in one of the four teams than in the other three. A review of the performance of the teams in the Hispanic-Anglo audit offered no explanation of this finding. There was no apparent differences in the performance of the team. The logit analyses are available from the authors on request.

10. Indeed, the net probability of discrimination found in Denver's Black-Anglo test and in the Institute's findings for Blacks in Chicago are not statistically significant at even the 10 percent level. Therefore, there may not be real differences in the extent of discrimination in the two cities.

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# *African Americans and the Reconstruction of Social Policy: Culture, Discourse and Social Practice*

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This paper examines the problem and challenge of reconstructing U.S. social policy and the vanguard role African Americans must continue to play in this quest for a good and just society. It focuses on the need for critical intervention through conscious moral and political choice and resultant social practice. This means establishing common grounds and linking social policy reconstruction with overall social reconstruction through an ethical discourse and social practice directed toward the common good of social justice, human dignity and flourishing, and mutual respect and interdependence of peoples and persons in society.

## **Introduction**

**S**urely, one of the most urgent challenges and needs of our time is the reconstruction of U.S. social policy. Thus, the current debate about the future and shape of U.S. social policy is a critical one, for it has to do with shaping the vision and participating in the unfinished project of making the U.S. a just and good society. Historically, African Americans have played a critical role in setting the moral and progressive agenda for this country. They have launched, fought, and won with their allies social justice and human rights struggles that have not only benefitted them, but improved the quality of life and vision of possibility for society as a whole and especially for the marginalized (Franklin and Moss, 1988; Morris, 1984;

Pinkney, 1976). At this critical juncture in U.S. history, it is only fitting and proper that African Americans continue this vanguard role, and self-consciously and definitively contribute to the construction of a truly just and good society, free of the race, class, and gender constraints which impede its promise. For as Bell (1987) has pointed out, in spite of the elevated hopes of the 1960s, we are still neither saved nor safe from the ravages of raw and "refined" racism. Nor are we immune from the class and gender constraints on human freedom which soil and rip the social fabric and contribute to the ambiguity and undermining of the American promise of freedom, justice, and equality for all (Anderson and Collins, 1992). The



focus on social policy as both discourse and practice becomes an important means of continuing the struggle to complete unfinished tasks (Cruse, 1987; Jaynes and Williams, 1989). It also becomes a way to reshape the vision and character of U.S. society from one which is Eurocentric to a truly multicultural one. This process, however, begins with a critical assessment of the state of things now, of the obstacles to overcome, and the possibility of change inherent in society and of the social forces committed to progressive social change (hooks, 1989; Young, 1990; Hacker, 1992).

Since the late 1970s, the thrust toward the just and good society has been challenged, altered, even slowed by several factors. First, the foundations of such a policy which were achieved through centuries of social struggles which culminated in the 1960s have come under political and intellectual challenges from a resurgent right. The essential arguments made by the right are that federal government "interventions," formulated in the New Deal of the 1930s and pursued with some vigor in the Great Society of the 1960s, have been a bane rather than a blessing (Murray, 1984; Sowell, 1984; Freeman, 1981). Such interventions, it is maintained, not only sapped individual initiative but also merely enriched the Black middle class, created reverse racism, and somehow contributed to the fiscal crisis now plaguing U.S. society. These challenges, defined most often as neoconservatism, pose as plausible alternatives the return to policies rooted

in market considerations and rewards for individuals and not groups, severe cutbacks in social provision, less or no government intervention, and a society of formal opportunity rather than

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*"The focus on social policy as both discourse and practice becomes...a way to reshape the vision and character of U.S. society from one which is Eurocentric to a truly multicultural one."*

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one of substantive results.

A second factor shaping the debate on the direction and shape of U.S. social policy is loss of initiative and concessions to the resurgent right by a significant segment of the liberals. Certainly, some liberals continue to defend the legitimacy, ethics and "hidden success" of social provision policies (Schwarz, 1983) and call for "reviving the promise of opportunity in America" (Levitan and Johnson, 1984). But, a significant amount of liberals have accepted conservative critiques concerning the limits of government, the need to compel individual initiative and the necessity of cutbacks on social spending as essentially correct. This has, as Wilson (1989) notes, reinforced the strength of neo-conservative arguments which otherwise would certainly be more effectively challenged and carry less weight in a context of self-confident liberalism.

In addition to the broad demoral-



ization and disengagement of liberals, the future of social policy for a just society is also challenged by the "cleavage" in the African American community itself between the liberals and the conservatives (Watson and Smith, 1987; Karenga, 1986). Watson and Smith see this development as a result of Reagan administration policies, but the evidence seems to suggest otherwise. Cleavages, as they concede later, are already present in the intellectual and political history of African Americans. What causes this particular one to emerge so prominently, as I explain elsewhere (1982), is the historical exhaustion of the liberal posture, their loss of political patronage from a Democratic administration, the gain of patronage and push for conservatives from a Republican administration and thus increased media worthiness and focus because of this relationship. Such new black conservative strength, then, has not only added to the voice of white neoconservatives, but has also directly challenged the will, motives and values of Black liberal middle-class leadership. This poses a particularly critical problem for the African American community. For it has historically counted on a unity-in-diversity politics with liberal forces in the preeminent position to negotiate with the established order. The emergence of the neoconservative African American as a major dissonant voice in the social policy debate, then, challenges and erodes the cogency of the once preeminent claims, demands, and interpretations of social reality by liberal forces. Even worse, it has induced many to

concede, at least in part, some conservative contentions, especially their argument for a need to focus on internal pathology rather than social justice claims which they classify as avoiding responsibility for one's own oppressed plight (Loury, 1985; Patterson, 1973).

Fourthly, then, the social policy debate has been definitely conditioned by the subtle though certain shift from a predominant discourse on social justice--both within the African American community and larger society--to one of social pathology. This shift seems essentially unrecognized, but nevertheless has a devastating effect on African American leadership's ability and will to conceive and pursue social justice claims with the vigor and compelling sense of rightness so reflective of the 1960s. Instead, what one witnesses is defensive and diluted claims and responses which reflect a moral timidity and ideological uncertainty hardly conducive to victory and advancement.

Another factor which has conditioned the social policy debate is the sharp rightward turn taken by the Supreme Court as a result of Reagan's judicial appointments. In its October issue, the NAACP's *Crisis* magazine (1989:34) lists and analyzes six key rulings by the Court in 1989 which, if left "unchallenged and unchanged,...will drastically erode many of the legal underpinnings of civil rights progress." Among these are *Patterson v. McLean Credit Union* in which the Court ruled that the 1866 Civil Rights Act's ban on discrimination in making and enforcing contracts did not extend



to racial harassment; *City of Richmond v. J.A. Croson Co.* which dealt a severe blow to set-asides programs of public contracts for people of color; *Ward's Cove Packing Co. v. Antonio*, which put the burden of proof of discrimination essentially on the employee; and *Martin v. Wilks*, which allowed white

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*"...these victories which opened new opportunities for African Americans (as well as others) often camouflaged for many the unfinished tasks and led many middle-class African Americans to leave the black community for different-colored pastures."*

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males the latitude of initially refusing to participate in a discrimination suit and then years later to challenge whatever agreement was made. As the record shows, the Court cannot be relied on to protect civil rights or liberties given its clear rightward ideological tilt. Thus, corrective relief will have to come from Congress and state and local legislatures. And this means a long, multidimensional, and difficult struggle in the areas of public discourse and social practice.

A final problem shaping the social policy debate is the absence of movements similar to the ones in the 1960s. This means that not only is there no self-conscious broad-based unity-in-struggle thrust in the African American community, but also, there is no societal movement constructed out of liberal and progressive coalitions and

alliances dedicated to social change toward the just and good society. Certainly, the Rainbow Coalition, led by Jesse Jackson, is noteworthy in its attempt to reconstruct such a progressive multicultural movement (Collins, 1986). But it is only at its beginning stage and must achieve a clearer theoretical focus, an increased structural strengthening, and a heightened level of practical engagement if it is to live up to its obvious promise (Marable, 1992: Chapter 7). There is abundant literature on the causes of the decline of progressive multicultural alliances and coalitions which include: the erosion of the black-Jewish coalition; the moral fatigue and political conversion of erstwhile liberals looking for less taxing tasks; the resurgence of racism which discolored discourse on social justice and found renewed faith in blaming the victims for their own plight; and the tendency toward social fragmentation and the evolution of single-interest politics at the expense of politics of common ground for the just and good society.

Too little has been written about the causes of the decline of the black movement with its dual thrust of civil rights and black power. It is clear however, that this movement, too, became historically exhausted in its civil rights form and could not renew itself ideologically or institutionally. This, in part, was due to the fact that its hard-won victories tended to undermine not only its original fervor and ideological focus, but also its institutional capacity to consolidate and expand its gains. For these victories which opened new



opportunities for African Americans (as well as others) often camouflaged for many the unfinished tasks and led many middle-class African Americans to leave the black community for different-colored pastures. This, in turn, created a brain and resource drain and weakened the community's institutional capacity to define, defend, and pursue its interests and effectively solve its internal problems (Wilson, 1989). The black power movement was likewise decimated by the U. S. government Counter Intelligence Program (COINTELPRO) attacks on its leadership and organization; the defection of some of its members to various other ideologies; its failure to build sufficient permanent institutions that housed and advanced its aspirations; and its ongoing inability to achieve and maintain the united front for which it, as an article of faith, constantly calls (Karenga, 1982:139ff; Pinkney, 1976).

In conclusion, then, the social policy process is marked by a series of conditions and processes which pose a difficult and demanding challenge for those who wish to reconstruct it. In fact, the balance of forces appear, at this point, to many to be weighted against the quest for a just and good society, conceived and pursued on common grounds. But inherent in the history and culture of the African American community and other Third World and progressive peoples of this country, are grounds for both hope and challenge. Indeed, the holocaust of enslavement represented a more bleak and tundra-like condition for change, as did the post-Reconstruction and pre-

civil rights movement periods. And yet building on its own ancient ethical and political heritage of social justice and struggle, and challenging U.S. society to live up to its best ideals--and even go beyond them--the African American community with its allies radically altered these conditions of oppression and expanded the areas of freedoms and justice in society. Thus, African Americans must draw inspiration and lessons from these critical struggles and resume their historic role of moral and progressive vanguard.

### **Philosophical Grounding**

#### Redefinition of the Project

**W**hat is required, then, is creative intervention to reconstruct social policy which does not simply respond to the moralistic charges of neoconservatives, but rather to the ongoing demand for social justice and the ultimate objective of a just and good society. This process of intervention, of necessity, begins with a correct definition and conception of social policy itself. In this paper, social policy is defined as a complex set of choices and practices instituted to share wealth and power. Often, social policy is referred to simply as "social provision," but it is better conceived as a fundamental aspect of an overall process of social reconstruction. For the set of choices and resultant practices which aim at sharing wealth and power in a real and radical sense require and lead to social reconstruction. The key elements of real and effective social



policy, then, are *choice* and *practice*. In fact, it is definite choices and definite practices rising out of those choices which have shaped U.S. history and have both provided opportunity for and obstacles to justice, human dignity, and social possibility based on race, class, and gender. Thus, as Hoschchild (1989:146) asserts, "Much of American history can be read as a set of political choices that created and consolidated racial, ethnic, and gender disparities in wealth and power." And these choices were moral and political: from the holocaust of enslavement against Africans, genocide against Native Americans, exploitation of Mexicans and labor, racist internment of Asians, and ongoing oppression of women, to elevating profit over environmental protection and precarious military posturing over homes for the homeless and national health care. The challenge, then, is to initiate a public discourse and social practice which begins to reconstruct both social policy and society itself so that both choices and practice will become more moral and reasoned. Therefore, again the linking of social policy to social change is unavoidable. For the call and thrust to change a negative policy is, at the same time, an unavoidable call to change the social conditions which gave rise to and sustain that policy. And a call to initiate a new policy is, at the same time, a call for conditions that make it both acceptable and sustainable.

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The Necessity of Cultural  
Rootedness

Creative intervention to achieve a progressive reconstruction of U.S. social policy also requires that African Americans be rooted in and respectful of their history and culture with its stress on social justice and struggle for

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*"...the call and thrust to change a negative policy is, at the same time, an unavoidable call to change the social conditions which gave rise to and sustain that policy."*

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the just and good society. African culture, both on the continent and in this country, carries within it a rich, ancient, and current legacy of ethical teachings born of both fruitful thought and difficult struggle. Speaking of this ancient legacy, Mary McLeod Bethune (NEA, 1974:18) taught that "we are heirs and custodians of a great civilization" and that we must bear the burden and glory of this history with strength, dignity, and determination." At the core of this history and culture is the profound and enduring stress on and struggle for social justice and the just and good society that reaches back to the classical African civilization of Egypt. Here we find a social ethics based on the principle of Maat (Truth, Justice and Righteousness) that pre-date, parallel, and in some cases, serve as a source of Judeo-Christian and



Greek ethics (Karenga, 1989; Bernal, 1987; Diop, 1982; Breasted, 1934).

