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# Four Centuries of Black Economic Progress in America

## *Ideological Posturing versus Empirical Realities*

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**T**he United States has begun its fifth century since Africans were first forced to migrate to America as slaves. Recently, a growing narrative, promoted especially by the *New York Times* in its 1619 Project, suggests that the most distinguishing characteristic of America’s “exceptionalism” is not as traditionally stated.<sup>1</sup> Most past writers have stressed the highly successful introduction of modern representative democracy centered around the rule of law and fortified by foundational documents such as the Declaration of Independence and the Constitution. In addition, they sometimes have stressed the extraordinary economic success observed in the competitively capitalistic society responding to individual property rights, market incentives, and entrepreneurship that emerged over the past couple of centuries. In contrast, the *Times* narrative argues that the truly exceptional dimension of the American experience is the exploitation of its black population, beginning with

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1. A general description of the project is given in *New York Times Magazine* 2019a.

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slavery but continuing to the present day (*New York Times Magazine* 2019b). To be sure, this narrative has been heavily criticized by professional historians and others (Forman 2020; Wilentz, 2020; Wood 2020).

This reassessment of the past has, of course, spread far beyond the mostly affluent and highly educated *Times* readership to the entire society, leading to massive demonstrations, particularly after the police killing of George Floyd on May 25, 2020. Beyond the riots, destruction of property, toppling of monuments, and calls to disband police departments, major changes have been coming to traditionally fairly sedate venues, such as college campuses. For the past two generations, universities have attempted to counter allegations of racial discrimination and inequality, institutionalized first in “affirmative action” and then in massive “diversity and inclusion” bureaucracies on many campuses. But many apparently consider that not to be enough. For example, in a new collegiate expression of the ascendant cancel culture, Yale removed the name of John Calhoun and Princeton that of Woodrow Wilson (its own president for eight years) from buildings or programs because of these men’s unfair or prejudicial treatment of black Americans.

There are, in my judgment, roughly speaking, two different contemporary interpretations of the treatment of blacks in America. The ascending new wisdom is that widespread discrimination and rejection of blacks by the dominant white culture has brought continuing, maybe even increasing, misery and despair to the black population. However, there is a quite different alternative perspective, which I outline in some detail here.

I document that it was indeed true that America’s slaves were highly exploited, far more than some popular accounts of slavery have indicated. The elimination of that exploitation proceeded slowly in fits and starts over several generations after the sudden end of what once was termed that “peculiar institution” in 1865. I argue that in the generation after the end of the Great Depression around 1940, including some years after the passage of the Civil Rights Act of 1964, black Americans made major progress, narrowing economic differentials between them and others, especially whites, while discriminatory barriers began a real decline. Indeed, by some indicators, progress actually *slowed* beginning within a decade of the passage of landmark federal legislation. Market forces, especially labor markets, in the middle of the twentieth century worked to make better, more productive, and therefore more remunerative use of the sizable nonwhite population, benefiting both blacks and the nation as a whole. One century after the end of slavery, American blacks were making substantial progress economically, and overt racial discrimination, while still present, was in significant decline, despite some highly publicized evidence to the contrary in the American South.

I then argue that black progress over the past half-century or so has been far more uneven, not mainly because of some undeniably real residual racial prejudice of whites against nonwhites but rather largely because of the law of unintended consequences.

Governmental efforts to alleviate poverty and other problems disproportionately hurt Americans of African descent, destroying robust family lives, leading to reduced participation in the work force, and making disproportionate numbers of blacks de facto wards of the state.

Yet despite the inefficiencies and failures of government programs, the contemporary narrative that blacks are on average living in despair because of continued discrimination and are unjustly profoundly unhappy relative to other Americans is likely highly exaggerated. General Social Survey data show that the gap between whites and blacks who consider themselves “not very happy” shrunk by more than 50 percent between 1972–76 and 2012–14 (Iceland and Ludwig-Dehm 2018).

### The Slave Era, 1619–1865

If one were to evaluate the relative importance of a class of people solely by their share of the population, black importance in America peaked probably about the time of the American Revolution. The first federal census of the new nation in 1790 showed that blacks constituted 19.3 percent of the population, with that proportion falling steadily and at an increasing rate until 1860, when it was only 14.1 percent (U.S. Bureau of the Census 1975). The 2010 census showed that 12.6 percent of Americans revealed their race as “black or African-American,” but another 2.9 percent of the population declared two or more races, presumably a large number of them with some African ancestors (U.S. Bureau of the Census 2011). Although the decline in the relative importance of blacks in terms of population after 1790 could be attributable to factors such as differential birth or mortality rates, a very important factor was international immigration flows, which throughout most postcolonial American history were dominated by either whites (primarily Europeans before 1965) or other nonblack immigrants (e.g., newcomers from Asia or Latin America).

