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THE IMPACT OF GOVERNMENT ON THE ECONOMIC STATUS
OF BLACK AMERICANS

James J. Heckman

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ABSTRACT

This paper reviews recent evidence on black economic progress. It notes that while relative status increased over the period 1965-1981, absolute differentials in real earnings between blacks and whites widened over this period. The paper goes out to summarize recent studies of the impact of government on the economic status of black Americans. Educational policy has a strong effect. The evidence on affirmative action programs is mixed. There is an intrinsic bias in the methods used toward finding no effect of affirmative action programs. Selection bias effects do not account for more than 10-12% of measured wage growth of black males.

James J. Heckman
Department of Economics
Yale University
P.O. Box 1972, Yale Station
New Haven, CT 06520

THE IMPACT OF GOVERNMENT ON THE ECONOMIC STATUS OF BLACK AMERICANS

James J. Heckman¹

University of Chicago, Department of Economics and
Quantitative Methods Group, NORC

This paper discusses the status of black Americans and the role of government in determining that status. The prevailing attitude of society toward this issue--assuming that the Reagan administration represents the prevailing view--is very different from the attitude of the Johnson administration that was in office in 1965 when much civil rights legislation was enacted.

In 1965, there was a genuine enthusiasm--widely held--about the willingness and capacity of America to solve its domestic problems using government programs of various kinds. Poverty and the unequal economic status of minorities--in particular black Americans--were perceived to be pressing but solvable social problems.

In 1965, faith in the lessons of social science and the possibilities of social intervention was widespread. This faith had an apparent factual basis. Economists took credit for the successful Kennedy tax cut of 1962 which

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stimulated the sluggish economy. They proclaimed that this success gave tangible evidence of a new era in which they could "fine-tune" the economy and was viewed as the social science counterpart of the critical experiment in science.

Subsequent events have shown how false this view was but in 1965 there was real optimism. Society could solve its problems--in particular it could solve the problem of the inferiority of blacks in the American economy.

The Kennedy-Johnson administration launched a War on Poverty. Many civil rights bills were passed and executive orders issued. The main features of the civil rights activity were:

- (1) The 1964 Civil Rights Bill and related bills banning discrimination in employment, housing and voting. "Equal treatment of equals" became embodied in the law and voting rights were assured.
- (2) "Affirmative action" programs for employment of minorities were begun--initially among larger firms and federal contractors. These programs encouraged firms to employ minority workers. This policy was instituted in recognition of the difficulty in overcoming historical discrimination patterns.

Coincident with this activity was a commitment to a War on Poverty which had two main thrusts:

- (1) Efforts were made to improve the skills of poor blacks (and other poor people) through (a) expansion of manpower training programs and (b) direct intervention in ghetto schools via bussing, through head start programs and the like.
- (2) Many transfer programs were introduced or expanded. These programs were designed to transfer income to the less fortunate. By virtue of their more lowly position in the distribution of income, blacks were disproportionately represented in these programs. The mix of social

spending shifted from training to transfers after initial dissatisfaction with the results of training programs.

Just as many economists took credit for the post-1962 improvement in the American economy, many social scientists proclaimed success for the Kennedy-Johnson policies aimed at elevating the economic status of blacks. At first glance, the evidence seemed clear. Although aggregate parity had not been achieved, at least for black males, the social statistics seemed to indicate the initial success of the new programs.

The first indications suggested that these programs "worked." Consider, for example, Figure 1. This figure shows three curves placed on the same diagram. These three curves trace out the ratio of the median income of black males, white females and black females, respectively to white male median income for full-time workers. Median income is the income that a person in the middle of an income distribution earns.

These figures tell an interesting story. The uppermost curve reveals a near stability in the black male income/white male income ratio pre-1965--1965 was the date that much of the Civil Rights legislation became operative--and a sharp upward jump after 1965. The lowest curve in that figure--for black females--tells a similar story for that group.

Table 1 demonstrates the significant breakthrough that occurred in the occupational position of employed blacks. The proportion of the black workforce in the professional category expanded greatly. Measures of occupational similarity between blacks and whites show substantial unprecedented improvement in the period 1960-1970.

Even more dramatic was the breakthrough in black employment in traditional segregated industries.

Figure 3 displays the share of total employment held by white males, white females, black males and black females in the South Carolina textile industry

over the period 1940-1980. The textile industry is the largest industrial employer in the state. Total employment in the industry continued to expand until the mid 70's. Its racial employment pattern is typical of that of many "traditional" southern industries. Skill requirements are low in the industry. There is a large black population in the state--both relatively and absolutely--throughout this period.

The topmost curve or line in Figure 3 displays the share of total employment held by white males. The curve or line second from the top displays the share of total employment held by white females. The bottom curve presents the share of black females and the curve just above it presents the share of black males.

It is evident from this chart that the share of white males is roughly constant at 60%. It declines during World War II but is offset by an expansion of white female employment.

Through two World Wars, the Korean War, the 1920's boom and the Great Depression the proportion of blacks in the industry is low and stable. The black female share is virtually zero. For black men the share is less than 10% despite the fact that the black share in the total population is closer to 40%.

In the post 1965 Vietnam era, textile plants were natural targets of federal contract compliance programs. Sales to the federal government in the form of materials for uniforms and the like were sizable. (The total volume of sales to the government by South Carolina firms increased from \$20,000,000 in 1965 to roughly \$120,000,000 in 1966 as the Vietnam build up began). In many counties of the state, textile employment was the principal industrial employment and was a visible target for federal civil rights activity. The share of black employment--and the level--increased dramatically after 1965. By 1970, the industry was roughly 30% black whereas before 1965 it was less than 10% black. While especially dramatic, the story of the textile industry is fairly

typical of other "traditional" southern industries. Penetration rates for blacks rose. Moreover, as black political power rose as measured by registration in the South, so did black employment in government (Table 2). It is this and other evidence that led many scholars of American racial relations to declare the success of the Kennedy-Johnson policies. Richard Freeman of Harvard wrote in 1973 that

While black-white differences have not disappeared, the convergence in economic position [of blacks]...suggests a virtual collapse in traditional discriminatory patterns" (Freeman 1973, page 67).

He continues on in the same article to write

Much of the improvement in black economic position that took place in the late 60s appears to be the result of governmental and related antidiscriminatory activity associated with the 1964 Civil Rights Act...More education for blacks and the general boom of the period cannot account for the sharp increase in relative incomes and occupational position of blacks after 1964. (loc. cit., page 119)

Writing in Commentary magazine in the same year--1973--Benjamin Wattenberg and Richard Scammon described the success of the Kennedy-Johnson social program in the following terms:

...A better deal has been given to the poor and black to the point where many of them are now in the middle class just as the Presidential pledges and legislation promised. ... To be sure, we cannot say absolutely that the legislation was totally responsible for the progress made but we can say absolutely that it was crucial. Liberalism worked. (Wattenberg and Scammon, 1973)

From the perspective of 1985 these claims seem exaggerated to some and absurd to others. Writing in 1984 in an influential book that has been described as the "Bible of the Second Reagan Administration" conservative author Charles Murray writes in his influential book Losing Ground that

As the Sturm und Drang of the 1960's faded and we settled into the 1970s, the realization gradually spread things were getting worse, not better, for blacks and poor people in this country... the inner cities were more violent and ravaged than ever before...it was difficult to take much satisfaction in the legal edifice of black rights when teenage unemployment was approaching 40 per cent. (page 145, Losing Ground)

Elsewhere in his monograph he writes

If an impartial observer from another country were shown the statistics on the black lower class from 1950 to 1980 but given no information about the contemporaneous changes in society or public policy, the observer would infer that racial discrimination against the black poor increased dramatically during the late 1960s and 1970s (Losing Ground, page 221)
The consequences of [affirmative action] were disastrous... for poor blacks especially. (Losing Ground, page 223).

Summarizing his study, he recommends

My proposal...is to repeal every bit of legislation and reverse every court decision...[so that] we are back on the track left in 1965. (Losing Ground, page 223)

In his work, Murray cites evidence of the failure of schooling and training programs and warns of the incentives to fail built into many social programs that require a person to be poor in order to qualify for their benefits.

Murray's assessment of the position of poor blacks--if not his policy conclusions--is shared by such liberal black scholars as W. Wilson of the University of Chicago, who writes

Since 1970, both poor whites and nonwhites have evidenced very little progress in their elevation from the ranks of the underclass. (Wilson, Declining Significance of Race, page 154)

He writes of a polarization in the black community with a prospering upper class and an immiserated lower class. Wilson's view is widely held in the black community.