Among these ethical values which should be reaffirmed in philosophy and practice is a social justice which gives preference to the poor and vulnerable. For as the texts teach, one is obligated to give "food to the hungry, water to the thirsty, clothes to the naked, and a boat to those without one" (Karenga, 1990, 1989, 1984). Moreover, one should be a father and mother to the orphan and a husband and help to the widow without exploiting either. The elderly and disabled are also to be cared for and respected; the weak should be protected from the strong; and justice should be given to all, "those with riches and those in rags." Likewise, the Maatian ethical tradition poses moral leadership as an obligation, and as an inspiration and instruction for the people. In the Book of Khun-Anup, the oldest social justice text, the leader is instructed to "speak justice and do justice, for justice is for eternity." And in the Book of Kheti, it states that the leader should speak truth and do justice for "righteousness is fitting for a ruler" in that it serves as a moral example for the people and creates a moral community beneficial to all (Karenga, 1984:31ff; 50ff).

Moreover, African culture—continental and diasporan—has other values which have served as strengths in the historic struggle for a just and good society. Most of these values fit within the communitarian philosophy and ethos which frame and inform African culture (Asante, 1989; Gyekye, 1987:129ff). One such value is *Ujima*

or collective work, care, and responsibility. This normative tradition of shared work, concern, and responsibility is a social and ethical antidote against vulgar individualism, social and human alienation, and the incivility and antagonism which mark so many societies. Freedom and justice in this tradition is not a question of isolated individual rights or ascension without

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*"...it has been a collective and cooperative ongoing project to overcome social constraints which penalized and disadvantaged us as a group in the U.S., and which limited the community and its members' capacity for solidarity and human flourishing in ancient Africa."*

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care or concern for others. On the contrary, it has been a collective and cooperative ongoing project to overcome social constraints which penalized and disadvantaged us as a group in the U.S., and which limited the community and its members' capacity for solidarity and human flourishing in ancient Africa. Thus, freedom becomes a process of persons-in-community acting with shared initiative and responsibility to collectively conceive and achieve a social context for maximum social solidarity and human flourishing (Gyekye, 1987; Wright, 1984). The communitarian spirit and philosophy of African culture, then, should serve as a framework for con-



ceiving and pursuing the good and just society, a society of reciprocity, mutual care and concern, and collective work and responsibility for all essential tasks.

Fundamental, also, to the African American contribution to the reconceptualization of social policy are both the values and the vision of society shaped in the process of struggle. This difficult and historic struggle not only reaffirmed the importance of various African cultural values, but also taught the importance of dedication, discipline and sacrifice, organization, operational unity, and struggle, itself, to achieve the just and good society. The lives and lessons of Harriet Tubman, Nat Turner, Marcus Garvey, Gabriel and Nana Prosser, Anna J. Cooper, Ida B. Wells, Henry McNeal Turner, Mary McLeod Bethune, Malcolm X, Fannie Lou Hamer, Martin Luther King, Jr., Ella Baker, et al. are awesome testimony to the kind of values necessary for sustained and effective struggle (Franklin and Meier, 1982). Thus, in these histories, we find models of struggle, of leadership, and of human possibility we can ill-afford to overlook. Their stress on unity, self-determination, collective work and responsibility, shared social wealth, purpose, creativity and faith, as well as other values cited above, reflect both ancient cultural values as well as values forged and reaffirmed in struggle. They, therefore, offer a rich source for constructing and pursuing the social policy project and merit critical study and appropriate application.

### Establishing Societal Common Ground

In addition to drawing from cultural values and practices rooted particularly in the African American experience, it is also important to find common ground with other progressive forces in the larger U.S. context. U.S. society is, in spite of its current Eurocentric orientation, a multicultural, ongoing, unfinished project. The multicultural character and promise of the project requires that the reconstruction of social policy be a multicultural process. This does not mean that African Americans should play a less important role in this conceptual and practical reconstruction. On the contrary, it means that if they are to effectively play their historical vanguard role, they must be, more than ever, sensitive and attentive to the multicultural concerns and evolving character of society. This requires that they take the lead in insisting that race, class, and gender, as well as culture, be recognized not simply as issues, but as fundamental aspects of social reality. Thus, attention must be paid to giving voice and power to the many peoples who make up this multicultural society, especially the marginalized groups: people of color, women, the poor and vulnerable, the disadvantaged and disabled (Young, 1990).

It is in the pursuit of this inclusiveness that social policy becomes a process of conceiving and achieving the common good. As Jackson (1989:14) contends, "The greater good is the com-



mon good," a "good beyond personal comfort and position." It is a good created out of the common aspirations of the many peoples, many cultures who share this society and want the best context for human freedom and flourishing and are willing to cooperate in order to achieve it. Jackson poses a "rainbow" or "quilt" analogy, a reality composed of various and different parts creating a beautiful whole.

Such a conception must, of necessity, reject both the melting pot myth and the myth of universality. The

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*"[B]oth (the melting pot myth and the myth of universality) denied the value of the various human cultures and eurocentrically subsumed them under the category 'nonwhite' which was often equated with nonhuman, since 'white' was the human paradigm and social power."*

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former has meant, in both conception and practice, coercive Eurocentric homogenization and the latter, the reduction of the rich variousness of humanity to the white male masquerading behind the category "Man." Under any circumstances, both denied the value of the various human cultures and eurocentrically subsumed them under the category "nonwhite" which was often equated with nonhuman, since white was the human paradigm

and social power. One must also be on guard against the tendency by the established order to manipulate multiculturalism so that it too subsumes particular cultures and peoples into one convenient category like "minorities" without adequate respect for their differences and uniqueness. Moreover, care must be taken that this category, multiculturalism, and its ceremonies and symbols, do not become a diversion from the actual practice of sharing wealth and power, of appropriate representation and position in the political, economic, cultural, and educational life of society. It is one of the ironies of history that struggles for freedom are often co-opted, redefined, and redirected so that righteous rage is reduced to sterile ritual, and the pursuit of power is reduced to acquisition of symbolic positions.

In addition to multiculturalism or pluralism, as it is often called, several other principles are key in the search for common ground. The first of these is the respect for the dignity and worth of the human person. This means commitment to creating and sustaining a society which is truly a context for maximum human flourishing. Such a society, the just and good society, must be attentive to and protective of human rights — political, economic, and cultural. These include freedom, material and physical well-being, and the right to participate in the politics, culture, and economics of society in a meaningful and substantive way. It means, then, that a moral and democratic culture must be achieved, one in which the laws are carriers of an el-



evated morality of reciprocity rather than simply elaborate codes of adversarial arrangements. Common ground requires building on the best of U.S. normative tradition, not on the least taxing.

A social policy concerned with achieving a just and good society based on common ground must also build on the civic virtue tradition of the U.S., outlined by Sullivan (1986:215). It is a tradition of voluntarism and cooperation, a tradition with "a vision of political life that begins not with self-interest but with the moral culture of justice, dignity, and fellowship." Such a vision parallels and reinforces the ancient African tradition of posing politics, not as a process of conflicting interest groups vying for key values and producing zero-sum solutions, but rather as an *ethical vocation* to create the just and good society. The classical African writing of Egypt points to such a vocation based on Maat (Karenga, 1989). It is an ethical vocation of shared responsibility in creating and sustaining a quality of life beyond individualistic creature comforts, competitive success as the measure of personal worth, and private economic betterment as the negation of a shared public life of mutual benefit. This requires a social policy and practice of social interdependence as opposed to zero-sum competitiveness based on race, class, and gender or individualistic conceptions of the good (Barber, 1984).

This democratic culture proposed here must, as Sullivan (1986:224) cogently argues, involve the democrati-

zation not only of the political sphere, but also and equally important, the economic sphere. With corporations playing such a key role in the economic and political life of U.S. society, democratization of our economic institutions is key to finding and sustaining common ground, and a democratic

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*"...a society that cannot solve its problems cannot survive its problems."*

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and moral culture. For the process of decentralization and public participation in the ownership and control of these giant economic organizations would not only give those on the margin a vital role in the reconstruction of social policy and society, but it would contribute to the cooperative discourse and work necessary for the just and good society.

Focus on society as a community of communities is also key. This is a reaffirmation of the need for a communitarian ethos in society as discussed above. The problem of U.S. society is not simply economic and political, but also cultural. We have created a culture of alienation and antagonism along race, class, and gender lines. Now, as Jackson (1989:12) posed it in his discussion of the struggle for common ground, "We meet at a crossroads, a point of decision." And the question is: "Shall we expand, be inclusive, find unity and power—or shall we suffer division and impo-



tence?" It is clearly a tremendous, even awesome task, to attempt to build community in society with its deep divisions and diversity. But as Jesse Jackson, Martin King, Jr., Mary Bethune, and Anna Cooper and others have argued, our survival as a society requires it. For a society that cannot solve its problems cannot survive its problems. And a society that cannot create community based on justice, mutual respect, and reciprocity cannot be truly free. For in the absence of consensus, it will rely on force and deception to patch up and pull together its torn and soiled social fabric. Real consensus must be rooted in a democratic and moral culture that recognizes and respects the human person and the particular community or culture from which s/he comes. It must defend and encourage peoples' right and responsibility to speak its own special cultural truth and make its own contribution to the forward flow of societal and human history.

It is important to stress at this point the indispensability of African Americans' practicing the value and virtue of self-determination to avoid vulgar engulfment by the worst of U.S. culture. It is Malcolm X (1965) who argued most cogently that "mainstreaming" could be a debilitating, even fatal practice. He argued against integrating into a "burning house" or "sinking ship" or equally negative, a society corrupted by contradictions corrosive to its social and moral fabric. The logic of this posture is that it defines the mainstream as a polluted pool, polluted by contradictions of race, class,

and gender and thus, negative to human flourishing. The challenge, then, is not to integrate in the so-called "mainstream" polluted by race, class and gender bias and oppression, but rather to struggle to create an *ocean of opportunities* in which all peoples and persons can flourish.

For African Americans to practice this kind of self-determination, it is, again, important that they respect the lessons and legacies of their own history and culture. Recognizing the seductiveness and yet the ambiguity of the "American dream," they must critically extract and build on the best of U.S. ideals like King (1964) and Bethune (NEA, 1974), but be immune

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*"The challenge, then, is not to integrate in the so-called "mainstream" polluted by race, class and gender bias and oppression, but rather to struggle to create an ocean of opportunities in which all peoples and persons can flourish."*

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through critical reflection and historical memory to its ideological and material seduction as were Ida B. Wells (1970) and Malcolm X (1965, 1968). Thus, the proper respect of African culture and history must not only include the values and practices discussed above, but also the contribution African Americans have made to reformulating the vision of U.S. society. This means that they must build not simply



on the ideals of the "founding fathers," but even more on the ideals shaped and evolved in the crucible of social struggle for a just and good society. For we have through historic struggles against the holocaust of enslavement, racism, classism, and sexism, laid a promising basis for a just and good society which

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*"Frederick Douglass' dictum, 'Without struggle there is no progress,' remains real and relevant to our historic quest."*

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the "founding fathers" could not have imagined, constrained as they were by their race, class, and gender bias. Our struggle, then, has been and remains a key one, given our social location at the bottom of the race-class hierarchy in the U.S. Therefore, we are a people who cannot free themselves without freeing the context which constrains them, a people at the bottom whose rising raises all others and lays the basis for a higher level of human life. As opportunities-through-struggle were expanded by us, then, the very concept and practice of freedom, justice, equality, pluralism and other key values were fundamentally changed. Freedom was no longer a white, male, ruling-class or middle-class concept and right. Rather, it became a practice and promise open to all, an ongoing project to maximize the context and consciousness for human flourishing. Likewise, "tolerance" is no longer an adequate category to suggest desired relations with different others in a plu-

ralistic society. Instead, "mutual respect" becomes both the most effective and morally grounded way to create and sustain the just, good, and multicultural society.

We realized early that law must mean more than the right of the ruling race/class raised to sacred observance by the force of arms. It had to be the carrier of an elevated morality free of the fundamental biases we later identified as race, class, and gender. And we realized that, as Supreme Court Justice Thurgood Marshall suggested, the Constitution is little more than a dusty document of ritual reference, if we do not make it alive with ongoing challenges to expand beyond its original, race, class, and gender bias. Thus, our struggle has always included both an initiative for internal change and construction, as well as an ongoing thrust to make government and society more responsive and responsible to the demands of a just and good society (Committee on Policy for Racial Justice, 1987).

Moreover, our struggle and its ongoing achievements reaffirm that U.S. society is not a white society, but a multiracial, multicultural society. It is not of, for, and by the ruling class nor even the middle class, but rather of, for, and by the people as a whole. Nor is it a society for males only, but rather a cooperative project of male and female as Anna J. Cooper (1892) so eloquently and cogently argued at the turn of the century. And finally, it is not a finished project, sealed in centuries-old arrangements of a group of aristocratic white farmers; it is an on-



going project which is being shaped anew each day and year in the various struggles for a just and good society. Thus, it is this conception of U.S. society as an ongoing unfinished multicultural project which must inform and inspire our thrust to shape a new social policy which leads toward and facilitates the quest and achievement of this historical project.