An interesting and excessively neglected aspect of demographic change was the extraordinary growth in the free black population in the antebellum period. For example, between 1790 and 1810 the number of free blacks in the country *tripled*, in part because northern states and territories (e.g., the Northwest Territory created under the Ordinance of 1787) made slavery illegal. On the eve of the Civil War in 1860, nearly half-a-million blacks were free, some 11 percent of the black population, and, indeed, thousands of them were slave owners themselves. Although a pioneering black historian has argued that free blacks bought slaves primarily for humanitarian reasons (e.g., to improve conditions for friends or relatives) (C. Woodson 1924), some other scholars think that a profit motive similar to that seen among white slave owners was of paramount importance (for example, see Lightner and Ragan 2005 for a fuller discussion of the issue).

All indications are that slavery persisted but did not particularly flourish in the generation after the beginning of the American Revolution. Two things, however,

soon changed that: the Industrial Revolution in Britain and the invention of the cotton gin by Eli Whitney in 1793. The Industrial Revolution greatly increased the demand for cotton, and Whitney's machine, which effectively removed the seeds from raw cotton, dramatically improved labor productivity and thus drastically lowered labor costs. These developments worked to dramatically increase the demand for cotton, fostering increased demand for agricultural slave labor and, with that, increased the price of slaves.

In 1802, the price of a prime field hand was about \$600, but it tripled by 1860 to \$1,800—in a period of moderate price *deflation* (Conrad and Meyer 1958). In inflation-adjusted prices, slaves in 1860 cost roughly quadruple their counterparts fifty-eight years earlier, reflecting sharp increases in the value of the output attributable to slaves. To some writers in the early part of the twentieth century, this suggested slavery was becoming unprofitable (Phillips 1918, 1929). After all, the price of slaves was rising, but the price of cotton on average was falling over time. However, by the mid-twentieth century both traditional historians such as Kenneth Stampp (1956) and statistically oriented economists such as Alfred Conrad and John Meyer (1958), Yasukichi Yasuba ([1961] 1971), Richard Vedder and David Stockdale (1975), and others affirmed Stampp's view that slavery was on average solidly profitable on the eve of the Civil War, although those buying slaves around 1860 obviously ultimately lost badly on their investments.

How badly were slaves treated? In the most discussed account of slavery, *Time on the Cross* (1974), Robert Fogel and Stanley Engerman argue that slaves were treated pretty decently, earning not much less than they would have if free and benefiting from a highly productive system of plantation agriculture that resulted from the economies of large-scale production. It did not pay profit-maximizing plantation owners to beat slaves a lot, to provide them with insufficient caloric input, or to divide families. Robert Fogel, perhaps stung by criticism that he seemed insufficiently morally indignant even though he was married to a black woman, later showed how slavery led to rising moral indignation over “the peculiar institution” (see Fogel 1989). In significant part because of his slavery research, Fogel became a winner of the Nobel Memorial Prize in Economic Science.

A full reprise of the vast debate over *Time on the Cross* is beyond the scope of this essay. As I argued nearly a half-century ago (Vedder 1975), the evidence is rather clear that slaves were pretty severely exploited. In a competitive market economy, workers usually earn approximately what economists call their “marginal revenue product.” It is rare for workers to earn more than, say, 20 percent less than that for sustained periods.<sup>2</sup> Yet my best guess based on econometric examination of several

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2. The one conspicuous modern exception I can think of relates to superstar collegiate football and basketball players on commercially successful teams, who earn (mostly in scholarship aid) only a small fraction of the revenue they provide their schools. It is perhaps ironic that a disproportionate number of these athletes are black.

forms of evidence, including records of about 5,000 plantations, is that on the eve of the Civil War the average slave received probably about *60 percent* less than a competitive market wage, and almost all of that was in the form of in-kind payment of mostly food, clothing, and housing. A typical slave around 1860 probably added somewhere between \$75 and \$90 in revenue for the slave owner, who in turn spent roughly \$30 or at most \$35 annually in nonmonetary “wages.”

Never before or since have such a large number (nearly 4 million) of Americans been so severely exploited economically. Exploitation was higher around 1860 than earlier. It was especially high for male workers in their prime productive years, but it existed for virtually all slaves of work age. It is noteworthy that upward of one-fourth of slaves were not primarily agricultural workers (Gallman and Weiss 1969) but either performed domestic work as servants or did more skilled work, such as serving as blacksmiths. On the eve of the Civil War, if black “incomes” approximated \$30 per capita, and white incomes were roughly \$120 per capita nationwide, then blacks on averaged earned roughly 25 percent that of whites shortly before the end of slavery. With coauthors, I more precisely estimated blacks’ average incomes to be 22 percent of whites’ income in 1860, but they dramatically rose to about 59 percent by 1880 (Vedder, Gallaway, and Klingaman 1990, 130). Ending slavery was of transformative importance to black Americans economically.