There is some evidence that supports this less optimistic view of black status. Go back to Figure 1. The lower right hand side of that figure shows that the absolute difference in income for all minority groups taken with

respect to white males and measured in inflation constant dollars widened in the 60s. The gap remains sizable today. Figure 2 presents this evidence in a different way and reveals that while black incomes rose, so did white incomes and absolute gaps did not converge between racial groups.

Figure 8 is a key exhibit in this article. It charts the growth over time in the labor force dropout rate--those not looking for work or at work--among prime age males 25-54. This age group has traditionally had a near zero rate of dropping out of the work force. For both race groups, the dropout rate has grown but the rate of growth has been much more rapid for blacks. By 1982, fully 12% of prime age black males in the civilian population were not attached to the work force.

A complete accounting of the status of blacks must reckon with this phenomenon. A recent history of black progress that focuses only on the improvement of demand conditions in the labor market for blacks cannot account for the growth in black dropout rates. These figures are mirrored in high and growing unemployment rates for blacks of all ages.

Not only is this dropout phenomenon a potential sign of distress in the black community but it also signals the possibility of an important problem that arises in comparing the earnings and occupational positions of blacks with whites. Earnings and occupation data are only collected for labor force participants. More precisely, the published wage and salary data count only those persons employed in one year who were also employed in March of the following year. As the fraction of blacks in the labor force declines and as more blacks enter the unstable marginal worker category and are excluded from the standard statistics, the available evidence on black status becomes increasingly unreliable since more blacks than whites are entering marginal status. One theme of this paper is that a substantial portion of the measured relative wage growth of black males is due to their differential rate of

omission from the published statistics. The omitted workers are the low wage workers and the growing rate of omission of blacks relative to whites has led to an artificial acceleration in the measured rate of black progress. In short, the "evidence" cited by Freeman and Wattenberg and Scammon is flawed.

There are other signs that all is not well in the black community. Table 6 gives statistics on the real income gap between black and white families. It has grown in absolute terms since 1959 and the ratio has barely changed. This phenomenon arises in part from the growth of female headship among black families coupled with the near constancy of real incomes in black female households.

Although the percentage of blacks living in poverty has greatly decreased since 1959, a substantial portion of this decline is due to increased cash transfers and not the growth of employment income. As transfer programs began to be cut back in the Carter administration in 1977, the proportion of blacks living in poverty began to increase.

Different scholars looking at different measurements of black economic status currently hold widely divergent views on the efficacy of policy. As recently as March, 1985 in an issue of Public Interest, Freeman continues to argue that affirmative action plans have "worked." Other scholars, such as Finis Welch of UCLA argue just as vehemently that they have not.

This lack of agreement in the research community inspires little confidence in the public at large. It is disappointingly common to observe disagreements among social scientists over issues of public policy. The confidence of the citizen in social science has diminished greatly since 1965. To empirical social scientists who believe that data can be used to settle rather inflame controversies, the apparent divergence between conflicting views on the role of government is very disturbing.

Overstatement and oversimplification are well rewarded activities both

inside and outside of academic life. Simple monolithic stories in which government does good or evil are easily grasped and attract political and financial support from partisan groups. The incentives for telling such stories are strong and the public has difficulty in assessing their merit because of the lack of access to data and the complexity of the statistical methods required to analyze it.

The rejection of social science knowledge on this issue is premature. There is real knowledge about the impact of government on black status but the correct story does not accord with the simplistic ones told in the popular press or by the "think tanks" of the right or left whose commissioned authors selectively read the data to suit their purposes.

There is also real ignorance, however, that remains to be filled by better studies. Separating out fact from fiction is an essential, if tedious, aspect of making studies of the impact of government on the status of blacks an intellectually respectable activity.

When we confine ourselves to the available data and recognize how it is generated and what it really measures and when empirical realities are separated from theoretical possibilities a richer, more ambiguous, picture of the role of government on the status of blacks emerges than is portrayed in the popular literature.

In the rest of this paper I want to separate out hard knowledge from circumstantial knowledge and no knowledge at all. I want to stick to the facts and attempt to separate out hard empirical evidence from a prioristic reasoning that dominates many popular social science discussions.

I hope to convince you that contrary to the popular view there is a valid empirically based social science. In addition, I want to demonstrate the importance of understanding how the data used in recent discussions are generated.

In making comparisons between black and white incomes and black and white occupational status of the sort presented in Figures 1 and 2, and Tables 1 and 2, it is important to notice that these are derived for workers in the labor force.

An important but neglected feature of the social statistics of the sort used in the recent debate over the effects of policy is that since the mid-60s, black participation in the civilian labor force has been declining. Figure 8 documents that the dropout rate for blacks has been increasing at a more rapid rate than for whites. By 1982, more than 12% of prime age black males are not in the work force and do not contribute to the earnings statistics used to measure black progress. The difficulty with the published statistics cited by Freeman and others is that they exclude such individuals.

This exclusion is in addition to the now widely acknowledged undercount of blacks--especially poor blacks--which has attracted considerable attention in the literature and is the basis for the recent city of Detroit suit against the U.S. Census. (See the discussion in the Journal of the American Statistical Association, vol. 80, #398, pp, 98-132, March, 1985). There is growing evidence of an undercount of blacks, especially economically marginal blacks.

As previously noted, this decline in black prime age male labor force activity taken in isolation appears to be anomalous--especially in view of monolithic stories that speak of the decline in the U.S. discriminatory system engineered by Title VII of the Civil Rights Act of 1964. If market opportunities were expanded for blacks they surely should have expanded their labor force activity--yet black labor force activity declined, even for prime age males.

One explanation of this decline that receives strong theoretical but mixed empirical support in the literature is that the decline in black male labor force activity is linked to the growth in the benefits from a variety of social

transfer programs that made not working a more attractive alternative than working, especially for low wage individuals.

The War on Poverty stressed job training but it also offered enhanced income transfers. Benefits for all sorts of social programs expanded dramatically as Figures 9 and 10 and tables 3 and 4 reveal. Some of these programs discouraged labor force activity. Participation in disability payments programs--given to individuals who suffer from work related disabilities--expanded greatly as benefit levels rose and eligibility standards were lowered. (See Table 3). Participation in these programs was proportionately higher for blacks than whites given the position of blacks in the income distribution. These programs probably have had some effect on discouraging labor market activity, but the precise magnitude of their effect is not known. Reinforcing this effect (but on much shakier empirical grounds) is the hypothesized effect of the minimum wage on disemployment. The real minimum wage grew in magnitude through the late 60's and early 70's.

However achieved, the removal of poor blacks from the statistical base can and does lead to an easily misinterpreted narrowing of measured black-white income differences. The remaining working blacks may appear to grow in economic status relative to whites not because any single black is doing better but because low wage black males are removed from the statistics.

This account of recent history does not deny that there has been real growth in black status relative to white status but it does argue that measurements of the growth may be exaggerated. Reinforcing this story from the other side is recent evidence of growing nonreporting of income by higher income people in the statistics which constitute the base of our knowledge. Only 2% of interviewees failed to report income in 1947 but 28% failed to report in 1982 and nonreporting rates are highest in the high income occupations. (See Lillard, Smith and Welch, 1986) Standard imputation procedures have been shown

to produce a downward bias in estimated income for such people. Because proportionately more whites are in such occupations, this factor leads to "convergence" that may well be spurious.

How serious is this issue? Like so much in social science, the issue is an empirical one. It is a hard problem that has not received adequate attention. In some earlier work with Richard Butler of Brigham Young University (Butler and Heckman, 1978) I estimated a sizeable role for such statistical phenomena. The most recent published study of this problem is one by Charles Brown of the University of Michigan. (Quarterly Journal of Economics, 1984). Brown uses now conventional statistical methods to correct the wage data for the effect of undercounting low wage black dropouts. Without going into the details of his study, I direct you to Table 5. Brown reports both published black-white median earnings for male workers over 16 and corrected estimates. His numbers are given in columns 1 and 2 in Table 5. In 1965, the ratio of black median earnings to white median earnings is .576--corrected for selective removal of low wage blacks the ratio is .558--little different.