### **Summing Up and Reaffirmation**

#### The Imperative of Struggle

**T**he above contentions concerning the reconstruction of social policy in the quest for a just and good society of necessity depend on struggle or as John Jacobs (Dewart, 1990:1-8) puts it, pursuing the "unfinished struggle." Thus, Frederick Douglass' (1975:437) dictum, "Without struggle there is no progress," remains real and relevant to our historic quest. The struggle, of necessity, will be a multi-dimensional one. It will be first for multiculturalism which is not simply a recognition of the character of U.S. society and the world, but also of the need for an expanded human exchange. It will mean creative challenge and richness of human resources growing out of diversity. And it will mean providing space, position, and resources for the development and expansion of such a context and process.

The struggle will also produce and sustain an ongoing and constantly renewed discourse, born of civility, persuasion, and mutual respect and shared

aspirations for a just and good society. As Sullivan (1986:xi) has pointed out, "A living culture is a conversation in many voices, often conflicting about a common way of life and destiny." Moreover, such a discourse must evolve a vision of social welfare void of the bifurcation of social security and poverty welfare, the legitimate and illegitimate dichotomy which marks and undermines U.S. society's commitment "to promote the general welfare" (Weir, et al. 1988). Likewise, the discourse must also shift away from emphasis on the supposed social pathology of the victim, and back to their rightful claim to social justice (Karenga, 1986) and the reorganization of the economy (Wilson, 1989). This active process of struggle will raise new questions and requires new solutions even as it confronts and solves old ones. It will create and sustain a pluralistic discourse which enhances political participation in discussions and decisions about how and why we shape the social agenda. It will develop reflective and practical skill in determining and pursuing the common good. And it will place members of society in a context of exchange and cooperation which cultivates mutual respect and a sense of mutual interdependence in shared social space.

#### Ethical Sensitivity and Grounding

Also, key to reconstructing U.S. social policy is imbuing it with a greater ethical sensitivity and grounding, both in terms of fellow humans and the environment. It is urgent that we cre-



ate a social policy which reflects and encourages a reasoned and practical basis for an ethics of equality, justice, mutual respect, care, and cooperation (Boxill, 1984; Blum, 1988; Okin, 1989). The achievement of such an ethical sensitivity and grounding "can no longer be entrusted to market forces unguided by political commitment to the general welfare" (Sullivan,

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*"...we must construct and evaluate social policy and all we do as a community and society in terms of how it affects human life and development, how it helps or hurts people, whether it promotes or diminishes social justice and strengthens or weakens respect for the dignity and worth of the human person."*

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1986:34) In fact, "any future improvement in the status of the less advantaged and even the maintenance of social decency will require conscious political resolution" and that political resolution and commitment will and must of necessity be *morally grounded*.

Social policy decisions have human consequences and thus, moral implications (Rein, 1986; Regan and Van Devere, 1983). Given this, the fundamental criterion for all social policy and the social practice and institutions that evolve from them must be their value to the human person, especially to the most vulnerable, i.e., the

poor, disabled, elderly, children. Thus, we must construct and evaluate social policy and all we do as a community and society in terms of how it affects human life and development, how it helps or hurts people, whether it promotes or diminishes social justice and strengthens or weakens respect for the dignity and worth of the human person. The ideal and task, then, is to shape a just and good society, a society which speaks truth, does justice, and respects above all the rights and dignity of the human person-in-community in the best of human tradition and culture.

An ethics of cooperative exchange to discover, sustain and expand the common good must also eventually confront and reject the vulgarly individualistic ethos of U.S. society (Macpherson, 1962; Sandel, 1982). It is clearly an antiquated and conceptually inadequate philosophy rooted in an expansive capitalism which imagined itself eternally productive but which now finds itself unable to achieve the universal improvement through the contention of self-interested parties which it promised. The abstraction of the individual from community and society, disguises the fact that the social context is also a moral context and that social relations are ultimately moral relations. Thus, social agendas and social policy must be concerned with the moral quality of the social relations they create and sustain. And the competitive economy as an ideal must be challenged by the cooperative economy as an ideal. Moreover, human fulfillment can no longer be posed as the



pursuit and acquisition of material abundance in itself. Progress and productivity must also be judged by the quality of life they engender and sustain, and how they contribute to the protection of human dignity and human rights.

Therefore, productivity is essential, but it must be guided by moral standards. It cannot pose unacceptable threats to humans and the environment and be for profit as opposed to the fulfillment of basic human needs. It must, then, be judged by its impact on the quality and availability of employment, the quality and sense of community and the quality and level of participation without restriction by race, class, and gender and the quality and sustainability of the environment. The achievement of a just and good society implies and requires, then, the achievement of a moral society, a moral culture of justice, equality, human dignity, and cooperation. It suggests a culture of social interdependence rather than competitive individualism; of vital participation of all rather than marginalization of the vulnerable; of shared responsibility for the good society rather than individual pursuit of various self-interest satisfactions.

And again, democratic and moral culture means the democratization and moral grounding not only of political life but also economic life. In a word, economic democracy is the indispensable complement to political democracy, for political rights without the economic capacity to use or enjoy them is a mockery, a procedural palliative which masks a substantive incapacity.

Charity is no substitute for justice and justice is above all shared social wealth and power and the right to participate fully in decisions that affect one's destiny and daily life.

#### The Problem of Compromise

Finally, the struggle requires allies finding common ground in pursuit of the common good. And Wilson (1989, 1987) is correct to argue for the need to make the agenda both universal and group-specific. Likewise, the Con-

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*"U.S. political culture shows preference for the pragmatic over the moral, the feasible over the right, and the saleable over the just in both its discourse and practice."*

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gressional Task Force on the Future of African Americans (1989:3) is correct in maintaining its "report on the future of African Americans is about the future of all Americans, for whatever happens to African Americans will in some way happen to all Americans, and whatever benefits African Americans will ultimately benefit all Americans as well." This reasoning is not only sound morally and politically, but it also contributes to its success by constructing and projecting common ground. But the future development of the argument by both Wilson and the Task Force poses an important problem: i.e., the tendency to separate the moral from the politically feasible or possible.



Such a separation of the moral and the political is at least hinted at in Wilson's "hidden agenda" strategy. "The hidden agenda for liberal policy makers," he states, "is to improve the life chances of truly disadvantaged groups such as the ghetto underclass by emphasizing programs to which the more advantaged groups of all races and class backgrounds can positively relate." (1989:155) If this simply means "find common ground," there is no real problem. However, if it means disguising the real and greater needs of the poor and vulnerable and offering the advantaged groups similar public welfare and concern, it raises serious moral questions. In other words, the question is: do we cater to the advantaged groups' insensitivity to issues involving the poor and vulnerable by disguising or hiding our real agenda and offering them similar benefits, or do we challenge them to grow morally and recognize and respond positively to the priority of the poor and vulnerable?

It is one thing to find common ground by showing links and interrelatedness, as I think Wilson is actually suggesting. But it is another thing and contradictory to a moral social policy and agenda to cater to advantaged groups' self-interest and share with them a welfare and care they do not need and which will further impoverish and disadvantage the poor. Tax reform that speaks of a standard tax may appeal to the rich and well-to-do, but it is no advantage and causes much harm to the poor. The need, it would seem, is to be cautious in both conten-

tions and practice which could lead to further disadvantaging the poor and vulnerable under the guise of helping them and reinforcing the prejudices, power, and privileges of the advantaged in order to win their support. Both are morally unacceptable and do not prefigure or make possible the just and good society we seek to bring into being.

The task force poses a similar, yet different problem in its choice to state, "It is no longer a matter of justice or morality for African Americans to be fully educated for participation in the American economy, but a matter of national security" (1988:38). Certainly, the statement could be improved with the word "just", i.e., it is no longer "just" a matter of justice or morality. And perhaps, the authors meant just that. But as it stands, it does raise an important consideration. For again, it tends to divide the moral from the political. And it tends to do this for two basic reasons: a) to appeal to the vulgarly pragmatic interests of the U.S. public, and b) because it reflects and is rooted in the self-interested pragmatism which it seeks to cultivate and convince. In other words, U.S. political culture shows preference for the pragmatic over the moral, the feasible over the right, and the saleable over the just in both its discourse and practice. Thus, it appears only correct, "realistic," and "rational" to speak in the language of the courted audience.

In one of his lectures at Harvard, however, Malcolm X (1968:133) opposed such reasoning, arguing that the logic of the oppressed cannot be the



logic of the oppressor and that the oppressed needs to develop a new language and logic of liberation. This, he argued, is necessary if real liberation, rather than inadequate reform, is the goal. The political problematic of morally sensitizing the advantaged is an undeniable one. Likewise, the project is admittedly a long-term one and solutions are needed now. But the

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*"In the final analysis, the question can be reduced to this: does one achieve the just and good society by specious "white lies" or by speaking truth, and challenging ourselves and others to do justice?"*

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question is whether in constantly choosing the pragmatic and feasible over the moral and difficult, we don't, in the end, erode and eventually undermine the moral basis necessary for a truly just and good society? If we hide our agenda which gives priority to the poor and vulnerable, and frame it in language that caters to the vulgar self-interest of the advantaged, we reinforce a moral immaturity and insensitivity that becomes progressively more difficult to penetrate. In such a context, not only is there no genuine desire to share social wealth and power, but also an aggressive desire to make the social agenda a purely class and/or personal one emerges. In fact, this is already reflected in the neoconservative attacks on programs for the disadvan-

tagged and the specious moralistic arguments they have constructed to camouflage a profound social meanness and a transparent race, class, and gender bias (Karenga, 1986). In the final analysis, the question can be reduced to this: does one achieve the just and good society by specious "white lies" or by speaking truth, and challenging ourselves and others to do justice?

Cabral (1969:86) has argued that in the struggle for real liberation, we must "mask no difficulties, tell no lies and claim no easy victories." This, he argues, is important because one should not be deluded about the protracted and difficult character of the liberation struggle. Secondly, it is because, he argues, a struggle must prefigure the just and good society it wishes to bring into being. And thirdly, the struggle itself is not simply to change society but also ourselves and others, or as Fanon (1966:252ff) maintained, to bring into being a new man, and woman, as well as a new world. And this cannot be achieved, if we mask our true goals and vision of the just and good society and become so engulfed in our disguise it deforms us and our project and thus reinforces the negation of freedom and justice we seek to overcome. The challenge is admittedly great, but so are the demands of our history and the promise of a truly human future, freed from want, toil and domination and supportive of maximum human flourishing. Therefore, we are, as a people, challenged by the rich legacy and lessons of our history which command our community, "to bear witness to the truth and set the



scales of justice in their proper place among those who have no voice.” (Karenga, 1990:78) This we must do, conscious of the fact as our ancestors taught, that “every day is a donation to eternity and even one hour is a contribution to the future.”

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# *Blacks and Coalition Politics in the 1990s*

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This paper argues that black leaders ought to develop a new political strategy for the 1990s that combines discussions of persistent black disadvantages with reminders about the accomplishments of the civil rights movement. This strategy should also openly acknowledge the need to emphasize strongly race-neutral programs to fight social inequality for two reasons: (1) to address more effectively the problems of the less advantaged blacks, and (2) to generate essential political support among whites who would appreciate that such programs are not exclusively for minorities.

**D**uring the past ten years I have been concerned that many black intellectuals and leaders of civil rights organizations have fallen into a habit of dramatizing black disadvantages to the degree that they have missed the significance of the selected racial changes that have occurred since 1970. In the 1960s, efforts to raise the public's consciousness and conscience about the plight of black Americans helped to create civil rights legislation and affirmative action programs. However, we live in a different period today and I feel that a single-minded focus on black woes played easily into the hands of conservative critics of government efforts to reduce racial inequality. In other words, it reinforced the errone-

ous impression that federal anti-discrimination initiatives had been largely unsuccessful.

I strongly feel that there ought to be some recognition that the torturous struggles of the 1960s paid off to some extent—that activism resulted in some measurable positive change. Otherwise, demoralization among both black and white advocates of racial justice could set in, and an increasing number could come to believe, as do many other Americans, that “nothing really works” when dealing with the problems of race. I am of the opinion, therefore, that the movement needs a new political strategy for the 1990s—a strategy that would combine discussions of persistent black disadvantages

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with reminders about the accomplishments of the civil rights movement; a strategy that would openly acknowledge the need to move beyond race-specific solutions to address many of the problems that originated from racial practices.

As we entered the 1980s, the accomplishments of the civil rights struggle could be seen, for example, in the greater number of blacks in professional, technical, managerial, and administrative positions; the larger enrollment of blacks in colleges and universities, and the higher number of black home owners—increases that were proportionately greater than those for whites. On the other hand, it was also apparent that some problems among the more disadvantaged segments of the black population, especially those in inner-city ghettos, appeared to be getting worse, including the concentration of poverty, joblessness, family breakup, educational retardation in public schools, welfare receipt, crime, and drug abuse.