## **Black Economic Change between Slavery and the Civil Rights Revolution**

There are both generally positive and negative interpretations of the economic changes that confronted newly freed slaves. It is indisputable that per capita income fell sharply in the South relative to the national average, from 72 percent to 51 percent between 1860 and 1880 by one highly respected estimate (Easterlin 1971). One reason for this decline was that many highly efficient large plantations were broken up, ending any possible economies of scale. For example, the average Mississippi farm had 118 improved acres in 1860 but only 51 acres in 1880 (Vedder 1976, 254), and many experienced cotton planters were bankrupted by the end of slavery. It is also indisputable that a slowdown in the growth of cotton-textile production as that industry matured led to weakness in cotton prices during the Reconstruction era, further depressing southern incomes.

Beyond that, some think the newly freed slaves were exploited in new ways: they signed onto sharecropping agreements that disadvantaged them. Therefore, some scholars, notably Roger Ransom and Richard Sutch (1972, 1973, 1977), believe blacks continued to be severely exploited. Monopolistic company stores allegedly sold them provisions at inflated prices. Landowners supposedly showed rank racial discrimination against them in their business dealings, especially sharecropping arrangements. A number of scholars, however, have largely rejected the Ransom and

Sutch view (Reid 1973; DeCanio 1974; Higgs 1974, 1977). They present evidence indicating that there was little monopolistic exploitation, nor was sharecropping an inefficient or unfair arrangement for newly freed slaves, who had virtually no assets after Emancipation. It is worth noting that even southern whites' incomes were severely depressed by the Civil War aftermath, so there were simply not the resources for a dramatic leap forward in blacks' standard of living. Still, without a doubt, *the most significant redistribution of income in American history occurred with the end of slavery.*

Although blacks were mostly poor, they were making significant economic progress in the postbellum period and early twentieth century. As the black scholar and community leader Robert Woodson put it recently, "In the first 50 years after the Emancipation Proclamation, black Americans had accumulated a personal wealth of \$700 million. . . . The literacy rate had climbed from 5% to 70%" (2020). Moreover, most blacks lived in families with both parents present. Woodson adds, "In 1925 in New York City, 85% of black families had a man and woman raising children. In stark contrast, the current rate of births to unwed [black] mothers is above 75%" (2020).

Slavery is, above all, the suppression of the freedom to move—across work places, occupationally and geographically. There was very little migration of blacks northward for decades after Emancipation. The third generation of post-Emancipation blacks in the early and mid-twentieth century led the Great Migration from the Deep South and its poverty to the more affluent industrial states of the North. I compared five populous northern states east of the Mississippi (New York, Pennsylvania, Illinois, Ohio, and Michigan) with five southern states with a large black population (North Carolina, Georgia, Alabama, Mississippi, and Louisiana). In 1900, more than eight times as many blacks lived in those southern states than in the northern ones. By 1970, however, more than 1.4 million more blacks lived in the northern states than in those southern locations.<sup>3</sup> Blacks made up 1.4 percent of the population of Detroit in 1900, but by 1990 they constituted 75.7 percent. Ironically, declining regional income disparities have in the past generation led to a modest movement of blacks back to the South.

Although fleeing the extreme forms of racial discrimination often found in the South may have been a secondary motive, no doubt the primary motivation behind the Great Migration was economic. In 1900, the average per capita income in the five aforementioned southern states was less than half as much as in the North (Easterlin 1960). For the same reason that European immigrants migrated in huge numbers to northern states, so did southern blacks. I would speculate that this great movement contributed to a very sharp decline in the most egregious form of hateful behavior toward blacks, lynching. The number of lynched blacks declined from about ninety-eight per year in the 1890s, before the Great Migration, to twelve per year by the

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3. For a more detailed account of black migration, see Vedder, Gallaway, and Graves 1986.

1930s and then three annually in the 1940s and essentially disappearing (two for the whole decade) in the 1950s—*before* the civil rights movement had become strong and federal civil rights legislation had taken effect.<sup>4</sup>

Blacks in most of the first century after Emancipation worked hard, more than whites by some metrics. Various census data from 1890, 1900, and 1930 suggest that the unemployment rate among blacks was similar to that for whites (Vedder and Gallaway 1992). For example, Lowell Gallaway and I estimated that for early 1930 the unemployment rate for blacks was 6.1 percent, actually lower than the 6.6 percent rate for whites (Vedder and Gallaway 1992, 698). It was not until the late 1940s that black unemployment rates greatly exceeded (often double) white ones, in large part because beginning in the late 1930s federal minimum-wage laws prohibited low-wage payments to workers perceived to have low productivity. Milton Friedman once described the minimum-wage law as the “most anti-Negro law” on the books (1966). Earlier, so-called prevailing wage laws implemented at both the federal and state levels, such as the Davis-Bacon Act of 1931, were sometimes motivated in part by antiblack sentiments (Bernstein 2001). Representative Robert Bacon (R–New York) promoted the federal legislation in the House of Representatives because he was irritated by the construction of a veterans’ hospital in his upscale Long Island district by low-wage southern black labor (Vedder and Gallaway 1995). Prevailing wage laws would help keep southern black labor from taking jobs from northern white construction workers.