Now go on in that table to 1975. In that year measured black-white median earnings is .734--a growth of $.734 - .576 = .158$ points--a 25% gain. How much is the real relative standing of blacks, correcting for labor market dropouts? Turn to column two. Brown estimates this figure at .614. Correcting for labor market dropouts, the growth in black/white median income is only $.614 - .558 = .056$. Two-thirds of the measured gain is due to an underaccounting of poor blacks. Brown's research suggests that the evidence of Table 1 may not be due to the decline of discrimination as much as to the elimination of the poor from the statistics of wage earners.²

² The main point of Brown's paper is to demonstrate that 100% of the black wage growth is not due to the labor force withdrawal of blacks. His estimate of 66% seems a bit high but even at half that figure the effect of black

Viewing the data in this light suggests that there may be scope for both the polarization hypothesis for the lower tail of the black income distribution and the affirmative action hypothesis at the upper tail. In fact, this story is consistent with the view that scholars like William Wilson have put forth. (Wilson, 1980) This point has relevance for the most recent analyses of black-white status such as the one presented by Reynolds Farley in his recent book entitled Blacks and Whites. (Farley, 1985) Virtually all of his analysis of black-white differences is conducted for samples of workers. Farley tests and rejects Wilson's polarization hypothesis.

His claim is premature. By failing to account for the substantial missing lower tail of the black poor, he fails to find any evidence of a worsening in the status of poor blacks and he overstates the rate of improvement of the economic status of black Americans.

I do not want to exaggerate the importance of the labor market dropout hypothesis by claiming that this phenomenon constitutes the entire explanation for the measured convergence in black-white status.

The South Carolina data previously cited (Figure 3) surely indicate a positive effect of federal policy on black employment and there are numerous other examples. Richard Freeman's research on black professionals and the work of his students document both the prevalence of affirmative action programs and their impact in publicly sensitive large corporations (Leonard, 1983). Nonetheless it is very easy to overstate the evidence in support of any quantitatively significant impact of such programs on the mass of black Americans. Indeed, many competent scholars--such as Finis Welch of UCLA and James Smith of the Rand Corporation--claim that there are no measured effects of such programs on black wages although there are documented instances of some

withdrawals on estimated wage growth would be substantial.

firms responding to federal pressure. (Smith and Welch, 1978).

The difficulty with interpreting the available evidence on the impact of affirmative action is the inherent ambiguity of the data. There have been many recent analyses of the impact of federal contract compliance programs which monitor the performance of required affirmative action programs for federal contractors. For example, analyses of the effect of federal contracting on black status typically consist of a comparison at a point in time between firms with government contracts and those without. Small positive effects of firm contract status on minority employment and occupational upgrading have been found but it is difficult to evaluate this evidence and translate it into measured aggregate wage or employment gains. This is so for three reasons.

First, one theoretical reason for suggesting an upward bias in such estimates is that firms are connected through a common labor market. If a contractor firm bids for black labor in an attempt to meet a federally mandated target, its actions may simply reshuffle blacks between contractors and noncontractors. If all the gains in contractor firms are at the expense of noncontractor firms, comparisons at a point in time will overstate true gains. In the limit, if no black workers are attracted into the workforce as a consequence of these programs, a comparison between contractor firms and noncontractor firms may show a big contrast in the employment of blacks in the two sectors when nothing but a rearrangement of a fixed workforce has occurred. This argument suggests that comparisons between contractor and noncontractor firms at a point in time may drastically overstate the true effect of such programs on employment.

Second, if all firms are bidding for contracts and the receipt of a contract is partly a matter of luck and there are many opportunities to bid for such contracts, and if it is costly to hire and fire workers--as much evidence suggests it is (see Holt, Modigliani, Much and Simon, 1960)--all firms--

contractor or not--would look pretty much alike at any point in time even though all were hiring more blacks in response to affirmative action programs. Comparisons across firms at a point in time would understate true affirmative action effects. Given the costs of hiring and firing, the second story appears to be more plausible than the first.

Following firms over time might provide a better answer--but this is easier said than done. The problem in social statistics is that a lot of things are going on in any socioeconomic time series and it is difficult to isolate the impacts of a few programs.

Third, and more cogently, there are few good measures of affirmative action. Many time series studies following firms, states, or the country as a whole over time, use a post-1964 time trend to measure affirmative action. The time trend is a possible stand in for a variety of factors; the evidence on the impact of affirmative action is largely anecdotal. The best summary of our knowledge--despite all of the claims pro and con--is that we still do not know the aggregate effect of these programs.

Unfortunately, the incentives to take a position on such a controversial subject are so great that the popular literature provides numerous conflicting stories. The truth of the matter, however boring it may be, is that there is no solid empirical evidence of harm from affirmative action--as Murray contends--or of great benefit either, as Scammon and Wattenberg or Freeman contend. The most accurate summary of our knowledge is that we do not yet know.

Neither the affirmative action hypothesis of government impact nor the transfer program induced labor force dropout hypothesis can account for the regional income data displayed in Figures 4-7. Examination of these data illustrates a danger of using highly aggregated data and the benefit of considering more closely the constituent portions of an aggregated series.

The pattern of relative income growth for males that emerges from these

figures is as follows.

- (1) In the Northwest and West regions of the United States as defined by the Census, there is no clear pattern of growth in relative incomes (Figure 4 and Figure 6).
- (2) In the North Central region there is a blip upward in the 1965 period that vanishes by the late 70s.
- (3) The only steady upward trend for blacks in any region is in the South.

The aggregate 1965 blip is a consequence of a North Central blip superimposed on Southern trend. The story for the South is particularly important because more than 50% of the black population lives there. The regional pattern for women is similar, except that for women, the ratios are above 1--suggesting superiority for black women--in all regions but the South long before 1964.

The "transparent" post-1965 shift in aggregate earnings so obvious in Figure 1 that has been the focus of so much of the discussion on relative black status vanishes in the regional data. The Southern growth of black status begins before any Kennedy-Johnson era legislation was passed--certainly before Title VII of the Civil Rights Act.

A main finding of recent scholarship is that the story of black wage growth is predominately a Southern story. Migration per se has played a small role. We are just beginning to understand the sources of the improvement of black economic position in the South. The sources appear to be three in number:

- (1) A decline in agriculture and a monetization of nonmarket activity (people buying eggs rather than raising their own chickens , etc.) as the Southern black population moved from the farm to urban and small town labor markets at a disproportionately faster rate than whites. Some of the decline in agriculture caused workers to drop out of the work force as agriculture in the South mechanized (partly in response to labor saving technical change).

- (2) Growth in industry in the South. A surprising statistic to many is that in 1980, South Carolina is the state with the highest proportion of its work force in manufacturing. In joint work (Heckman and Payner, 1985) we have documented that newer firms and industries entering the South in the 1950s in response to tax incentives and cheap labor were color blind in their hiring practices. However, the quantitative importance of this growth on wages and employment has not yet been determined.
- (3) Better investigated is the role of governmentally supplied education. (See Smith, 1984, Welch, 1974) The recent convergence of black-white education ratios is phenomenal by historical standards. Look at Table 7. The left hand side of the table records the years of birth of various cohorts of individuals and the mean schooling levels of each cohort. For example, white men born between 1906-1910 received 9.72 years of schooling on average--black men received almost $3\frac{1}{4}$ years less schooling on average. The differences in years of schooling--white minus black--are recorded for each sex group in Table 8. The narrowing of these schooling differences is monotone until the period of Jim Crow legislation in the South (1886-1915). Then the difference stays constant until we reach the cohorts born in late 1910s or early 1920s. Afterward convergence in the black-white educational distributions is rapid.

The story of the educational disparity between blacks and whites is a fascinating one. Beginning in the late 1880s and culminating in the early 1910s, blacks (89% of whom lived in the South) were effectively eliminated from the political system. With their elimination from political life came a reduction in access to governmental services. In the South at that time these services were primarily schooling services. (See J.M. Kousser 1974)

This period of exclusion was precisely the period in which Southern public schooling was being developed. The Plessy vs. Ferguson decision of 1896 sanctioned "separate but equal" schools. In reality the schooling was not equal and ironically only became so at the time of the 1954 Brown vs. Topeka Board of Education decision. Tables 9 and 10 document this inequality. Blacks schools met for fewer days per year (panel A, Table 9, 97 days for blacks vs. 143 days for whites in 1929-1930). Classroom size was bigger, teacher salaries lower, and pupil expenditures were lower in black schools--look at panel C.