These problems are perhaps most clearly reflected in the figures on poor black family income. The number of blacks who fell into the “poorest of the poor” category—those with incomes under half the poverty line (below \$4,528 for a three-person family in 1987)—increased, after adjusting for inflation, 69 percent from 1978 to 1987. Whereas only one of every three poor blacks fell below half the poverty line in 1978, nearly half (45 percent) of all poor blacks did so in 1987. Moreover, whereas poor black families fell an average of \$4,472 below the poverty

line in 1978, after adjusting for inflation, they fell an average of \$5,179 below in 1987. The average poor black family in 1986 and 1987 slipped further below the poverty level than in any year since the Census Bureau started collecting such data in 1967.

Moreover, as shown in Table 1, the average income of the lowest fifth of black families in the United States fell 24 percent between 1978 and 1987, from \$5,022 in 1978 to \$3,837 in 1987, after adjusting for inflation. Likewise, the average income of the second fifth and of the middle fifth declined by more than \$1,000 from 1978 to 1987. However, during the same period, the average income of the highest fifth of black families increased by more than \$3,000 and that of the top 5 percent by almost \$9,000. Although upper-income whites are considerably wealthier than upper income blacks, the highest fifth of black families secured a record 47.4 percent of the total black income in 1987 compared to the 42.9 percent share of total white family income received by the highest fifth of white families.

In the decade of the 1990s, it is important to recognize the differential rates of progress in the black community and to understand why they have occurred in order to appreciate the steps that have to be taken to improve the life chances of those who are truly disadvantaged. On the one hand, black leaders and black policy makers ought to acknowledge the progress that has occurred, emphasize the accomplishments of the civil rights movement, and continue to affirm the importance



Table 1

## Average Income of Black Families by Income Group

	1978*	1986*	1987	1978-87
Lowest fifth of families	5,022	4,014	3,837	-1,185
Second fifth	11,329	10,389	10,115	-1,214
Middle fifth	19,038	18,416	18,020	-1,018
Fourth fifth	29,550	29,749	29,181	-369
Highest fifth	51,858	55,484	55,107	+3,249
Top 5 percent	71,947	82,636	80,917	+8,970

\*Adjusted for inflation to 1987 dollars.<sup>1</sup>

of race-specific programs. On the other hand, they need to recognize that a strong emphasis on race-neutral programs to fight social inequality is now needed for two reasons: (1) to address more effectively the problems of the less advantaged blacks, and (2) to generate essential political support among whites who would appreciate that such programs are not exclusively for minorities.

In the ensuing sections I shall establish the case for these arguments beginning first with a discussion of why I believe that an understanding of the nature of the selective changes in the black community since the mid-1960s helps to appreciate the need to stress coalition politics and race-neutral programs in the 1990s.

### Civil Rights Protest and Changes in the Black American Community Since the Mid-1960s

**B**efore the emergence of activists, the black protest movement's important victories in the drive for civil rights were achieved by professionals of the National Association for the Advancement of Colored People (NAACP) who worked mainly through the controlling legal channels. Prior to 1960, the NAACP publicly defined the racial problem as legal segregation in the South, and established as its major goal, popularized by the slogan "free by 1963," the elimination of all state-enforced segregation. The NAACP won a significant number of cases in the Supreme Court that produced laws



designed to improve the conditions of black Americans. The most important victory, of course, was the 1954 Supreme Court decision against mandatory school segregation which overturned the "separate but equal" doctrine established by *Plessy v. Ferguson* in 1896 and formally and authoritatively defined blacks as first-class citizens.

Although these victories were important and necessary in the drive for civil rights, it soon became apparent that they were not sufficient because many white Southerners ingeniously circumvented the new laws and thus frequently prevented their implementation. Such behavior made it apparent to black leaders that both the problem and the goal had been defined too narrowly. These sentiments resulted in a new definition of the problem—token compliance to the newly created laws—and a corresponding new goal—the elimination of both de jure and de facto segregation. Nonetheless, despite southern white resistance, black expectations for continued racial progress had been heightened not only because of the decisions rendered by the Supreme Court in favor of desegregation but also because of the United States government's growing sensitivity to world opinion of its racial situation and the increased voting power of blacks in national elections.

The new African regimes broke up the old colonial empires and significantly altered international politics, as both Western and Eastern countries competed for the support of the new states. Racial violence and animosi-

ties in the United States therefore were embarrassing to federal government officials. Southerners, who enjoyed a significant degree of self-determination in handling their racial situation prior to World War I, were subjected to closer federal government scrutiny in the post-war period.

In addition to international pressures, the unwillingness of the federal government to remain relatively indifferent to the South's racial practices was in no small measure due to the increased voting power of blacks in national elections. The black vote has been used as a form of political pressure for decades. Since the elections of the 1920s, the voting records of congressmen and the actions of presidents have been monitored by blacks in order to identify their political adversaries.<sup>2</sup> The lure of the black vote has often prompted the promises of politicians to work for racial equality, as did the Democratic and Progressive candidates of 1928. At other times, politicians have granted token concessions in the hope of preserving or gaining black support, as did President Franklin D. Roosevelt in 1940 when he took steps to increase black participation in the the armed forces within a segregated context.

It was clear by 1940, that the black vote was substantial enough in pivotal northern states to decide close national elections.<sup>3</sup> In fact, President Truman, overwhelmingly picked by political observers to lose the presidential election to Governor Dewey of New York, recognized that he could not possibly defeat his Republican opponent with-



out the strong support of black Americans. For the first time since Reconstruction, the status of blacks was a central issue in a presidential campaign, and much to the chagrin of its southern members, the Democratic Party in 1948 adopted a civil rights plank as part of its party platform. That same year, President Truman issued an executive order banning racial segre-

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gation in the armed forces—satisfying a demand originally introduced by black leaders in 1940. Such action proved to be effective. Truman, with the overwhelming support of black voters, narrowly defeated Dewey. In subsequent elections the black vote provided the margin of victory for Kennedy in 1960, helped produce the Johnson landslide in 1964, and almost led to a Nixon defeat in 1968.

As blacks increased their political resources, as the Supreme Court rendered decisions in favor of desegregation, and as the United States government became increasingly sensitive to world opinion of its racial situation, black expectations were heightened, continued white resistance became more frustrating, and consequently,

support for direct action protest mushroomed. Although many of the non-violent protests were not specifically directed at the federal government, they were in many cases intended to apply indirect pressure. Black leaders were cognizant that the United States government was not in a position to ignore their stepped-up drive for civil rights.

For a brief period of time the non-violent resistance strategy proved to be highly effective. In addition to forcing local governments and private agencies to integrate facilities in numerous southern cities and towns, the nonviolent demonstrations pressed the federal government into passage of civil rights legislation in 1964 and voting rights legislation in 1965—acts that satisfied many of the black demands of the early 1960s.

There are several reasons why the federal government responded favorably to many of the demands emanating from the nonviolent protest movement: (1) the demands that accompanied the protests tended to be fairly specific, for example, "end discrimination in voting," enabling the government to provide "remedies" that clearly approximated the specifications in the demands; (2) the attempt to satisfy these demands did not call for major sacrifices on the part of whites, which reduced the likelihood of a significant political backlash against the government in sections of the country other than the South; (3) the demands were consistent with the prevailing ideals of democracy and freedom of choice, and therefore could not be easily labeled "extreme" either by white citizens or



by government authorities; (4) the more blacks pressed their demands and carried out their protests, the more violent was the white southern response, thereby increasing the concern of federal government officials over the international attention these developments were receiving; and (5) federal government officials were sensitive to the political resources blacks had developed and cognizant of the growing army of northern whites sympathetic to the civil rights movement and the direct action protests.

These demands reflected a general assumption by black leaders in the 1960s that the government could best protect the rights of individual members of minority groups not by formally bestowing rewards and punishments based on racial or ethnic group membership, but by using antidiscrimination legislation to enhance individual freedom of choice in education, employment, voting, and public accommodations. Thus, from the 1950s to 1970, the emphasis was on freedom of choice, and the role of the state was to prevent the formal categorization of people on the basis of race. Anti-bias legislation was designed to eliminate racial discrimination without considering the proportion of minorities in certain positions. The underlying principle was that individual merit should be the sole determining factor in choosing among candidates for positions stratified in terms of prestige or other social criteria. And that these candidates therefore ought not be discriminated against solely on the basis of race or ethnic origin. Civil rights protests

against racial discrimination clearly upheld this basic principle and therefore carried a degree of moral authority that leaders such as Martin Luther King, Jr. recognized and effectively emphasized.

Accordingly, it would have been ideal if programs based on this prin-

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*"...the most disadvantaged minority individuals, who have been crippled or victimized by the cumulative effects of both race and class subjugation, are disproportionately represented among those in the total population who lack the resources to compete effectively in a free and open market."*

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ciple were sufficient to address adequately racial inequality in our society. The problem, however, is that long periods of racial oppression can result in a system of inequality that may linger on indefinitely even after racial barriers are removed. This is because the most disadvantaged minority individuals, who have been crippled or victimized by the cumulative effects of both race and class subjugation (including those effects transmitted from generation to generation), are disproportionately represented among those in the total population who lack the resources to compete effectively in a free and open market.

In modern industrial society the elimination of racial barriers creates the greatest opportunities for the bet-



ter-trained, talented, and educated members of minority groups—those who have been least adversely affected by the system of discrimination—because they possess the resources that enable them to compete more capably with dominant group members for desired positions. In other words, the competitive resources possessed by the advantaged minority members—resources accruing from the family stability, financial means, peer groups, and schooling that their parents have been able to provide—results in their benefiting disproportionately from policies that enhance the rights of minority individuals, policies that eliminate artificial barriers and thereby enable individuals to compete without restraint for the more prestigious and desirable positions in society.<sup>4</sup>

By the late 1960s, a number of black leaders began to recognize this point. For example, Kenneth B. Clark stated in November of 1967 that: “The masses of Negroes are now starkly aware of the fact that recent civil rights victories benefited a very small percentage of middle-class Negroes while their predicament remained the same or worsened.”<sup>5</sup> It had become apparent to some that simply eliminating racial barriers was not sufficient. As the late Vivian Henderson put it, “If all racial prejudice and discrimination and all racism were erased today, all the ills brought by the process of economic class distinction and economic depression of the masses of black people would remain.”<sup>6</sup> In the 1970s, as such arguments were increasingly recognized and appreciated by black leaders

and liberal policy makers, more emphasis was placed on the need not only to eliminate existing discrimination but to negate the effects of past racial oppression as well. This resulted in a move from simply investigating and adjudicating complaints of racial discrimination by fair employment practices commissions and civil rights commissions to government-mandated affirmative action programs designed to ensure adequate minority representation in employment, in education, and in public programs.

However, if the more advantaged members of minority groups benefit disproportionately from policies that embody the principle of equality of individual opportunity, they also profit disproportionately from policies of preferential treatment based solely on their racial group membership. This is because minority individuals from the most advantaged families tend to be disproportionately represented among those of their racial group most qualified for preferred positions—such as college admissions, higher-paying jobs, and promotions. Thus policies of preferential treatment are likely to further improve the socioeconomic positions of the more advantaged without adequately addressing the problems of the disadvantaged.

Nonetheless, as William L. Taylor has stated, “The focus of much of the [affirmative action] effort has been not just on white-collar jobs, but also on law enforcement, construction work, and craft and production in large companies—all areas in which the extension of new opportunities has provided



upward mobility for less advantaged minority workers." Furthermore, he notes that "studies show that of the increased enrollment of minority students in medical schools during the

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*"What is now needed more than ever is a shift in focus to broader solutions that, if the goal is to achieve racial equality, require fundamentally different political strategies."*

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1970s, significant numbers were from families of low income and job status, indicating that the rising enrollments of minorities in professional schools stemming from affirmative action policies reflects increased mobility, not simply changing occupational preferences among middle-class minority families."

However, what this really represents is not a substantial avenue for upward mobility for the masses of disadvantaged blacks, but a "creaming" process in the sense that opportunities open up for those individuals from low socioeconomic backgrounds with the greatest educational and social resources. Recent data on income, employment opportunities and educational attainment suggest, for example, that only a few individuals who reside in the inner-city ghettos have benefited from affirmative action.

Indeed, as I have argued previously,<sup>7</sup> the vulnerability of urban minorities to structural changes in the economy dur-

ing the past two decades—the shift from goods-producing to service-producing industries, the increasing polarization of the labor market into low-wage and high-wage sectors, innovations in technology, and the relocation of manufacturing industries out of the central city—led to sharp increases in joblessness and related problems (increasing concentration of poverty, welfare dependency, family break ups, and so forth) despite the passage of antidiscrimination legislation and the creation of affirmative action programs. For example, in 1974, 48 percent of all employed black males ages 20 to 24 held blue-collar semiskilled operative and skilled-craft positions (jobs which carry wages sufficient in most cases to support a family adequately). Just 12 years later, in 1986, that figure had plummeted to 25 percent.<sup>8</sup> And data from our survey of a random sample of residents from poor neighborhoods reveal that Puerto Rican men up to age 45 and black men under age 36 have borne the brunt of job losses in Chicago due to deindustrialization.<sup>9</sup>

Have the foregoing arguments been advanced to suggest that race-specific programs have not been efficacious? Absolutely not. The sharp increase in the number of blacks in professional, managerial, technical, and administrative positions and in institutions of higher learning since the mid-1960s is, in major measure, a function of race-specific programs. But, as I have tried to show in this section, the cumulative effects of historical discrimination have made the less advantaged blacks extremely vulnerable to changes in our



modern industrial society, leading to problems that are difficult to confront with solely race-specific strategies—either those that embody equality of individual opportunity or those that represent preferential group treatment such as affirmative action. What is now needed more than ever is a shift in focus to broader solutions that, if the goal is to achieve racial equality, require fundamentally different political strategies.