To be sure, part of the reason for approximate unemployment parity in the early twentieth century was the fact that most blacks still lived in the South and did agricultural labor, a low-paying occupation but one also with low unemployment. But another reason for approximate unemployment parity before the 1940s is that racial discrimination can be financially costly: a profit-maximizing entrepreneur is interested mainly in the revenue an employee’s output will provide him or her, not the color of that worker’s skin, a point elaborately developed by Gary Becker ([1957] 1971) and others.

Still, despite some noteworthy gains, overall progress for blacks in the period 1865 to 1940 was relatively modest, particularly for the large majority of blacks still living in the South who were particularly constrained by discriminatory laws and law enforcement policies that impeded their exercising fully their new freedom. Robert Margo (2016) has calculated that the black-to-white income ratio rose from .28 in 1870 to .32 in 1900 and .38 in 1940. William A. Darity Jr. and A. Kirsten Mullen (2020) note that early promises of financial support made to emancipated slaves (“40 acres and a mule”) to help them fully join the capitalistic economy did not come to fruition. They additionally note that repressive treatment with respect to employment options and opportunities for educational advancement thwarted dramatic

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4. “Lynching, Whites, and Negroes, 1882–1968,” unpublished document, Tuskegee University Archives Repository, Tuskegee, Ala., at <http://archive.tuskegee.edu/archive/handle/123456789/511>.

advances for most descendants of slaves, particularly in the South, for three-quarters of a century. This provides, in Darity and Mullen's view, both a moral case and an economic case for the payment of reparations to descendants of slaves. The coercive power of the state enabled racial discriminatory practices that impeded full black participation in the capitalist economy, and capitalism with its economic incentives is a powerful weapon against racism.

Nonetheless, black economic progress was considerable in the quarter of a century before the passage of the Civil Rights Act of 1964 in part because of the mass migration North but also because of declining prejudicial behavior toward Americans of African descent that had impeded their participation in a vibrant capitalistic economy. Outstanding contributions by black military personnel during World War II and the Korean War probably contributed importantly to reductions in prejudicial behavior, along with the fact that racial prejudice could prove costly to employers, as Becker ([1957] 1971) perceptively points out. Capitalism is a powerful antidote for racism. As Gerald Jaynes puts it, three changes to blacks after 1939 stand out: "three decades of rapid progress followed by two decades of relative stagnation ... declining employment of black males ... and heightened inequality within the black population" (1990, 9). Things got better, relatively speaking, for blacks during the 1940s, 1950s, and 1960s but stagnated somewhat in the 1970s and 1980s.

First, let's say something about post-1940 progress. Before we get to the data, we should note that the immediate postwar era is the period in which meaningful numbers of blacks began to achieve celebrity status (contributing to rising income inequality within the black population) and to take high-paying jobs. This was particularly true in sports and entertainment. Jackie Robinson became the first black Major League baseball player in 1947, leading to many black superstar athletes in the next twenty years—Willie Mays, Hank Aaron, Wilt Chamberlain, and Jim Brown (who went from football into acting), to name a few. Meanwhile, blacks achieved fame (and high incomes) in entertainment: Louis Armstrong, Nat King Cole, and Ella Fitzgerald are three of many who achieved high prominence, Armstrong winning a Grammy Award in 1964, the year the landmark civil rights legislation passed.

Life was improving for less-talented but hard-working black folks as well. The percentage of blacks owning their own home rose from 22.8 percent in 1940 to 38.4 percent in 1960 (Devaney 1994, 41). In the same period another scholar has estimated the black poverty rate fell from 87 percent to 47 percent (Sowell, 2002, 65). The proportion of black adults with college degrees, although still low, nearly tripled between 1940 and 1970, growing proportionally faster than for whites (U.S. Bureau of the Census 2006). The proportion working in low-paying jobs on farms or, for women, as household servants declined noticeably, while those in such relatively higher-paying professions as "proprietors and managers," "craftsmen," and "operatives" (factory workers) grew. Black entrepreneurs began to reach out to a growing black market: John Johnson founded *Ebony* magazine, patterned on the highly



popular *Life*, in 1945. As Abigail Thernstrom and Stephan Thernstrom observe, “Beginning in the 1940s ... deep demographic and economic change, accompanied by a marked shift in white racial attitudes, started blacks down the road to much greater equality” (1998).