Particularly eye-opening is Table 10 which documents the discrepancy between black and white per pupil schooling expenditure in school year 1908-1909 in Mississippi. Cohorts born during the peak of the Jim Crow era (1886-1915) did not experience any convergence in years of schooling completed. In addition, each year of schooling was less valuable for blacks because there was less teacher input and fewer schooling days in more crowded schools.

These cohorts of black workers dominate the aggregate statistics on earnings until recently. James Smith (1984) argues that part of the post 1964 convergence of black/white status is due to the retirement of these cohorts of poorly educated workers from the labor force. These cohorts dominate the data until the 1960s. This retirement phenomenon was particularly pronounced in the South and helps explain the Southern time series growth.³

Part of the Southern story of wage convergence then, is a story of governmental discrimination by states with long lasting consequences. Although this hypothesis cannot explain the "jump" in the aggregate data that has been the object of so much analysis, it is important to recall that the "jump" goes away in the regional data except in the North Central region.

³ This is my interpretation and not Smith's. Smith does not perform an analysis of regional aggregates.

Although the history of exclusion of blacks from schooling is a sorry one, the evidence assembled by Smith is fundamentally optimistic. His evidence contradicts--albeit by a negative example--the claims of Freeman and Murray that government educational policies have had little effect on black status. Over the longer run, they have an important effect.

Let me conclude by summarizing the main points of this paper.

- (1) Government has had an impact on the status of blacks and its impact has not always been negative. The evidence clearly shows that educational policies toward blacks have played an important role in elevating the economic status of blacks over time. The evidence on the importance of training and education on black status is not as inconsequential as many would have it.
- (2) Some policies have had unintended negative effects. The available fragmentary evidence suggests that some transfer programs may have had the negative effect of removing labor force incentives and stimulating the formation of female headed families.
- (3) Very little reliable information is available about negative or positive effects of affirmative action programs on the status of blacks. Our evidence on this issue is at best anecdotal.
- (4) A major theme of this paper is the importance of looking closely at the data introduced into popular discussions and examining how they have been generated. The aggregate statistics on the time series of black status mask important regional differences and obscure developments in the South which have played and continue to play an important role in elevating the status of blacks. The evidence from the South indicates that naive claims of the importance of the 1964 Civil Rights Acts do not receive support in the data since wages began to systematically increase in the region long before passage of this

law. We have also seen that the system of social statistics from which we draw our data on black status do not properly account for lower wage blacks. Part of the measured convergence of black status to white status (in relative terms) is simply due to the fact that poor blacks have been eliminated from the social accounting system. This evidence casts a very different light on the recent measured convergence.

Finally,

- (5) There exists no satisfactory monolithic overriding explanation of the recent economic history of black Americans. Current claims in the popular literature about the net good or evil of government programs are not based on firm empirical evidence.

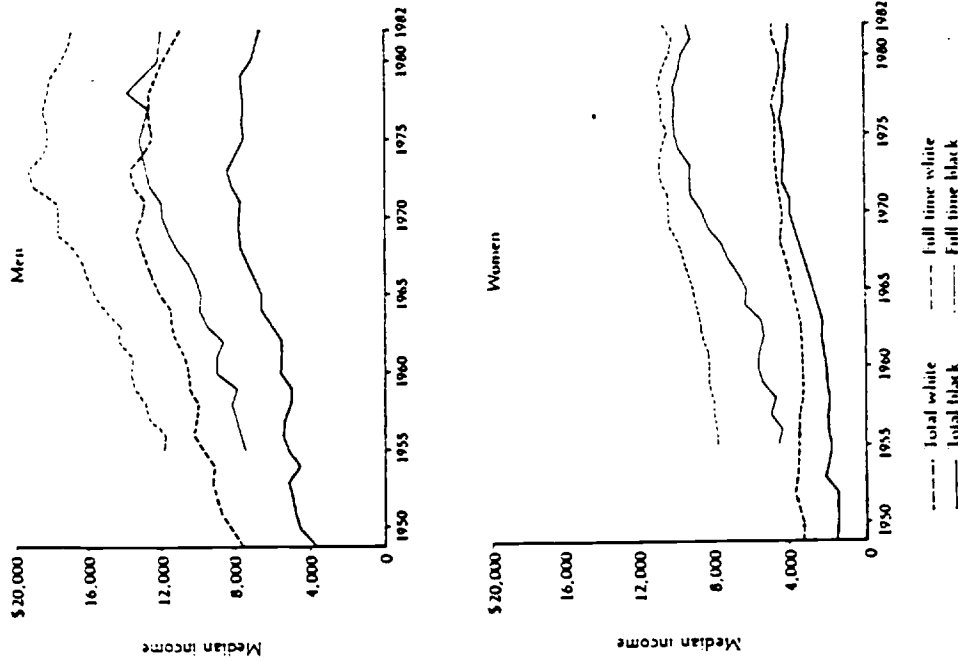
Government activity has played an important, but not exclusive, role in shaping black economic status. By no means has it always been harmful. And when it has been harmful--as in the case of the exclusion of black from Southern schooling--the policy lessons to be drawn indicate a real potential for interventions with positive effects.

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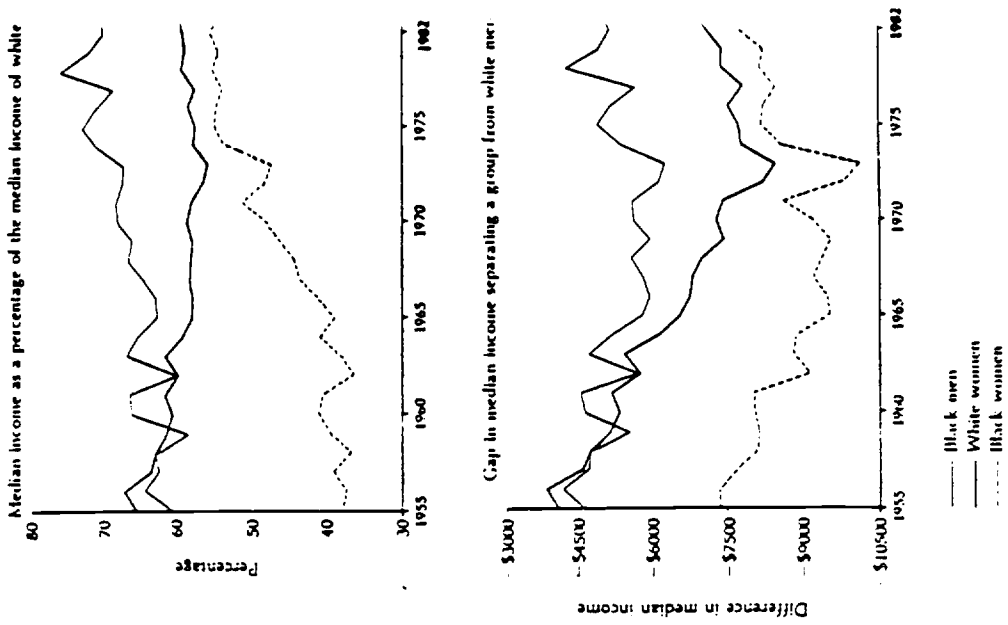
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FIGURE 2



Median income (in constant 1979 dollars) of total income recipients, 1949-1982, and of full-time, year-round workers, 1955-1982, by race and sex.
 Source: U.S. Bureau of the Census, *Current Population Reports*, ser. P-60, no. 127, table 10; ser. P-60, no. 129, table 67.

FIGURE 1



Median income of black men, black women, and white women as a percentage of that of white men, and gaps in median income, for full-time, year-round workers, 1955-1982 (constant 1979 dollars).

Table 1

Percentage of Employed Black Males (Fourteen Years Old and Over)
in Major Occupations in 1940, 1950, 1960, and 1970

Occupation	1940	1950	1960	1970
Professional and technical workers	1.8	2.1	4.6	7.0
Proprietors, managers, and officials	1.3	2.2	1.9	3.0
Clerical, sales, etc	2.0	4.3	6.8	10.2
Craftsmen, foremen, etc.	4.5	7.8	10.7	15.2
Operatives	12.7	21.3	26.6	29.4
Service workers and	37.1	38.4	38.1	38.4
Farm workers	41.0	24.0	12.3	4.4

Source: U.S. Bureau of the Census, Census of the Population: 1940, Characteristics of the Nonwhite Population by Race, Table 8; Census of the Population: 1950, vol. 4, Special Reports, Nonwhite Population by Race, Table 9; Census of the Population: 1960, Subject Reports, Nonwhite Population by Race, Final Report PC(2)-1C, Table 32; Census of the Population: 1970, Subject Reports, Final Report PC(2)-1B, Negro Population, Table 7.