### **A New Political Strategy To Confront Problems of Inequality in the 1990s**

**I**n recent years, the approaches most strongly emphasized to address problems of economic and social dislocations in the black community have been race-specific, antidiscrimination law suits, court-ordered busing, and affirmative action programs. I feel that in the 1990s much more attention needs to be directed at solutions that are race-neutral, such as full employment policies, job-skills training, comprehensive health care legislation, educational reforms in the public schools, child care legislation, and crime and drug abuse prevention programs. Indeed, as the preceding analysis suggests, even if all racial bias were suddenly eliminated, such programs would still be needed to address problems resulting from the cumulative effects of decades of previous racial discrimination.

When I present these arguments to academic audiences I am frequently told that such programs would be gen-

erally opposed not only because they would be very costly, but also because many whites have become disenchanted with the black movement's pessimistic themes on black progress and calls for affirmative action, especially during periods of economic stagnation.

But what if these programs are introduced, not as ways to address the plight of poor minorities, even though they would disproportionately benefit from them, but as strategies to help all groups regardless of race or economic class background? Americans across racial and class boundaries continue to be concerned about unemployment and job security, declining real wages, escalating medical and hospital costs, child care programs (because of the increasing entry of women into the labor market), the sharp decline in the quality of public education, and crime and drug trafficking in their neighborhoods.

These concerns are reflected in public opinion surveys. For the last several years, national opinion polls consistently reveal strong public backing for government labor market strategies, including training efforts to enhance employment. A 1988 Harris poll indicated that almost three quarters of the respondents would support a tax increase to pay for child care. A 1989 Harris poll reports that almost 9 out of 10 Americans would like to see fundamental change in the United States' health care system. And recent surveys conducted by the National Opinion Research Center at the University of Chicago reveal that a sub-



stantial majority of Americans want more money spent on improving the nation's educational system, and on halting rising crime and drug addiction. The point to be emphasized, in this connection, is that programs that increase employment opportunities and job skills training, improve public education, provide adequate child and health care, and reduce neighborhood crime and drug abuse could alleviate many of the problems of poor minorities that cannot be successfully attacked by race-specific measures alone.

I believe that the best political strategy in the 1990s for those committed to racial justice is not only to place more emphasis on race-neutral programs to address the plight of the disadvantaged segments of the minority population, but also to discuss the application of these programs to all groups in America, not just to minorities. Indeed, an emphasis on race-neutral programs would reinforce efforts to develop a political coalition that unites, not divides, the different racial groups; a coalition that is strong enough to push such programs through Congress. Permit me to amplify this argument.

### **Race-Neutral Programs and Coalition Politics**

**I**n 1975, the late black economist Vivian Henderson argued that "the economic future of blacks in the United States is bound up with that of the rest of the nation. Policies, programs, and politics designed in the future to cope with the problems of the poor and victimized will also yield benefits to

blacks. In contrast, any efforts to treat blacks separately from the rest of the nation are likely to lead to frustration, heightened racial animosities, and a waste of the country's resources and the precious resources of black people."<sup>10</sup>

Henderson's warning seems to be especially appropriate during periods of economic stagnation, periods in which the public's support of programs perceived to be targeted for minorities and that are associated with real or imagined material sacrifice on the part of whites seem to wane. For example, when affirmative action programs were introduced during President Johnson's administration the economy was strong. According to Joseph A. Califano, a prominent Democrat and former Cabinet member in President Carter's administration, this made such programs generally acceptable to whites but "only as a temporary expedient to speed blacks' entry into the social and economic mainstream. Over the years, as the economy softened and Democrats seemed to promote affirmative action as a permanent part of the legal landscape, a new generation of whites viewed preference for blacks as 'quotas' that helped blacks enter college ahead of whites with better grades and win promotion ahead of 'better qualified' white colleagues. These Americans saw continuing such preferences as an unjust insistence by Democrats that they do penance for an era of slavery and discrimination they had nothing to do with."<sup>11</sup>

Califano also points out that, in addition to affirmative action, the



Democrats' vigorous enforcement of court-ordered busing, even after it was clear that urban schools were being abandoned by whites, also alienated millions of voters. For many whites, the decline in public schools was associated, not with the broader changes in society, but with "forced integration that sent their kids to schools in ghetto neighborhoods and brought black kids into their white enclaves."<sup>12</sup>

If the Democrats were being criticized for their support of affirmative action programs and busing programs, they also came under fire for their

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*"...an emphasis on race-neutral programs would reinforce efforts to develop a political coalition that unites, not divides, the different racial groups."*

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support of Great Society programs which had been increasingly and incorrectly perceived in narrow terms as intended for poor blacks. Separate medical and legal systems seemed to have been created in many cities whereby those that were public were associated mainly with blacks and those that were private, mainly with whites. This perception was combined with the view that taxpayers were obligated to pay for medical and legal services that benefited mostly minorities, services that the taxpayers were not entitled to receive and that many of them could not afford to purchase for themselves or their families.<sup>13</sup> From the

New Deal to the 1960s, the Democrats were able to link Keynesian economics and middle-class prosperity with programs for increasing the integration of racial minorities and the poor into the American economic mainstream. "In periods of great economic progress when [the incomes of the middle classes] are rising rapidly," argues the economist Lester Thurow, "they are willing to share some of their income and jobs with those less fortunate than themselves, but they are not willing to reduce their real standard of living to help either minorities or the poor."<sup>14</sup>

As the economic situation worsened, Ronald Reagan was able to convince many working- and middle-class Americans that the decline in their living standards was attributable to expensive and wasteful programs for the poor (and implicitly, programs for minorities), and that those standards could be restored with his policies of sweeping tax and budget cuts. When Reagan was elected to office in 1980, the New Deal coalition collapsed, and the only groups that supported the Democratic ticket in significant numbers were blacks, Hispanics, and the poor—groups that represent only a quarter of the American population.

What are the implications of this analysis for the situation currently facing black Americans? I believe that it is imperative for black leaders to recognize or emphasize the importance of coalition politics in the 1990s. And this should include an acknowledgement of the need to develop race-neutral programs that not only address the



continuing problems of racial inequality in America effectively, but that confront important issues of concern to nonminorities as well. Consider, for example, one of the issues that will very likely be at the core of new domestic programs in the 1990s—namely, the future of the American work force.

I believe that concerns about the future of the American work force could provide a basis for or lead to support for social policies in the 1990s that are

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*"If a major policy initiative to improve the quality of the work force is undertaken, it would enhance opportunities for racial minorities who are heavily represented among the educational have-nots."*

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designed to address the problems of poverty, education, employment, work force quality, and labor market efficiency simultaneously. There seems to be a growing recognition among important segments in our population that these problems are interrelated and that if they are not addressed, the country will face a major economic disaster by the year 2000. Social scientists, corporate leaders, and government officials have all expressed concern about how America's position in the world-wide economy could be seriously weakened in the next century if we fail to confront the growing shortage of skilled workers.

A substantial number of the new jobs

in the next several decades will require higher levels of training and education at the very time when our public schools are graduating, at an alarming rate, students who can barely read or write. According to one report: "America is developing into a nation of educational haves and have-nots, who are fast becoming employment haves and have-nots....[T]his polarization follows racial lines, and . . . the effect on the economy and the country could be devastating."<sup>15</sup> As pointed out in a Department of Labor study, a majority of the new jobs that will become available between now and the year 2000 will have to be filled by minorities.<sup>16</sup>

Concerns about the future work force have been increasingly linked with concerns about the nature of American primary and secondary education. In recent years these concerns have been discussed in the writings of social scientists and in widely discussed national private foundation and government reports on the nature of education and the nature of the American work force. Moreover, these concerns have also been reflected in national public opinion polls that have revealed that a substantial majority of Americans feel that more money ought to be spent on improving America's educational system and in providing training efforts to enhance employment. Furthermore, the widespread support for school reform efforts, however carefully designed and conceived, is in part a reflection of the concerns about the relationship between the quality of the future labor force and current public



education. Finally, these concerns have resulted in much greater attention to the research that is now being conducted by social scientists on the relationship between poverty and educational opportunities and employment prospects.

If a major policy initiative to improve the quality of the work force (based on the notion that poverty, education, employment opportunities and labor-market efficiency are interrelated) is undertaken, it would enhance opportunities for racial minorities who are heavily represented among the educational have-nots. On the one hand, such an initiative would be supported by minorities because it would be designed to address the problems of poverty, education, and employment simultaneously. On the other hand, the initiative will draw the support from nonminorities because of concerns over the devastating effects a poorly trained work force will have on the economy in the decades ahead.

However, even if minorities would benefit disproportionately from certain race-neutral policies, are there not severe problems in the inner-city ghetto that call for creative programs targeted on the basis of race? For example, Roger Wilkins has argued persuasively that the cumulative effects of racial isolation and subjugation have made the plight of the urban black poor unique. He maintains, therefore, that since many inner-city children have a solo parent and lack educational support and stability in their homes, and since their parents require assistance to enable them to become capable adults

who can provide their children with emotional and educational support, social service programs are needed for inner-city schools. Wilkins states that "the elementary schools these children attend need to be augmented with multipurpose family service centers to help meet needs. The parents could get substantial support from trained counselors, group therapy, and the knowledge, that in their barren neighborhoods, there was not only a place dispensing services but also providing a real source of communal life."<sup>17</sup>

However, there is no reason why

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*"It is important for blacks and other minorities to recognize that they have a vested interest in the formation of a political coalition that would develop race-neutral initiatives and that would have sufficient multiracial strength to get programs of social and economic reform approved in Congress."*

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such special service programs could not be identified as part of the overall race-neutral initiative to improve social opportunities in America. For the sake of argument, let us assume that Wilkins' special service programs would be part of our overall initiative to improve America's work force. In other words, it would be seen as a special component of the general program to improve the quality of America's work force and would only



be introduced in the most disadvantaged neighborhoods. There would be a recognition, therefore, that any serious initiative to improve the quality of the work force in America cannot ignore problems such as poverty, social isolation, and family stability—problems that impede the formal education of children and that ultimately affect their job performance.

Although the special service programs advocated by Wilkins would be disproportionately concentrated in the inner-city ghettos, because of the greater rates of social dislocation in these areas, they would represent that aspect of the initiative to improve the quality of the work force that is needed in the most disadvantaged neighborhoods. Accordingly, these programs would not be restricted to racially identifiable neighborhoods and poor minorities would not be treated “separately from the rest of the nation” in a national effort to enhance the skill levels of the labor force.

It is important for blacks and other minorities to recognize that they have a vested interest in the formation of a political coalition that would develop race-neutral initiatives and that would have sufficient multiracial strength to get programs of social and economic reform approved in Congress. Minority leaders could play an important role in the development of such initiatives by publicly emphasizing the importance of a political coalition to address some of the pressing problems of contemporary American society. Blacks who are dubious about this approach ought to be reminded of the success of

the Jesse Jackson 1988 presidential campaign which, because of themes that highlighted and proposed solutions to the social problems plaguing all racial groups in America, drew far more support from white working- and middle-class voters than most political observers thought possible.

I should like to emphasize, however, that to call for a political coalition organized around race-neutral policy themes does not mean that race-specific strategies would or should be sacrificed. Anti-discrimination and affirmative action programs will be needed as long as racial minorities are restricted in where they can live and work, and are disproportionately concentrated in low-paying positions. But such strategies are limited in their overall effectiveness and have to be backed by other programs to improve the chances in life of all the members of racial minorities, not simply the most advantaged.

### Endnotes

1. Source: Adapted from Still Far From The Dream: Recent Developments in Black Income, Employment and Poverty, Center on Budget and Policy Priorities, October 1988, p. 24. “Starting in 1985, the Census Bureau made an adjustment in methodology that had a modest effect on the average income levels shown for the top fifth of families and the top five percent of families. The change in methodology had the effect of increasing the average income shown for families in the top fifth by about



\$350 and for families in the top five percent by about \$1, 100. This accounts for less than one-eighth of the increase from 1978 to 1987 shown for both groups. The change in methodology was made by the Census Bureau because the approach used prior to 1985 understated the incomes of some wealthy families." p. 24.

2. John Hope Franklin, From Slavery to Freedom, 3rd ed. (New York: Knopf, 1967).

3. Henry L. Moon, Balance of Power: The Negro Vote (Garden City, N.Y.: Doubleday, 1948).

4. James S. Fishkin, Justice, Equal Opportunity, and the Family, (New Haven, Conn.: Yale University Press, 1983).

5. Kenneth B. Clark, "The Present Dilemma of the Negro," paper presented at the Annual Meeting of the Southern Regional Council, Atlanta Ga., November 2, 1967.