The greatest twenty-five years of black progress after Emancipation itself came between the early postwar period and around 1973. The real median income of the black population more than doubled between 1948 and 1973, increasing an astonishing 3 percent a year. If averages instead of medians are used to calculate real income, the increase was even larger (given the large growth in the previously tiny high-income black population); inflation-adjusted per capita black income in 1973 was more than 125 percent higher than twenty-five years earlier (U.S. Bureau of the Census 2020b). Using the median as the measure of central tendency, black incomes rose from 45.3 to 70.1 percent of white incomes, eliminating nearly half the income disparity between the two races. If averages are used, the improvement was less (from 50.2 percent to 68.1 percent) but still very impressive.

### **Black Progress after 1964: Did the Great Society Hurt Blacks?**

There is near unanimous agreement that the Civil Rights Act of 1964 was a good thing for America, and I will not dispute that contention, although I will mention at least one unintended consequence of court interpretations of the law that has almost certainly had negative impacts for black Americans. But the law did not happen in a vacuum, being part of a vast series of reforms manifested in President Lyndon Johnson’s War on Poverty and Great Society initiatives.<sup>5</sup> It is my contention that many of these reforms, although initially (for less than a decade) increasing black incomes, in the long run cumulatively had two hugely negative impacts on black economic progress. First, they led to vastly reduced work effort among the black population. From outworking whites by most measures before 1964, blacks had before long a far lower proportion of the working-age population that actually worked than did white people (or other major racial designations, most notably Asians). Second, the War on Poverty and Great Society had dramatic negative impacts on traditional family formation among blacks, more so than for other ethnic or racial groupings. As one of my colleagues, Jan Palmer, once accurately commented to me, “The black family survived slavery and Jim Crow, but couldn’t withstand the impact of the Great Society.”

President John F. Kennedy proposed the Civil Rights Act in June 1963, but it took more than a year and President Kennedy’s assassination before it became

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5. Ironically, perhaps, Lyndon Johnson first spoke of the Great Society on May 7, 1964, on the campus of Ohio University, about two hundred yards from where I am writing this paper.

6. For a great account of this battle, see Caro 2012.

law, after one of the most epic legislative fights in American history.<sup>6</sup> But the civil rights legislation was just one of many important pieces of legislation passed between 1964 and 1966 that significantly affected all Americans, including blacks. There was massive expansion of various forms of public assistance through the newly created Medicaid program but also through such things as the generous provision of food stamps and the creation of several new federal agencies, such as the Job Corps, Neighborhood Youth Corps, and Volunteers in Service to America (VISTA), all overseen by the Office of Economic Opportunity. Assistance through Social Security also expanded dramatically. In constant dollars, governmental public assistance grew about 8.5 percent a year after adjusting for inflation in the 1960s, with total public-assistance programs' share of gross domestic product rising from 10.3 percent in 1960 to some 19 percent by 1975 (U.S. Bureau of the Census 1987, 336). Real federal public assistance per capita more than *quintupled* between 1964 and 1978 (Gallaway and Vedder 1986, 36–37).

The negative impact of an expanded welfare system on traditional family formation has been recognized for decades in voluminous studies. To cite one early example from the late 1970s, Robert Hutchens, writing in the *American Economic Review*, observed that every 10 percent increase in Aid to Families with Dependent Children (AFDC) welfare benefits led to an 8 percent decrease in the remarriage rate of single mothers (Hutchens 1979). And when black males became marginalized as their traditional breadwinner role diminished, crime rates rose sharply. One study, for example, found that a 50 percent increase in the value of monthly AFDC and food stamp benefits led to a 117 percent increase in crime rates among black men (Hill and O'Neill 1990). Similarly, Lance Lochner observes that “young men from an intact family ... are significantly less likely to commit crime” (2004, 19).

Before the Great Society and War on Poverty, welfare programs for the poor were provided largely by state and local governments as well as by private mutual-assistance societies and charities such as the Salvation Army, the St. Vincent de Paul Society, and the American Red Cross (Husock 2019; Beito 2000). Private assistance was often tailored to meet the specific needs of individuals and sometimes came with conditions, such as aid being withdrawn if the recipient did not take a job or if he or she were arrested for robbery, public intoxication, drug use, or other legal infractions. A bit of “tough love” was applied in order to encourage behavior conducive to long-term economic success. The new federal programs were uniformly applied to everyone without any behavioral conditions and were especially targeted to low-income persons, a disproportionate number of whom were black.