Table 2
Employed Workers by Sector and Race, 1960 and 1970

1960					
	Total Nos.	Private Sector		Government Sector	
		No.	%	No.	%
White	58,023,795	51,055,702	88.0	6,968,093	12.0
Black	6,622,768	5,743,064	86.7	879,704	13.3
All Workers	64,646,563	56,798,766	87.9	7,847,797	12.1
1970					
White	69,402,115	58,594,922	84.4	10,807,193	15.6
Black	7,403,056	5,822,390	78.6	1,580,666	21.4
All Workers	78,805,171	64,417,312	83.9	12,387,854	16.1

Source: U.S. Bureau of the Census, Census of the Population, 1960 and 1970, Subject Reports, Occupational Characteristics.

FIGURE 3

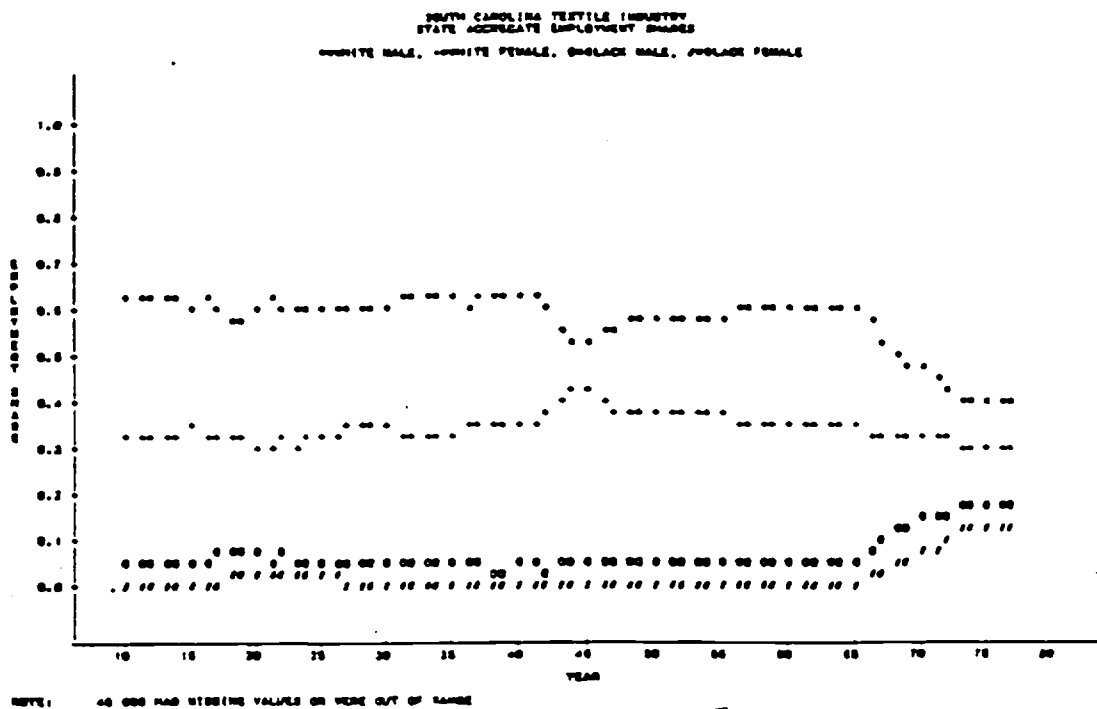


FIGURE 4

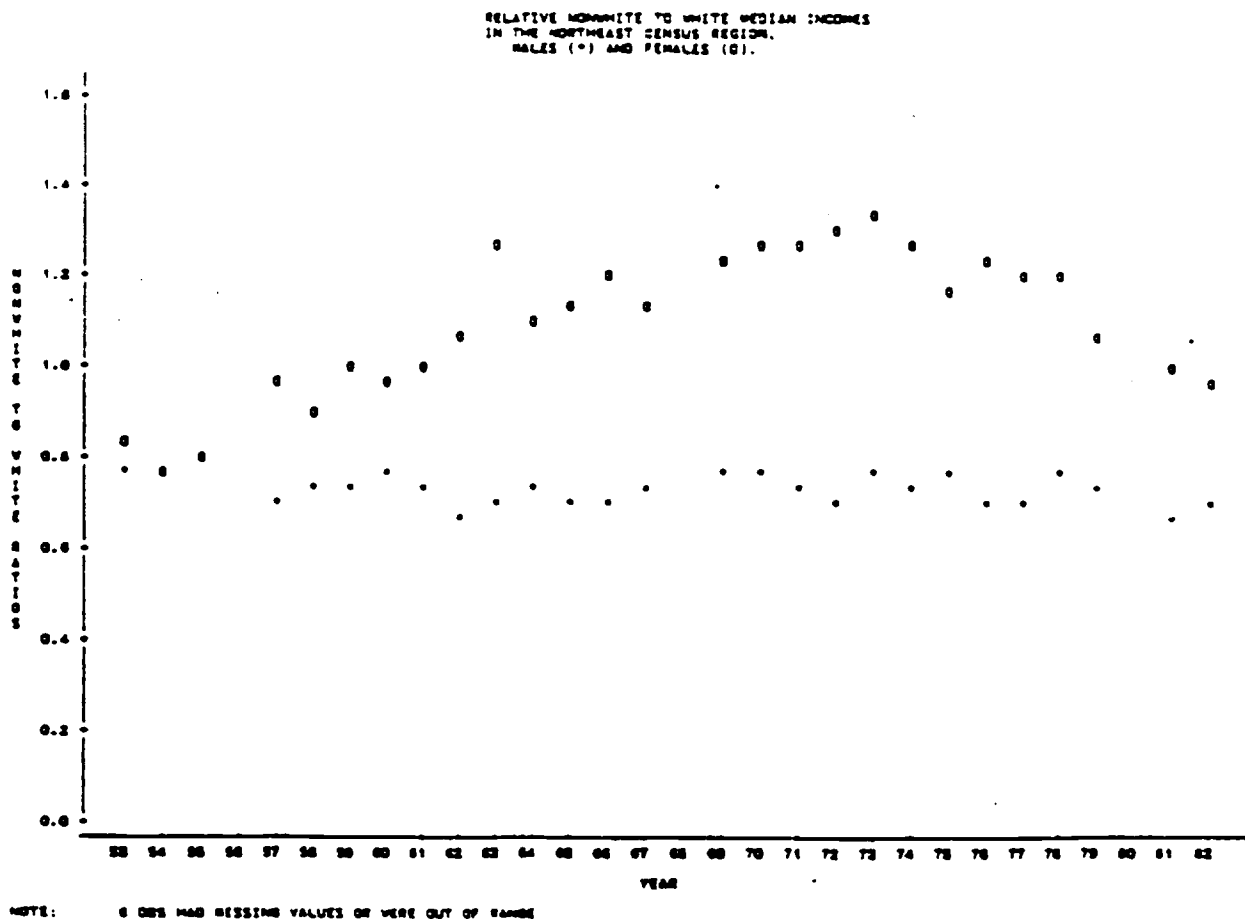
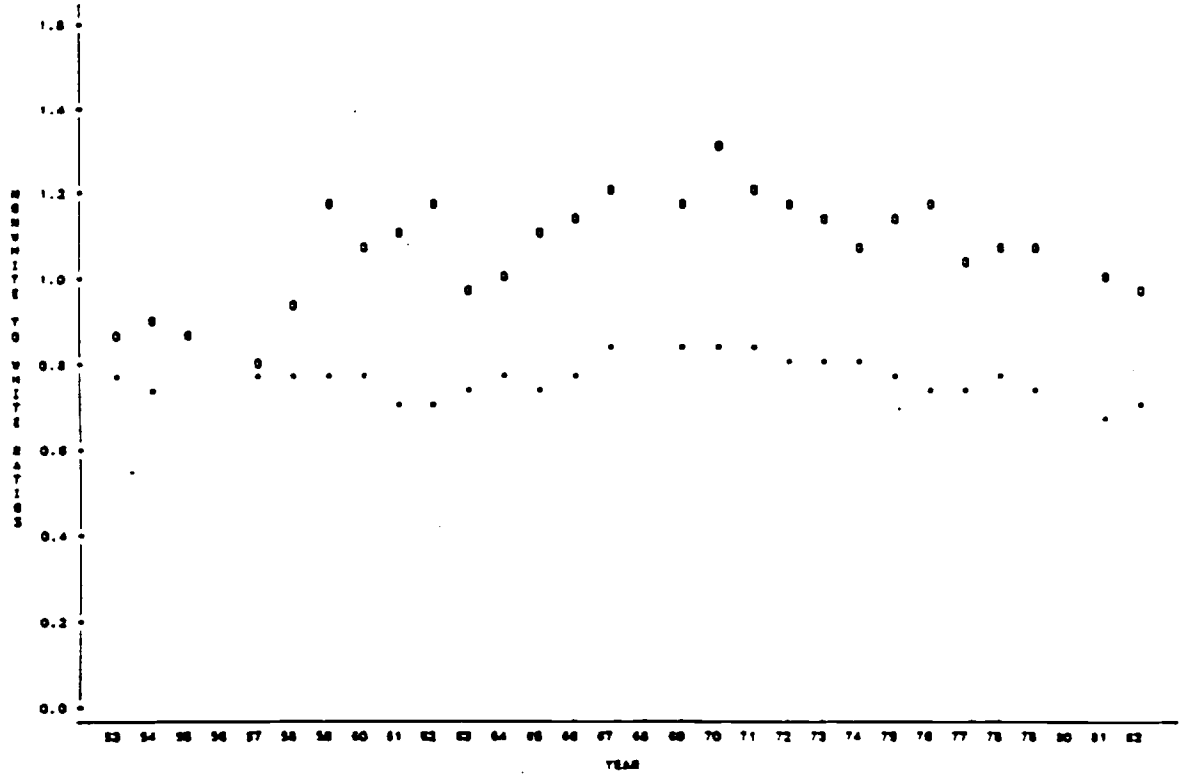