6. Vivian Henderson, "Race, Economics, and Public Policy," Crisis 82 (1975), p. 54.

7. William Julius Wilson, The Truly Disadvantaged: The Inner City, The Underclass, and Public Policy. (Chicago: University of Chicago Press, 1987).

8. The Forgotten Half: Non-College Youth in America. Interim Report, Youth and America's Future: The William T. Grant Foundation Commission on Work, Family and Citizenship, January 20, 1988.

9. For a discussion of these findings see, Marilyn Krogh, "Men's Employment in the Inner City." Pa-

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11. Joseph A. Califano, Jr., "Tough Talk for Democrats," The New York Times Magazine, January 8, 1988, p. 29.

12. Ibid.

13. Toby Cohen, "Reagan's New Deal," New York Times, August 19, 1981, p. 23

14. Lester C. Thurow, "Recession plus Inflation Spells Stasis," Christianity and Crisis, March 30, 1981, pp. 91-92.

15. Edward B. Fiske, "Impending U.S. Jobs 'Disaster': Work Force Unqualified to Work." The New York Times, September 25, 1989, p. 1.

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17. Roy Wilkins, "The Black Poor are Different," The New York Times, August 22, 1989, p. 23.



INSTITUTIONAL RESEARCH AND ANALYTICS

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# *The Economics of Discrimination: Getting to the Core of the Problem*

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One important measure of the health of an economy is the degree of inequality in its distribution of income. While there is no consensus among economists, philosophers, or politicians as to what constitutes an ideal distribution, there is broad agreement that too much inequality is unjust, inefficient (since the potential productivity of the disadvantaged is impaired by their lack of resources), and threatening to the political stability on which everyone's prosperity depends. Understanding the extent and causes of inequality is among the most important tasks of economic science.

The subject is one of great depth. Two centuries ago classical political economists were observing the rise of industrial capitalism. The attendant conflicts among agrarian, industrial and working class interests led them to be concerned primarily with understanding how the aggregate social surplus comes to be divided among the factors of production—land, labor, and capital—that collaborate in its creation. Pursuit of this question by thinkers like

Adam Smith, David Ricardo and Karl Marx, among others, has inspired fundamental contributions to economic thought.

In our time, given the dramatic political and technological changes of the 20th century, new questions have arisen. We have witnessed the break-up of colonial empires, the globalization of commercial and industrial activities, and recently, a turn toward markets in formerly planned economies. In the wake of these events, it has become more urgent to identify the factors which explain differences across nations in rates of economic growth and development, and differences across classes within a nation in the extent to which the benefits of growth are shared. This is currently a very active area of economic research.

Ethnic and racial inequality is one of the issues which have now become especially significant. Substantial social segmentation has developed within societies the world over, in Eastern and Western Europe, in Africa, South and Southeast Asia, and North America.

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Ethnic tension threatens political stability in many of these nations. Disparities of power and status between population subgroups challenge governments, which have enacted sometimes far reaching policies intended to ameliorate these group inequalities. This likely will be an even more important issue in years to come. Formal economic theory has had too little to say about inequality of this sort. I will make racial inequality in the United States the theme of my lecture tonight.

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**B**ecause of the peculiarities of American history, racial inequality between blacks and whites has a particular significance. That history, directly stated, involved chattel slavery, and after that the adoption of a thorough-going social caste system which, for centuries, kept blacks at the margins, and bottom, of the nation's economic life. A half-century ago the Swedish economist Gunnar Myrdal surveyed the status of blacks in his classic study *An American Dilemma*. It is sobering to reread that work today.

Myrdal graphically revealed the material consequences of racial-caste exclusion in this study, as they played themselves out in the lives of black Americans. Poverty was the state of the vast majority of black families; the primary occupations were farm laborer for men and domestic servant for women; malnourishment was commonplace; participation in the professions was very limited; political influence was virtually non-existent.

Myrdal chronicles the widespread practice of racial discrimination in employment, education, housing, politics, the military, social intercourse, the provision of health care, public services and amenities, etcetera. He concluded that these conditions stood in stark contrast to the professed values and beliefs of most Americans, constituting a profound dilemma for the nation.

As we all know, things began to change in the decades following this most dire review of the social and economic condition of black Americans. The civil rights movement remade the moral, legal and political landscape. The Great Society ushered in sweeping programs of social and economic activism. The federal courts revolutionized constitutional jurisprudence by reinterpreting the meaning of the Reconstruction amendments so as to move black Americans closer to an estate of genuinely equal citizenship. And among blacks ourselves, there was an awakening of political and social action, a change in longstanding notions of identity, a stirring of racial pride, of interest in Africa, of urgency for the attainment of freedom at home and abroad. Without doubt historically unprecedented progress has been made by blacks toward social and economic equality in the years since WWII.

Assessing the precise extent of this progress, especially in economic terms, and ascribing such change as has occurred to its alternative possible sources, has become an academic industry. Social scientists have been producing and continue to produce, hundreds of books, and thousands of



articles on this subject. A committee on the status of black Americans was empaneled to review the evidence several years ago under the auspices of the prestigious National Academy of Sciences. Government reports, newspaper articles, and studies undertaken by various advocacy organizations continue to pour forth, pronouncing on the extent of progress, or more often lately, the lack of it. I will not attempt a summary of this literature here. Suffice it to say that, without any doubt, two things are true: There has been enormous improvement; and there remain enormous problems. On this, and probably on this alone, all fair-minded observers can agree.

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I came of age during a period when the issues of race and inequality were of burning concern to the country—literally. Cities were in flames as civil disturbances spread across the land. There was a great determination to tackle our “dilemma” on the part of many whites and blacks. The Kerner Commission had issued its famous report, declaring that we were fast becoming two nations, separate and unequal. Dr. King was preaching, teaching, and, ultimately, dying before our very eyes. In my home and community there was a mixture of hope, rage, excitement, fear—alternately a sense that new things were possible, and that nothing would ever really change. It was a confusing, stimulating time to be in college, deciding on one’s future, coming into one’s intellectual con-

sciousness.

I ultimately chose to study economics because I wanted to understand better the sources of disparity in material conditions between individuals and various groups of people, and because I hoped that I could contribute to the creation of a better world by gaining such understanding. This idealism was not the only reason, though. As a math major, and someone who loved doing abstract problem solving, I found in economics a field which allowed, even encouraged, this mode of reasoning, while at the same time it aimed to address issues of substance about society, politics, and public policy.

I discussed these motivations with my teacher and friend, Bob Solow, when I came to study at M.I.T. in the early 1970s. There I learned that my motivation for coming into economics was not uncommon. He, and many others of his generation, had gravitated toward economics for similar reasons, spurred on by the depression, and seeking to find answers to the great problem of unemployment and the business cycle. Several Nobel prizes later, we still have not solved the unemployment problem. Nor does it appear that we are about to solve the racial inequality problem, either. Nevertheless, economic science has made contributions to both areas of social concern. I certainly do not regret my decision.

When I began to study economics, because of the attention which was being focussed then on urban problems and racial inequality, a number of



the best minds in the field were working on something called "the economics of discrimination." The problem was defined as giving an account, with the use of conventional concepts from modern economics, of the apparent fact that there could be differences in remuneration for the labor of similarly productive workers, depending on their group identity. This fact created a puzzle for economics because of the presumption that the operation of competitive markets would lead to the arbitraging-away of any such differences by employers who sought to profit from the disparity in wages of equally productive workers. I became interested in this literature, and wrote a dissertation, parts of which contributed to the study of this problem. I have remained interested in theoretical problems of this sort. But as time has gone by, and as evidence has accumulated, I have become increasingly convinced that this kind of straight-forward price discrimination has little to do with the racial inequality problem—that the core of the problem lies elsewhere. Let me explain briefly my reasons for this conclusion.

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Put in very simple terms, conventional economic analysis explains racial earnings inequality by applying the concepts of supply and demand in the context of the labor market. Discrimination refers to differences in demand for black and white workers who offer essentially the same quality of labor. Supply difference

between the groups may arise as the result of poorer quality and quantity of education and work experience for some workers. Most empirical analysis, in effect, decomposes group earn-

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*"Economic discrimination seems less important today than it was twenty years ago, and is certainly far less important than forty years ago, in accounting for the gap between black and white wage earners."*

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ings differences into these two sources, attributing to the residual category of discrimination that inequality which cannot be accounted for by reference to measured skill differences. Looking over time these studies suggest (though not without some exceptions) that demand-side factors have declined significantly in importance. Economic discrimination seems less important today than it was twenty years ago, and is certainly far less important than forty years ago, in accounting for the gap between black and white wage earners.

Some analysts attribute this trend to the influence of equal opportunity laws, as well as to the structural, demographic, and attitudinal changes that have been occurring in American society over the last generation. But there have been other trends which are much less encouraging. The unemployment problem among black workers is twice as great as it is among whites. This



difference has remained stable, or worsened, since the 1960s. Moreover, the labor force participation rates of black men have declined much more rapidly than those of white men in the last quarter century. Thus, in 1985, among men 25-34 years old with a high school education, three in ten blacks were not working, as compared to one in seven whites. Nobody knows why these employment differences are so large and so persistent.

What is clear is that blacks are more sensitive to cyclical swings in the macroeconomy. The income difference between black and white households tends to grow during an economic downturn. Equal opportunity laws have had no effect here. Neither have they impacted on the growing gap between black and white men in labor force participation. A recent study on the activities of young black men ages 16-24 found that one in four had completely dropped-out of the economy, in the sense that they were neither working, looking for work, nor in school.

Another area of concern is the stability of families and the living conditions of children. Over sixty percent of black children did not live in households with both parents present in 1988, as compared with just over twenty percent of white children. These numbers for both races have approximately doubled since 1960, though the scale of the phenomenon is vastly greater among blacks. Indeed, as was recently reported on the front page of the New York Times, in some central cities nearly 10% of black children are now

living with neither parent. About two-thirds of the black children living in single-parent households are poor.

The institution of marriage has been in rapid decline among blacks for over three decades now. Among women ages 15-44 fewer than three in ten were married with a spouse present in 1988, and nearly 60% of men in the same age range reported that year that they had never been married. Family life has changed dramatically among blacks since 1960. Of course this is true for the society as a whole, but the scope of these developments among blacks is much greater. The reasons for this are hotly disputed; nobody really knows why. But the implications for the poverty and impaired development of children are clearly substantial and negative. Also clear is the fact that market discrimination is largely irrelevant to this issue.

I note one further development: the growth of the so-called urban underclass. I use this term because everyone understands what I mean when I say it. I recognize that many believe it inappropriately stigmatizes a diverse population of people experiencing problems not of their own making. That is certainly not my intent. In any case, most experts agree that there has been an increase in the extent of extreme, concentrated poverty in the urban centers of the country in the last two decades. Numerous journalistic accounts of the travails of the urban poor have appeared in recent years. These accounts, along with casual observation of what is going on around us, confirm that this problem is real,



and that it is one disproportionately involving black Americans. Violent crime, drug trafficking and addiction, deeply troubled schools, tremendous problems of public health, severely limited opportunity for social mobility—all of these and more are symptoms of the problem. The growing involvement of young black men with the criminal justice system, especially in large and medium sized cities, is one indication of this problem. A recent survey reported that over a quarter of young black men 16-24 were either incarcerated, on parole, or free pending trial. The president of the Detroit school board recently indicated that over 70% of their male high school students, the vast majority of whom are black, had some criminal justice involvement, often for major offenses.

Now if one wants to address the racial inequality problem of our time, one must take seriously the trends which I have been discussing here. While they do not involve “discrimination” as conventionally understood, and as conveniently analyzed by economic theorists, they nevertheless engage fundamentally our concerns about economic fairness, and about economic efficiency. Unabated continuation of these trends offers the prospect that millions of Americans will be unable fully to participate in our economy and society. It is imperative, as a matter of justice and of national economic competitiveness, that these matters be addressed.

Yet, reversing these trends will, it would appear from available evidence, require massive investments and inter-

ventions, undertaken both by the public sector, and through philanthropic, volunteer and community-based activities of all kinds. This is not the place to try to spell out a blueprint for recovery of the minority poor. Indeed, I do not have the answers for these great problems, though I have tried to offer some ideas in my writings on

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*"Today's problem is not nearly so much a demand-side discrimination matter as it is a supply-side concern."*

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social policy issues. Rather, what I want to emphasize here is how we have been distracted from focussing on the core racial inequality problem of today by our historical and political memory of the problem of yesteryear.

For 40 years now racial inequality has been conceived primarily as a matter of civil rights. Legal remedies have been sought, aimed at assuring that formal economic transactions will not take place in a way that disadvantages blacks. This emphasis on civil rights, desegregation, and affirmative action comes out of a concern about classical racial discrimination in employment, credit, housing, education—of the sort which Myrdal chronicled a half century ago. Yet what we confront today is, in my view, a very different animal, combining in the worst way the joint effects of racial and social class isolation of the very poor. Today's problem is not nearly so much a demand-side discrimination matter as it is a supply-



side concern. It is not the result of a "no blacks need apply" mentality, or a "lower black pay for the same work" attitude. Rather, it is more a matter of kids being poorly educated, having little work experience, few work skills, damaging peer influences, unstable family lives, et cetera.