Before the Great Society and civil rights revolution, a larger proportion of blacks worked than whites or people generally. In 1955, for example, the proportion of blacks (including a small number of biracial workers) in the civilian population older than sixteen who worked was 58.7 percent, compared with 56.7 percent (two percentage points less) for all workers. This differential was due

solely to female employment: black women were far more likely to work than white ones (*Economic Report of the President* 2001). Fast-forward seventeen years to 1972, well after the Great Society had begun and civil rights legislation had passed. The black employment-to-population ratio was 53.7 percent, some 3.3 percentage points *below* that of the total working population. Although the proportion of adults working had risen slightly for the total population (and even slightly more for whites), it had fallen sharply, by five full percentage points, for blacks. *At the time when employment discrimination against blacks was being newly attacked by the Equal Employment Opportunity Commission created in civil rights legislation in 1965, black employment participation was falling sharply relative to that of whites.*

The withdrawal from work was exclusively by black males—the female employment-to-population ratio was little changed from the 1950s to this point. Although the proportion of white males working also fell (in part because of soaring college attendance), the decline in the proportion of black males working was nearly twice as great. Whereas in 1955 more than 77 percent of black males older than sixteen worked, less than 67 percent did seventeen years later. Moreover, the phenomenon of underemployment of blacks that developed during and following the Great Society initiative has persisted to this day. For example, in 2019 the black employment-to-population ratio of 58.7 percent was more than two percentage points less than for all workers. In addition, arguments blaming the low employment of blacks on racial discrimination or “white privilege” are severely weakened by the fact that the same statistic for both Hispanics and for Asians was healthily higher than the proportion for all workers or for whites.

Poverty in contemporary America is a great deal higher for blacks than for Americans generally or for such other major racial/ethnic groups as white, Hispanic, and Asian.<sup>7</sup> For example, the official census poverty data show that in 2019 the poverty rate among blacks, 18.8 percent, was more than double the rate for non-Hispanic whites (7.3 percent). But it was also much higher than for such other minority groups as Hispanics (15.7 percent), Asians (7.3 percent), and even immigrants to the United States (12.6 percent) (U.S. Bureau of the Census 2020a, 57).

But the same poverty data show one thing that overwhelmingly separates the poor from the nonpoor: a sharp difference in labor-force involvement. In 2019, the proportion of the poor working full-time year-round was a paltry 2.0 percent, compared with 26.4 percent for those not working at all and 12.0 percent for those working part-time.

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7. Many contemporary social scientists think—correctly, I believe—that there are severe problems with the official definition of poverty and that poverty in America is far less than officially reported (Eberstadt 2008; Gramm and Early 2018). My interest here, however, is less on the precise magnitudes of poverty and more on differences in poverty between racial groups, so my analysis uses the official data of the U.S. Bureau of the Census.

In the era before the Great Society and the War on Poverty, poor people needed to work because public-assistance payments were limited. But after the growth not only in cash benefits but also in other perks for low-income persons, such as food stamps, the incremental income available to a family from working fell sharply. Before the Great Society, a low-income individual conceivably might earn \$250 a week (in 2020 dollars) by working—paying \$20 in Social Security or other taxes and \$25 for transportation and occasional child-care expenses and thus netting \$205. After the Great Society, in some states the worker conceivably had the alternative of drawing perhaps \$190 in public-assistance benefits, with no deductions for Social Security, transportation, or child care. Giving up the job would thus not entail the loss of \$205 in disposable income, but only \$15. For many, the added “tax” arising from the loss of welfare payments was so high (more than 90 percent in this hypothetical example) that they simply dropped out of the labor force or only fleetingly sought employment. *Expanded welfare benefits effectively posed a “tax” on low-income workers that reduced labor-force participation, which disproportionately affected black Americans.*

Another dimension of this issue deserves brief mention. Black Americans benefit far more than other groups from strong economic growth and a booming economy. In downturns, such as the one in 1982–83 or the Great Recession of 2008, employment of blacks does fall more than that of other ethnic/racial groups. However, during periods of expansion blacks particularly benefit. For example, during the long expansion between 2011 and 2019, the employment-to-population ratio rose by 7 percent for blacks, compared with only 2.4 percent for the population generally (*Economic Report of the President 2021*, 486). It seems ironic that blacks tend to support progressive political candidates who emphasize income-equality issues more than economic growth, yet blacks in particular benefit from significant growth in income. When the demand for labor is robust, the welfare-disincentive effects are often overcome, and black employment surges.

The poverty data reveal another thing: poverty tends to be much lower where people live in traditional families with two parents present as opposed to in families with only one-adult or nonfamily living arrangements. For example, in 2019 the poverty rate in traditional two-parent families was 4.0 percent, compared with 22.2 percent in families headed by a female with no adult male present. The importance of this discrepancy was first raised dramatically by Daniel Patrick Moynihan in 1965 in his report *The Negro Family: The Case for National Action*. The breakdown of black families, already under way, soared over the next couple of decades. Women previously stuck with their husbands partly because they needed the men’s income to feed the family. With rising welfare payments, that situation changed dramatically—the welfare state could substitute for the husband, and with that substitution came increases in divorce or the number of women living unmarried with the father of the children. AFDC was triggered