FIGURE 5.

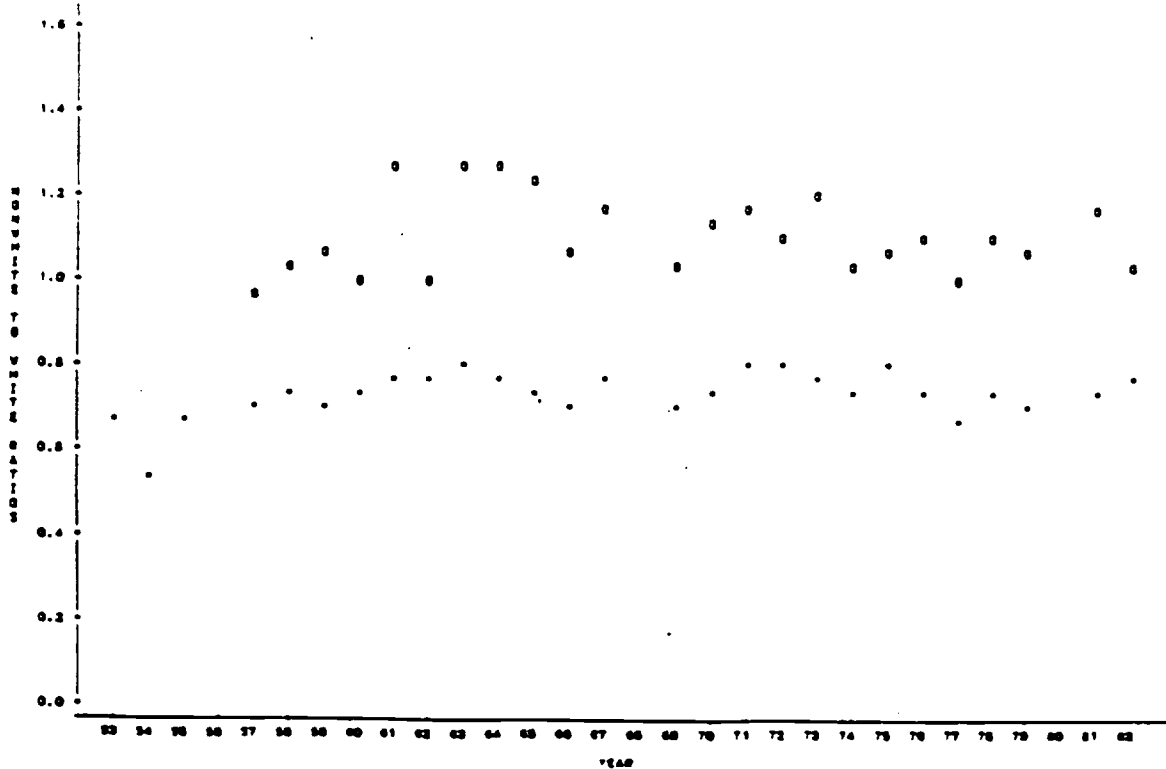
RELATIVE NONWHITE TO WHITE MEDIUM INCOMES
IN THE NORTH CENTRAL CENSUS REGION.
MALES (•) AND FEMALES (O).



NOTE: 6 OBS HAD MISSING VALUES OR WERE OUT OF RANGE

FIGURE 6

CHART 8. RELATIVE NONWHITE TO WHITE MEDIUM INCOMES
IN THE WEST CENSUS REGION.
MALES (•) AND FEMALES (O).



27
 FIGURE 7

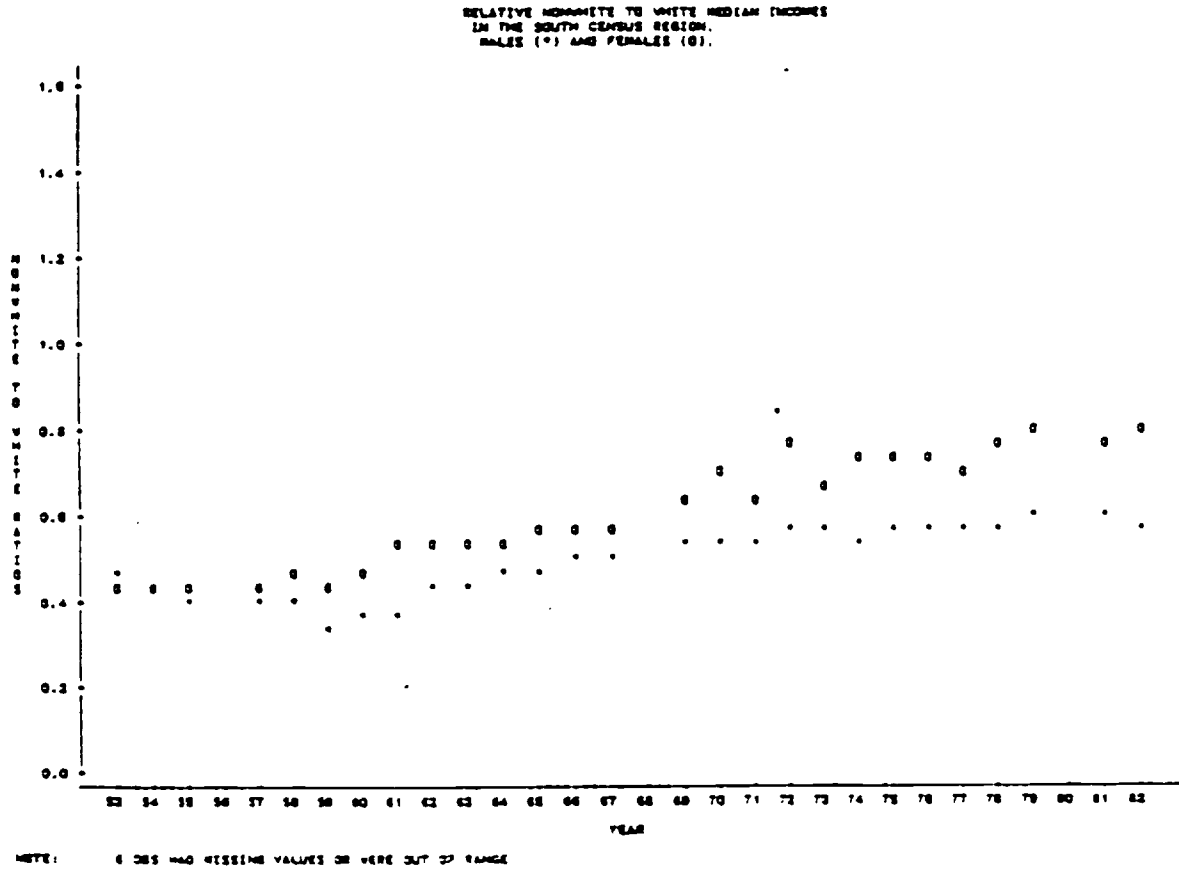
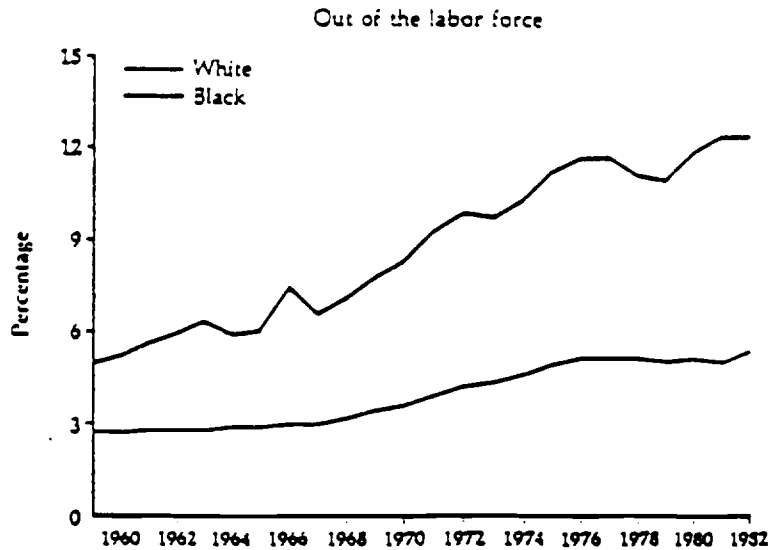