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**T**he problem is that, in our public discourses about racial inequality, we seem unable to fix attention on this problem, or to marshal a consensus on what to do about it. Instead, as recent history shows, we are distracted by symbolic struggles over policies which are now peripheral to the main concern. Nowhere is that distraction more clearly revealed than in the debate over affirmative action. Both sides in this debate, which has been ongoing for twenty years, have missed the core problem. Proponents regard the continuation of affirmative action as a litmus test of our nation's commitment to racial justice. Opponents see it as an unacceptable violation of the ideal of equality of opportunity, and the principle that government should treat its citizens in a "color-blind" fashion. I contend that each of these views is mistaken.

Our political institutions encourage (sometimes irresponsibly) exploitation of the issue as white resentments and black aspirations are brought into direct conflict. (For example, it is likely that the black senatorial candidate Harvey Gantt lost his race in North Carolina in 1990 against Jesse Helms

because of an ad which exploited the fact that he had profited handsomely from a business deal involving racial preferences.) There is an abiding belief in some quarters that any preferential policy is basically unfair. At the same time, many advocates of preferences talk as if a Supreme Court decision limiting a local government's ability to direct contracts to minority businesses will usher in a return to Jim Crow.

This opposition of values—either we show a commitment to right the wrong of racial inequality through the practice of affirmative action, or we adhere to the higher ideal of race-neutrality in our public life—is mired in confusion. It is a false and misleading characterization of the problem. Affirmative action is, by and large, a poor tool for dealing with racial inequality problems (though it has a limited place). At the same time, given our history, race-neutrality is not a compelling public ideal (though we might hope to evolve in this direction in years to come). Much of my research and writing in this area has aimed to elaborate these apparently contradictory themes.

Let me first discuss the notion that race-neutrality should be an ideal of public policy. It derives much of its force from the protracted battle which was waged in our courts to overturn the doctrine that "separate but equal" public facilities sufficed to meet the equal protection requirements of the Fourteenth Amendment. It is also related to a basic notion of liberalism, which holds that it is essential for all citizens to have equal standing as subjects of



public concern. Indeed, the principle of race-neutrality leads one to ask why there should ever be a particular concern about *group* inequality at all. That is, why is it not just as great a violation of our sense of justice that a given disparity of income among citizens should exist, regardless of the colors of the skins of the people who occupy various positions in the economic hierarchy? (Certainly most formal work in welfare economics and social choice theory assumes as much, in the form of an "anonymity axiom," requiring rankings of income distributions to be unaffected by changes in the identities of persons occupying various positions within a given economic hierarchy.)

A subtle logical problem haunts the idea that racial inequality should be an independent social concern. A focus on group differences, in the presence of continuing overall inequality, amounts to a demand for equality *between groups* of the overall inequality *within groups*. But why should inequality among individuals of the same group be acceptable when inequality between the groups is not? There is always group inequality whenever there is inequality—just take those at the bottom to constitute a "group". Put differently, if we are to be concerned about group inequality, how will we know which groups are the salient ones?

My argument for the centrality of group status as a public concern derives from a combined recognition of historical conditions, and of ongoing structural features of social life in our country. The historical point is that, due to slavery and racial caste, there

has come into existence a distinct, insular subgroup of our society, which began with severe disadvantages in comparison to others in the endowments of wealth, experience, and reputation which are so crucial to economic success. The social-structural point is that, for as long as one can foresee, and

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*"The practice of discrimination in the social sphere implies continuing inequality of opportunity in the economic sphere."*

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without regard to legal prohibitions against discrimination in formal contract, we may confidently predict the practice of informal social discrimination—i.e. discrimination in choice of social affiliation, which occurs partly along these racial group lines. The practice of discrimination in the social sphere implies continuing inequality of opportunity in the economic sphere.

Because this racial inequality is the product of an unjust history, propagated across the generations in part by the segmented social structure of our race conscious society, it is appropriate that our government should be especially concerned when economic disparity takes a concentrated racial form. Put differently, to view the income distribution without regard to the racial identity of persons occupying particular positions in it is to ignore information critical to assessing the extent of the inequality problem, especially when viewed in an intergene-



rational context. The reason is that the full economic opportunity of any agent does not just depend on his own income, but is also determined by the incomes of those with whom he is socially affiliated. The patterns of such social affiliation in our society are not arbitrary, but derive in part from ethnic and social class identity.

We are, of course, intimately familiar with these affiliational behaviors because we all engage in them daily. We choose our friends and neighbors, decide upon our business partners and professional associates, select the schools our children will attend, influence (to the extent we can) the prospective mates of our children, and, of course, choose our own mates. For the great majority of us race, ethnicity, social class and religion are factors involved in these discriminating judgments. The preservation of our distinct ethnic communities, once thought to be a parochial, even reactionary objective, has, in the wake of the black power movement, the "rise of the unmeltable ethnics," and the advent of multiculturalism, become the respectable (and sometimes government aided) pursuit of pluralism.

One of the challenges facing economic analysis is to make use of the fact that societies are not simply amalgamations of individual agents pursuing exogenously determined goals, nor are they simply the coalitions of agents which form strategically in order to advance their individual interests. Rather, all societies, and therefore all economies, exhibit significant social segmentation. Various groups of indi-

viduals and families are tied together in various ways, as a result of their historically derived commonalities of language, ethnicity, religion, culture, class, geography, etc. These sub-national groupings, these networks of social affiliation among families and individuals, while most often not the consequence of overt economic decisions, nevertheless exert a profound influence upon resource allocation, especially those resources important to the development of the productive capacities of human beings.

Think of the development of a skilled adult worker in analogy with a

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production process where the output, a skilled worker, is produced by inputs of education, parenting skills, acculturation, nutrition, etc. Some of these inputs are readily acquired through markets to which all agents at least have access, though they may be without the financial resources to acquire them. But many of the relevant inputs cannot be obtained via such formal



economic transactions at all. Instead they become available to the developing person only as the byproduct of noneconomic activities. Parenting services, for example, are not available for purchase on the market by a developing person, but accrue as the consequence of the social relations which obtain between mother and father. So the allocation of parenting service among the prospective workers in any generation is the indirect consequence of the social activities of members of the preceding generation.

I recognize that this is an odd way to think about human development, but it is very natural for an economist, and useful too. For thinking in this way underscores the critical roles played by inalienable, nonmarketed, social and cultural resources in the process of human development, and therefore in the creation of economic inequality. The relevance of such factors is beyond doubt. *Whom* you know affects *what* you come to know, and *what you can do* with what you know. The evidence for this maxim is incontrovertible; the importance of networks, contacts, social background, family connections, informal associations of all kinds has been amply documented by students of social stratification.

Through such network ties flow important information about economic opportunities. They form the basis for nepotism which, in large ways and small, plays a role advancing for some and hindering for others the attainment of economic success. The status of sons varies systematically with the occupation and education of fathers;

the "company you keep" as a youngster has been shown to affect subsequent success in school and at work. Attitudes, values and beliefs of central import for the development of economically relevant skills, are shaped by the milieu in which a youngster develops. Parents' time and effort, a family's traditions and reputation, ethnic identity and loyalty, adolescent peer groups and friendship networks, and religious affiliations—these things influence how individuals develop, and what becomes of their God given potential.

Now consider all of these processes associated with naturally occurring social relationships among persons, which promote or assist the acquisition of skills and traits valued in the market place. They constitute an economic resource which I have called social capital, an asset which may be as significant as financial bequests in accounting for the maintenance of inequality in our society, especially inequality between ethnic groups. Using this concept of social capital I have tried formally to address the question of whether race neutrality can be defended as a reasonable ideal of social justice, and have rejected it. While it is not possible here to share the details of this work, let me summarize briefly the thrust of it.

The idea is to note that a principle of public action can hardly claim general validity if, by adhering to it, it becomes impossible to correct the consequences of its violation. Such a principle would be inconsistent in an essential way were this so, for then a



transitory departure from the principle would have permanent deleterious effects. I have shown that the principle of race neutrality is generally inconsistent in just this way. Historical departure from equal opportunity in economic transactions, together with social segmentation along racial lines, generally means that, in the absence of further departures from race neutrality, the implications of the initial viola-

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*"absolute equality of opportunity, where an individual's life chances depend only on his or her innate capabilities, is an ideal that cannot be achieved."*

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tion will be permanent inequality between racial groups.

Because the creation of a skilled workforce is a social process, the meritocratic ideal—that in a free society individuals should be allowed to rise to the level justified by their competence—is in conflict with the simple observation that no one travels that road alone. Moreover, in a socially segmented society, those with whom one travels are most probably drawn from one's own group. Thus, even if transfers of monetary wealth within families were prohibited, through inheritance and gift taxation for example, and if nondiscrimination in formal economic transactions were assured, it would still be true that the economic achievements of an individual only

partly reflects his or her native capabilities. The facts that generations overlap, that much of social life lies outside the reach of public intervention and regulation, and that prevailing social affiliations influence the development of the intellectual and personal skills of the young, imply that the present pattern of inequality among individuals and among groups will shape the extent of inequality existing in the future.

Inequality in the endowment of social capital strongly conditions what otherwise equally competent individuals can achieve. This implies that absolute equality of opportunity, where an individual's life chances depend only on his or her innate capabilities, is an ideal that cannot be achieved. Neither can equal opportunity for the members of distinct racial groups be achieved, particularly if government restricts itself to race-neutral action in the face of a racially discriminatory history.

It is important to realize that social segregation—in residential communities, religious affiliations, friendship networks, fraternal organizations, marital relations, and the host of other important associations to which people are attracted—has implications for the efficiency with which resources are allocated. There is a strong presumption that the outcome will generally not be efficient, and can be improved upon by government intervention. Membership in the various networks that form the structure of our social life is not allocated according to market principles. The fact that the benefits



from a given individual joining a certain group may exceed the costs does not assure that the inclusion will take place, since there may be no mechanism for expressing the "willingness

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*"Freedom to act on the prejudices and discriminations which induce each of us to seek our identities with and to make our lives among a specific, restricted set of our fellows, are among those inalienable rights to life, liberty and the pursuit of happiness enshrined in the Declaration of Independence."*

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to pay," or for carrying out the requisite monetary transfers. For example, a very able child born to very poor parents might benefit greatly from the social capital associated with living in a middle-class community, and receiving the "parenting resources" of a better educated, wealthier couple. Yet there is no way that this child, or the child's parents, could command these resources by promising to compensate those providing them with the gains, in terms of the child's increased future income, that the provision of those resources would make possible. Similarly, an adolescent with interest and aptitude in academic matters, but with peers who have disdain for intellectual pursuits, may not be able to gain access at any price to association with another group of peers whose values would be more complementary with his inter-

ests and aptitudes.

As these examples show, efforts to exchange the benefits of social endowments among individuals run into conflict with principles of personal liberty and freedom of association. The asset of being "well-connected" is not readily alienable. One can, only with great difficulty and violence to liberal values, redistribute these social contacts which contribute to the maintenance of economic inequality. Freedom to act on the prejudices and discriminations which induce each of us to seek our identities with and to make our lives among a specific, restricted set of our fellows, are among those inalienable rights to life, liberty and the pursuit of happiness enshrined in the Declaration of Independence.

Of course a variety of means have been attempted to break down barriers to social participation—integration of education and housing primary among them. But these efforts, by their quite limited success, only underscore the difficulties involved. For this reason I have come to believe that government intervention aimed specifically at counteracting the effects of historical disadvantage, and taking as given existing patterns of affiliation, will be required. Targeted efforts to improve the schools, neighborhoods and families where poor black children are concentrated seems to be indicated. We cannot expect *laissez faire* to produce equality of opportunity between social groups, when these groups have experienced differential treatment in the past, and when among the channels through which parents pass on status to



their children are included social networks which form partly along group and class-exclusive lines. To do anything about this, the government may well need to take racial group identities into account when formulating its policy.

For these reasons I have concluded that racial inequality should constitute an independent concern, over and above any concern about inequality in general. Similarly, I conclude that the race-neutrality ideal ought not, as a matter of principle, constrain public action in our society. To be blind to color, given our history and our social structure, is to be blind to justice as well.

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**H**aving made this argument, one might expect me also to conclude that affirmative action is the logical remedy for the problem of racial inequality. But I do not reach this conclusion. It is important to distinguish between a concern with racial disparity, and an endorsement of employment preferences as remedy for it. In fact, I think that preferences have a limited role to play in rectifying the problem. Rather, I am convinced that direct and large scale intervention aimed at breaking the cycles of deprivation and limited development of human potential among the black poor is the only serious method of addressing the racial inequality problem in the long run.

Ironically, our obsession with preferences makes it more difficult to fo-

cus on this goal, and to marshal the political consensus needed to pursue it. I mentioned the senate race in North Carolina. Most observers have castigated Helms for running an ad which

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*"To be blind to color, given our history and our social structure, is to be blind to justice as well."*

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played on white resentment of preferences. But the fact is that, if Gantt had not enriched himself by using a program of racial preference, Helms would not have had the issue. Then, in all likelihood, Gantt would have won that race, and could have become a presence in the Senate working for the enactment of programs to aid the disadvantaged of our society.