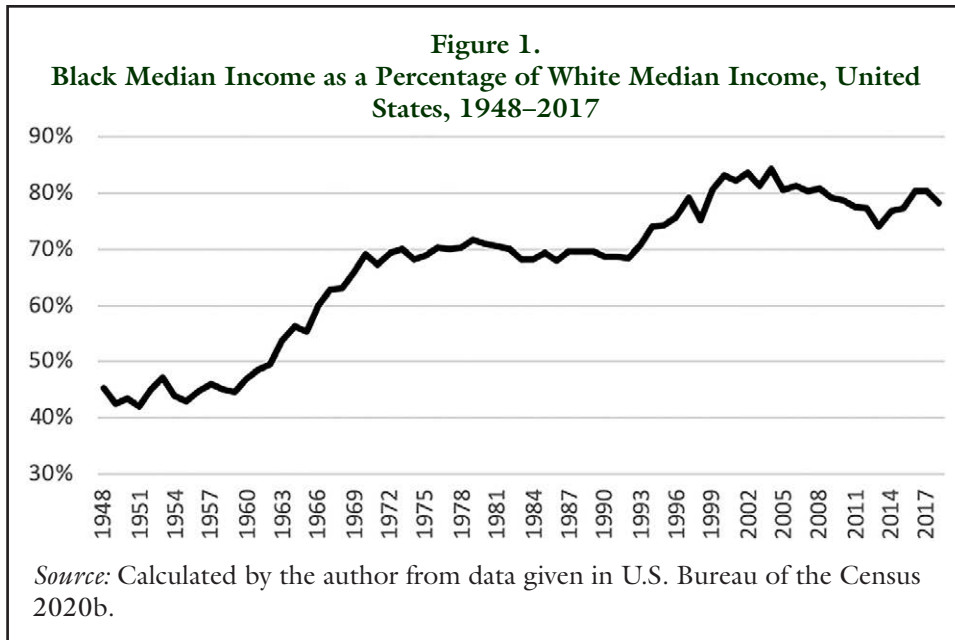
by the absence of a working spouse (almost always a husband). The debilitating impact this had was most vividly outlined by Charles Murray in *Losing Ground: American Social Policy, 1950–1980* (1984).

The well-known black economist Walter Williams summed up the issue very well: “The No. 1 problem among blacks is the effects stemming from a very weak family structure. Children from fatherless homes are likelier to drop out of high school, die by suicide ... commit crimes and end up in prison... . In 1960, just 22 percent of black children were raised in single-parent families. Fifty years later, more than 70 percent of black children were raised in single-parent families... . [T]wo-parent black families are rarely poor. Only 8 percent of black married-couple families live in poverty” (2017). Why did this happen? Williams reaches the same conclusion I do: “[N]either slavery nor Jim Crow nor the harshest racism had decimated the black family the way the welfare state has.” Other black writers, perhaps most explicitly Thomas Sowell (1981, 2004) and Jason Riley (2014), have made the point as well.

Although nontraditional family arrangements have also grown among other racial groups, the increases for those groups are small relative to the increase for blacks. For example, about 85 percent of Asian children, 74 percent of white, and 64 percent of Hispanic children live in families with two married parents, but only about 36 percent of blacks do (Wang 2019).

The consequence of declining labor-force involvement and the dysfunctional behavior arising out of single-parent families is that the sharp gain in economic progress among blacks relative to whites that began a decade before the passage of the Civil Rights Act of 1964 and continued for a few years (to the early 1970s) then stagnated. It resumed again in the last years of twentieth century, before stagnating again in the twenty-first century. Figure 1 looks at median black incomes as a percentage of median white incomes. Before 1960, the typical (median) black had slightly less than one-half the income of whites. That proportion rose sharply to about 70 percent by around 1970, when it stagnated to the early 1990s, at which point it rose again to about 80 percent at the beginning of the twenty-first century, where it has been ever since. Noteworthy, of course, is that the gains in the 1960s were observed largely before the vast expansion of the welfare state and that the increases in the 1990s came in a period when some forms of public assistance were rolled back in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which put lifelong time limits on receipt of public assistance and installed some work requirements. In turn, the backing away from some of these reforms of the 1990s in this century has likely stalled again the move toward racial income equality.

The ineffectiveness of public policy and its negative impact on blacks, along with the widespread publicity regarding the Black Lives Matter movement and protests following the death of George Floyd and others, may create the impression that blacks are particularly depressed from racial animosity toward them. It is interesting, however, that blacks collectively have suicide rates that are more than 60 percent



lower than for whites or the general population (Planalp 2019). Moreover, racial discrimination has declined dramatically. As Thernstrom and Thernstrom point out, in 1958 some 44 percent of whites said they would move if a black family moved in next door; by 1998, that proportion had fallen to one percent (1998).