FIGURE 8



Proportion of men aged 25-54 out of the labor force, by race, 1959-1982
 (data standardized by age).
 Source: U.S. Bureau of Labor Statistics, Handbook of Labor Statistics: 1978,
 tables 3 and 60; Employment and Earnings, vols. 26-29, no. 1 for each vol.

FIGURE 9

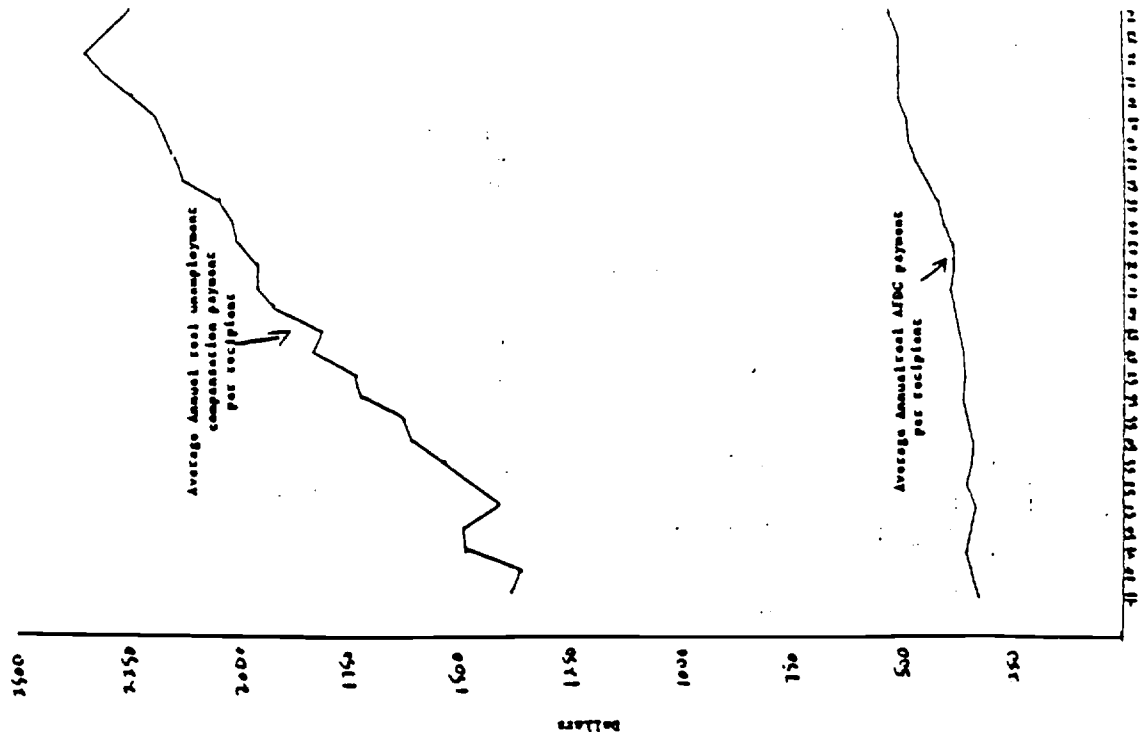
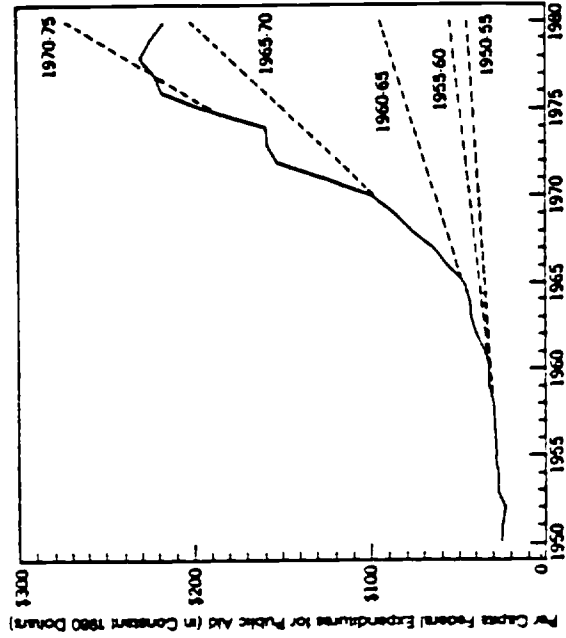


FIGURE 10



Per Capita Public Aid Expenditures, in Constant Dollars, 1950-1980

Table 3

Year	Number of Disability Beneficiaries	Change (Base 1960)
1960	687,000	
1965	1,739,000	+153%
1970	2,665,000	+288%
1975	4,352,000	+533%

Table 4
AFDC Recipients

	No. of Families (1,000s)	Total No of Recipients (1,000s)	Number of Children (1,000s)	AFDC Families as a Percent-age of All Families
1950	651	2233	1661	1.66
1951	592	2041	1523	1.48
1952	596	1991	1495	1.47
1953	547	1941	1464	1.34
1954	604	2173	1639	1.47
1955	602	2192	1661	1.44
1956	615	2270	1731	1.43
1957	667	2497	1912	1.53
1958	755	2486	2181	1.73
1959	776	2946	2265	1.75
1960	803	3073	2370	1.78
1961	916	3566	2753	2.01
1962	932	3789	2844	2.01
1963	954	3930	2951	2.03
1964	1012	4219	3170	2.13
1965	1054	4396	3316	2.30
1966	1127	4666	3526	2.32
1967	1297	5309	3986	2.64
1968	1522	6086	4555	3.04
1969	1975	7313	5413	3.69
1970	2552	9659	7033	4.95
1971	2918	10651	7707	5.62
1972	3122	11064	7983	5.86
1973	3156	10815	7813	5.80
1974	3323	11022	7901	6.04
1975	3566	11401	8105	6.40
1976	3585	11203	7909	6.37
1977	3547	10780	7572	6.25
1978	3488	10349	7226	6.10
1979	3560	10379	7207	6.16
1980	3841	11102	7600	6.57

Source for AFDC data: For 1950-70, HSUS H346-367; for 1971-80, SAUS-31, Table 559, and comparable tables in earlier issues. Percentage of all families is computed using data from appendix table 1.