It is hard to see how one could argue this tradeoff was worthwhile. Yet many seem to argue in just this way. They denounce as racist the political use of white resentment, in effect calling for unilateral Republican disarmament—not a likely occurrence. The view seems to be that blacks of considerable means have a right to benefit from special government consideration, even at the political expense of the black poor, because of the generalized indebtedness which American society incurred due to slavery. This is naive in the extreme. Whites have a right to belong to racist golf clubs too, but most people running for high office recognize the lack of



wisdom in that course.

Certain features of our public discourse over the legitimacy of racial preferences are quite disturbing. The entitlement-oriented rhetoric used to

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defend the policy (e.g., if the Supreme Court finds contrary to affirmative action it has "turned back the clock") refuses to acknowledge the legitimacy of the competing white interests, and basically abandons the effort to persuade whites that what is undertaken on behalf of blacks is reasonable and just. Some social psychology literature even purports to measure latent racism by reference to the extent that whites, who have affirmed a commitment to principles of nondiscrimination, nevertheless continue to oppose busing, quotas, and the like.

Because we live in a democracy, those of us who want badly to deal with the racial inequality problem bear the responsibility to persuade our fellow citizens of the worth of our claims. But how can we hope to solicit the engagement and concern of whites for this

problem while calling them "racist" for taking what are, after all, not unreasonable positions? Moreover, how do we expect to deal with the problem if much of our political influence is expended on a policy which benefits blacks who are, in the main, fairly well-off, while missing the vast numbers of the very poor?

Let me be clear that I am not dismissing affirmative action as such. I am merely arguing that its role in remedying the racial inequality problem of our time is limited. It certainly does have a place. Efforts to open previously foreclosed opportunities to women and minorities through advertising, outreach, special training programs, and like efforts have become institutionalized in employment and higher education, and should be continued. These efforts have been valuable and necessary for overcoming some of the effects of social segmentation discussed earlier. They have led institutions to look in nontraditional places and ways for prospective candidates, thus becoming aware of recruiting practices which inadvertently excluded women and minorities. This is a good thing, which should and will continue.

Yet, as an empirical matter, the contribution of affirmative action to the reduction of racial inequality appears to be quite modest. Though the existence of profound racial disparities, higher poverty and unemployment rates, greater welfare dependency, inner-city problems, and the like, provide a primary justification for its use, the evidence suggests that preferences



have played a marginal role in alleviating these problems. A study of the impact of minority participation quotas undertaken by Abt Associates for the U.S. Department of Transportation several years ago found negligible "trickle down" employment benefits to black workers. Analyses of the impact of federal contractor regulations show employment effects too small to meaningfully impact on the racial difference in unemployment rates. Moreover, these effects cannot be interpreted as net increases in the demand for minority labor, since some reshuffling between covered and uncovered sectors seems likely.

More broadly, looking over the long run at black economic progress since 1940, the consensus view is that much of the gain occurred prior to the onset of affirmative action in the 1970s. Improvements in the quantity and quality of black education, and a decline of overt discrimination and occupational exclusion which had been practiced against blacks for so long, seem to be more important than affirmative action in explaining this progress. Moreover, the data show that narrowing of the black-white earnings gap has been relatively greater for blacks with more education, and those working in the more prestigious occupations.

The reason for this is straightforward: Affirmative action cannot get at the deep effects of past discrimination, namely poor skills, disrupted family life, communities in decline (in part because of opportunities for mobility for better-off blacks which desegregation has provided) and the poor quality

of inner-city public education. That is, racial hiring preferences are a poorly targeted method of intervention for the task of reducing racial inequality, since, in the nature of the case, their benefits are appropriable most readily by those in the preferred population who are least disadvantaged. It is one thing to say that the past demands redress, another to prescribe employment preferences useful mainly to those persons not suffering the worst consequences of that past as the means of redress.

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**T**he goal of securing greater representation of all groups among those wielding power and influence in the society is often advanced as a justification for affirmative action. Here I think there is merit to the argument, but there are also pitfalls and dangers. Most people agree that it is a good thing to have a black American sitting on the Supreme Court, (though they disagree about the judicial philosophy they would like to see espoused by this Justice.) At the same time, most of us would recognize the danger of having it be widely presumed that an appointment of this sort is made primarily because of race. It seems more acceptable that race be one of many factors used in making the decision, and that other criteria can be cited to show that the individual appointed is distinguished by something more than just his or her color. In general, the influence exercised by someone in an appointed position may require that their elevation not be perceived as too closely



dependent upon their race.

Reliance on preferences to achieve minority representation in highly prestigious positions risks damaging the esteem of the group by encouraging the general presumption that the beneficiaries would not be able to qualify for such positions without the help of affirmative action. Using race as a criteria of selection by the employer creates objective incentives for customers, co-workers, et cetera, to take race into account after the employment decision has been made. Selection by race makes race informative in the post-selection environment—it encourages race-conscious thinking. This is a classic example of what I call a “reputational externality.”

One of the fundamental characteristics of racial difference is that it provides a salient, easily identifiable physical basis for social perception and statistical discrimination. The classic example is the cab driver after dark who avoids young black men out of a fear of crime. Sociologist Elijah Anderson has documented how subtle and deep is the human tendency to see individuals whom one does not know personally through the filtering lens of racial stereotype. Anderson has spent years observing closely the social life of an urban, integrated community, paying particular attention to how blacks and whites relate to each other in public places. I cannot review his work in detail here. One of his primary conclusions, however, is that racial generalization plays a key role in determining the ways in which blacks and whites relate to each other in con-

temporary American life.

The use of preferences encourages this process of racial generalization, and does so in a manner likely to generate negative reputational externali-

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ties. It is not uncommon to hear from black college students the complaint that some whites presume them to be less competent, since they were admitted according to lower standards. This is grossly unfair, and very unpleasant for these students; but it is an obvious consequence of the informational conditions created by preferential policies. One wants to say that all people should be seen as individuals; but the social fact is that we are, in the late twentieth century United States, most often seen first in terms of our racial identities. Only later is it possible for us to know each other as individual persons. The key point here is that this development of relations between persons will be influenced in important ways by initial interactions in which group-based generalization is critical.

These observations are intended to point out an aspect of the use of affirmative action which is insufficiently studied and discussed. I do not main-



tain that racial stereotyping would disappear if preferences were abolished. Nor do I hold that the "reputational externalities effect" here identified is always of such significance as to make the use of preferences unwise. But I do suggest that it will sometimes be so. If for example, as the result of agitation to increase black esteem, a scientific or literary prize is awarded with the idea in mind that each race should be represented proportionately, it could come to be suspected that a black winner of the prize had not really achieved the same degree of distinction as a white. This suspicion would have some rational basis, assuming that previous underrepresentation had not been due to a refusal to credit black achievement. If law review appointments are made to insure appropriate group balance, it could become impossible for students belonging to the preferred group to earn honor and esteem available to others, no matter how great their individual talents. The use of preferences will have changed the social meaning of black achievement, by altering the inference which an external observer could logically make on the basis of observing it.

Sociologist Charles Moskos illustrates this point in his interviews with black officers in the U.S. Army. He has surveyed the attitudes of soldiers at various levels of the command structure, in the wake of the liberalization which has occurred in the armed forces over the past generation. Today nearly 7% of all Army generals are black, as is nearly 10% of the officer corp. The highest ranking military officer, Chair-

man of the Joint Chiefs of Staff, Colin Powell, is black. Moskos reports that, among the black officers he interviewed, the view was widely held that, in the Army, blacks "still have to be better qualified than whites in order to advance." One senior black officer was "worried about some of the younger guys. They don't understand that a black still has to do more than a white to get promoted. If they think equal effort will get equal rewards, they've got a big surprise coming."

Yet, despite this awareness that discrimination exists in the Army, these officers were dubious about the value of racial preference in the military, for reasons similar to those discussed above. Black commanders were found to be tougher in their fitness evaluations of black subordinates than were white commanders. Even those officers who thought affirmative action necessary in civilian life disapproved of its use in the military. An officer's ability to lead his subordinates effectively, and thus to advance his career, depends critically upon his ability to command their respect, which he cannot do if encumbered with the suspicion that his rise was due to the benefit of preferential treatment. According to Moskos: "They draw manifest self-esteem from the fact that they themselves have not been beneficiaries of such preferential treatment, rather the reverse. Black officers distrust black leaders in civilian life who would seek advancement through racial politics or as supplicants of benevolent whites."

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**A**nother problem with preferential treatment, which I have been studying with the aid of formal economic modelling techniques, is that it can encourage the patronization of black workers or students by those who make hiring and admissions decisions. By "patronization" I mean something quite specific: behavior which does not hold blacks to the same standard of expected accomplishment as whites because of the belief that blacks are not as capable. What interests me is the possibility that such behavior can be a self-fulfilling prophesy. That is, observed performance of blacks may be lower in a certain situation precisely because they are being patronized; while the patronization is undertaken because the employer or admissions officer sees the performance difference, but because of the need to meet a formal or informal affirmative action guidelines, decides to overlook it.

Before giving some examples of this potential problem, I want to emphasize that this discussion is theoretical. I can't be sure of the practical significance of the issues I'm raising here, but think it important to consider them in principle. It is my hope that arguments such as this will inspire a closer empirical assessment of the consequences of affirmative action than has been undertaken to date.

Consider an employment situation in which a supervisor must decide on the promotion of a subordinate worker. The supervisor wants to adhere to the company's policy of affirmative action, and so is keen to promote blacks where possible. He monitors his sub-

ordinates, and makes his recommendations on the basis of these observations. The pressure to promote blacks may lead him to overlook or de-emphasize certain deficiencies in the performance of black subordinates, recommending them for promotion when he would not have done so for whites.

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*"To address [the subject of group/racial inequality] properly we economists must modify our models to take account of the basic fact of social segmentation along ethnic and racial lines."*

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But this behavior on his part changes the incentives which the blacks have for identifying and correcting their deficiencies. They are denied honest feedback from their supervisor on their performance. And they are encouraged to think that one can get ahead without attaining the same degree of proficiency as whites are taught they must attain.

Alternatively, consider a population of students who are applying to some professional schools for admissions. The schools, due to affirmative actions concerns, are eager to admit a certain percentage of blacks. They believe that, in order to do so, they must accept black applicants whose grades and test scores are not as good as some whites whom they reject. Since most schools have this policy, the message sent out to black students is that the degree of performance necessary



to attain admission is lower than that which white students must attain. To the extent that the students are responsive to these incentive differences, one would expect to observe a difference between black and white students in the actual level of grades and test scores obtained. In this way, the schools' belief that different admissions standards are necessary becomes a self-fulfilling prophecy.

The common theme in these two situations is that the desire to see greater black representation is pursued by using different criteria in the selection of black and white candidates. The use of different criteria, in turn, feeds-back to undermine the incentives which blacks have for developing needed skills. This, of course, does not presume that blacks are innately less capable; merely that an individual's need to make use of a given ability is undermined when that individual is patronized by the employer, or the admissions committee. This problem could be avoided if, instead of using different criteria of selection, the employers and schools in question had determined to meet their needed level of black participation through a concerted effort to enhance performance, while maintaining common standards of evaluation. Note that such an effort is definitely not color-blind behavior. It presumes a direct concern about black disadvantage, and involves allocating benefits to people on the basis of race. What distinguishes it from affirmative action, though, is that it takes seriously the fact of differential performance and seeks to reverse it, rather than trying to

hide from that fact by setting a different threshold of expectation for the performance of the apparently disadvantaged.

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**I**nequality is a critical question for economic science. Our discipline offers some useful modes of analysis for exploring this problem. Group inequality, especially racial inequality in the U.S., has not been adequately represented as an object of study in economic theory. To address this subject properly we economists must modify our models to take account of the basic fact of social segmentation along ethnic and racial lines. This fact has profound implications for how as economists we approach the issue of the allocation of resources to human development in society, and thus, for how we analyze the determination and propagation of group disparities.

Classic analysis of the discrimination problem in economics looks only at market transactions, and thus misses the larger issue of informal discrimination in social affiliation. Yet it is arguable that this social discrimination is by far the more significant phenomenon, as far as understanding contemporary racial inequality is concerned. Taking account of disparities in social capital causes one to place more emphasis on remedial government policies aimed at building capacity among the communities of disadvantaged persons, relative to policies which aim at ensuring their fair treatment in formal market transactions. The latter are



necessary and important, of course. The point is that they are not generally sufficient to overcome the consequences of a history of oppression.

Special efforts, tailored where necessary to channel benefits to persons belonging to a group which has been discriminated against in the past, are required if the core of the group inequality problem is to be addressed. It is generally not desirable that public actions be constrained to satisfy an ideal of race neutrality, or colorblindness, when seeking to deal with this problem. But it is important to be clear about which departures from race neutrality are likely to be most productive. Unfortunately, in contemporary American policy debate, affirmative action has become the primary race conscious policy instrument. It is controversial, of limited power, and attended by deleterious side-effects. Therefore, affirmative action should probably not be as widely used as it is, and should certainly not be seen as the principal instrument through which a reduction in racial inequality is to be affected.

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