### **Case Study: Civil Rights Legislation, Colleges, and the Law of Unintended Consequences**

One instance where well-intended civil rights legislation probably worked in unexpected adverse ways regarding blacks came in the aftermath of *Griggs v. Duke Power* (401 U.S. 424 [1971]), a unanimous U.S. Supreme Court decision where the Court effectively outlawed employer testing of prospective workers that had a “disparate impact” by race and where such testing was not truly required to perform the relevant job. The effect of this decision was to greatly reduce the use of testing in evaluating the potential of workers for employment. However, nothing in *Griggs* prevented employers from ascertaining the educational background of applicants. Since college graduates on average showed positive attributes such as greater cognitive abilities, more work discipline, and superior overall knowledge to those lacking that background, college diplomas increasingly took on an enhanced new economic value: a way of certifying an employee’s vocational aptitude. Within a decade or so, the income premium received by college graduates relative to high-school diploma holders increased rather sharply (O’Keefe and Vedder 2008). To be sure, other factors

(e.g., technological change) were probably no doubt relevant, possibly playing an even more important role.

Because blacks were far less likely to have college degrees than whites, this shift hurt them economically. Moreover, the rise in the college earning differential enabled colleges to raise tuition fees more than they would have otherwise, particularly disadvantaging blacks who had below-average incomes. Thus, the percentage of low-income recent college graduates has been actually *lower* in recent years than in 1970 (Vedder 2019). Similarly, the federal student financial-aid assistance programs that grew exponentially after 1970 contributed importantly to rising tuition fees (Cellini and Goldin 2012; Gordon and Hedlund 2016; Lucca, Nadauld, and Shen 2017), thus slowing the increase in the number of black college graduates, who tended to come disproportionately from low-income families sensitive to fee levels. The poverty rate among those with a bachelor's degree or more in 2019, 3.9 percent, was dramatically lower than the aggregate rate for the entire population (10.5 percent); federal financial-aid programs almost certainly reduced the proportion of blacks among graduates, thus contributing to their relatively high poverty. Also, high student debt levels among blacks, combined with relatively lower graduation rates among black students, contributed to disproportionately high-debt agony among black college students and graduates.

## Concluding Thoughts

The operation of markets, especially for labor, has worked to improve the status of blacks in America. Slavery forbade black Americans from selling their labor services competitively in markets. Freed slaves, suffering from poor education and located in poor agricultural areas, slowly saw their living standards improve, especially after responding to labor-market opportunities in the North. Declining racial discrimination, especially after 1940, in part reflected the fact that it was beneficial for both white employers and black workers for the latter to supply their labor skills and for employers to pay them approximately their marginal revenue product.

By one way of measuring (blacks' incomes relative to whites' incomes), black Americans have narrowed their differential economic standing relative to whites by somewhat more than two-thirds from the days of slavery to today. Significant differences remain, to be sure, but black Americans live much better typically than most persons inhabiting our planet. A large portion—more than 40 percent—of the black–white differential was eliminated by the end of slavery. We tend to under-recognize the significant degree to which labor markets and hard work were allowing blacks to make major gains relative to whites in the era before major federal civil rights legislation; decreased racial prejudice came simultaneously with increased participation by blacks in productive employment. Employers more interested in profits

than in exercising their prejudices increasingly hired blacks for remunerative jobs, ultimately leading to heretofore unimagined possibilities, including a black president of the United States and other black high-paid professional leaders. Blacks also responded to labor-market incentives by moving—occupationally away from low-paying agricultural jobs and geographically to the North for higher-paid employment. The sharp decline in racial discrimination in part no doubt resulted from increased racial integration in labor markets, which, in turn, has led to a huge increase in interracial marriages: from 1967, when miscegenation laws were overturned by the U.S. Supreme Court in *Loving v. Virginia* (38 U.S. 1), to 2015, the proportion of newlyweds with a spouse of a different race expanded more than fivefold, from 3 to 17 percent (Livingston and Brown 2017).

The gains, however, have been tempered by the unintended effects of well-intended but often ineffective public policies, such as massive public-assistance programs that made increasing proportions of blacks into unemployed wards of the state and led to a very serious decline in family stability and with that decline to other pathologies, such as increased crime. In recent times, competitive capitalism has allowed blacks to narrow their disadvantages relative to other Americans even as the political process has led to policies that have probably contributed to some retardation in black progress.

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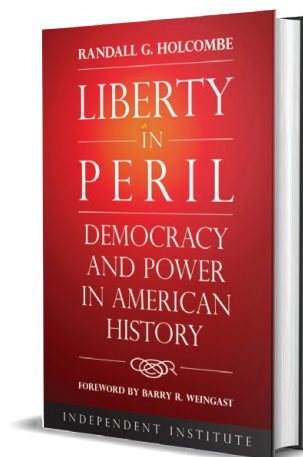
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