Table 5

Black-White Earnings Ratios

Year	Males		Females	
	Published	"Corrected"	Published	"Corrected"
1953	0.594	0.576	0.485	0.626
1954	0.563	0.567	0.447	0.562
1955	0.588	0.596	0.433	0.552
1956	0.562	0.575	0.445	0.571
1957	0.554	0.528	0.455	0.568
1958	0.580	0.559	0.446	0.566
1959	0.580	0.542	0.532	0.642
1960	0.599	0.563	0.503	0.626
1961	0.570	0.543	0.513	0.626
1962	0.553	0.523	0.531	0.638
1963	0.568	0.552	0.532	0.634
1964	0.585	0.564	0.581	0.709
1965	0.576	0.558	0.575	0.708
1966	0.594	0.562	0.643	0.777
1967	0.639	0.612	0.703	0.830
1968	0.664	0.627	0.721	0.838
1969	0.666	0.625	0.792	0.904
1970	0.665	0.612	0.849	0.957
1971	0.673	0.595	0.860	0.928
1972	0.681	0.614	0.935	1.015
1973	0.695	0.615	0.896	0.934
1974	0.709	0.594	0.977	0.992
1975	0.734	0.614	0.973	1.011
1976	0.700	0.591	1.014	1.002
1977	0.705	0.605	1.009	1.016
1978	0.715	0.616	1.010	1.010

Source: C. Brown, Quarterly Journal of Economics, 1984.

Table 6

Median income of black and white families (in constant 1979 dollars),
1959 and 1982.

Year	White Families	Black Families	Racial gap in income	Black income as % of white
1959	\$14,301	\$ 7,587	\$6,714	53.1%
1982	\$18,502	\$10,277	8,275	55.3%
Change in income	\$ 4,201	\$ 2,640		
Average annual rate of change	+1.1%	+1.3%		

Source: U.S. Bureau of the Census, Census of Population: 1960, PC(2)-1C, table 14; Current Population survey, ser. P-60, no. 140, tables 2 and A-1.

Figure 11

Ratio Of Black To White Median Income

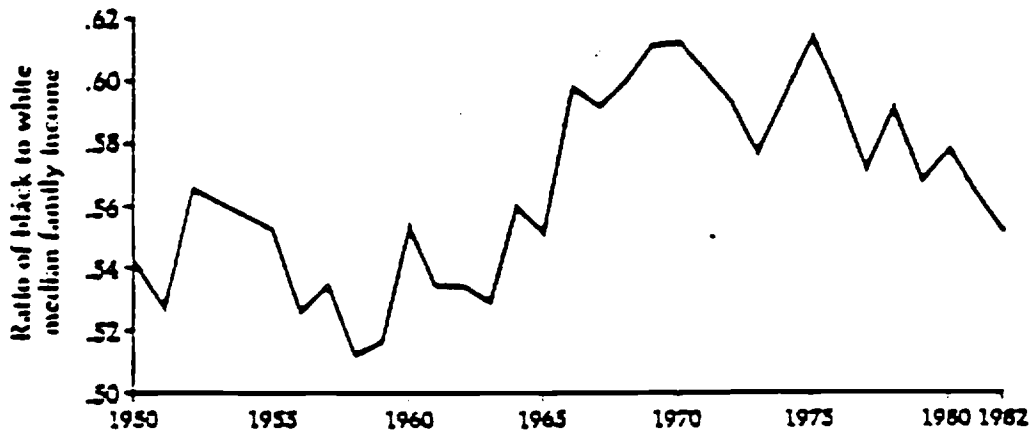


Table 7

Mean Schooling Levels By Birth Cohort (Years of Schooling)

Birth Cohort	White Males	Black Males	White Females	Black Females
1951-54	12.64	11.82	12.70	12.24
1946-50	12.68	11.93	12.45	11.86
1941-45	12.32	11.25	12.14	11.33
1936-40	12.00	10.46	11.81	10.89
1931-35	11.69	9.78	11.52	10.37
1926-30	11.38	9.11	11.33	9.87
1921-25	11.14	8.44	11.12	9.03
1916-20	10.74	7.65	10.79	8.36
1911-15	10.15	6.75	10.36	7.70
1906-10	9.72	6.26	10.02	7.16
1901-05	9.19	5.72	9.45	6.46
1896-1900	8.74	5.42	8.96	6.03
1891-95	8.18	4.96	8.42	5.52
1886-90	7.74	4.72	8.11	5.13
1881-85	7.56	4.38	7.95	4.67
1876-80	7.44	4.11	7.88	4.27
1871-65	7.22	3.56	7.58	3.59
1866-70	7.07	3.06	7.45	2.89
pre-1865	6.76	2.37	7.13	1.99

Source: Smith, 1984

Table 8
 Racial Differences in Mean Schooling Levels
 (Additional Years of Schooling of Whites)

Birth Cohort	Men	Women
1951-54	.83	.46
1946-50	.75	.60
1941-45	1.07	.81
1936-40	1.54	.92
1931-35	1.91	1.15
1926-30	2.27	1.47
1921-25	2.71	2.09
1916-20	3.09	2.44
1911-15	3.41	2.69
1906-10	3.46	2.86
.....		
1901-05	3.46	3.00
1896-1900	3.32	2.93
1891-95	3.23	2.90
1886-90	3.02	2.98
.....		
1881-85	3.18	3.28
1876-80	3.33	3.62
1871-75	3.67	4.00
1865-70	4.01	4.55
pre-1865	4.39	5.13

Source: Smith, 1984

Table 9
 Comparisons of Twentieth Century Trends in Characteristics
 Between the Segregated Negro Schools, Southern White Schools
 And All U.S. Schools

A. Days attended and enrollment per teacher. A comparison of
 segregated Negro schools to other schools 1900-1954

Year	Average Days Attended per Pupil Enrolled		Pupils Enrolled per Classroom Teacher	
	Negro Schools	All Schools	Negro Schools	All Schools
1899-1900	57	69 ^a	56.7	45.5 ^a
1908-1909	71	88 ^a	56.4	39.9 ^a
1919-1920	80	121	56.0	31.8
1929-1930	97	143	43.7	30.0
1939-1940	126	152	45.3	29.0
1949-1950	148	148	33.6	27.5
1953-1954	151	159	32.9	27.9

B. Enrollment of public school students in first grade and implicit
 retention rates for first grade 1900-1954

Year	Percent Enrolled in First Grade		Ratio of Enrollment in First to Second Grade	
	Negro Schools	All Schools	Negro Schools	All Schools
1899-1900	31.9	20.6	1.37	1.14 ^a
1908-1909	28.7	19.2	1.45	1.49 ^a
1919-1920	36.8	22.9	1.96	1.64
1929-1930	34.4	16.2	2.35	1.48
1939-1940	26.0	11.9	2.03	1.29
1949-1950	19.5	12.6	1.62	1.20
1953-1954	16.5	1.27	1.45	1.25

Table 9 (Continued)

Comparisons of Twentieth Century Trends in Characteristics
Between the Segregated Negro Schools, Southern White Schools,
and All U.S. Schools

C. Teacher salaries and expenditures per pupil in average daily attendance.

Years	Salaries			Annual Expenditures per Pupil		
	Negro Schools	Southern White Schools	All Schools	Negro Schools	Southern White Schools	ALL Schools
1899-1900	\$ 25/mo.	\$ 37/mo.	—	\$ 3	\$ 12	\$ —
1908-1909	\$ 26/mo.	\$ 49/mo.	—	9	25	—
1919-1920	\$ 36/mo.	\$ 73/mo.	\$ 871/yr.	10 ^b	43 ^b	—
1929-1930	—	—	1,420/yr.	15 ^b	49 ^b	87
1939-1940	601/yr.	1,046/yr.	1,441/yr.	19	59	88
1949-1950	2,143/yr.	—	3,010/yr.	—	—	209
1953-1954	2,861/yr.	3,384/yr.	3,825/yr.	110 ^c	181 ^c	264

D. Teacher salaries and expenditures: ratios of Negro schools to southern white schools (computed from panel C).

Years	Salaries	Annual Expenditures per Pupil
1899-1900	.68	.25
1908-1909	.53	.36
1919-1920	.52	.23
1929-1930	—	.31 ^b
1939-1940	.57	.32
1949-1950	—	—
1953-1954	.85	.61 ^c

Sources: U.S. Office of Education, Biennial Survey of Education in the United States, "Statistics of State School Systems," various issues. (Earlier editions are by the Bureau of Education in the Department of the Interior.) State Superintendents of Education, Annual Reports, various states, various years, and David Blose, "Statistics of the Education of Negroes," U.S. Office of Education.

^a Southern white schools only

^b Refers to 1931-1932 instead of 1929-1930.

^c Instructional expenses only.