## Race and economics

*Race & Economics: How Much Can Be Blamed on Discrimination?* By Walter E. Williams, Stanford, CA, Hoover Institution Press, 2011, 174 pp, $21.33/hardback; $8.40/paperback.

Many people in government and academia argue that government-imposed allocation of resources, rather than free-market resource allocation, is needed to keep minorities from being subject to discrimination by the majority and Big Business. In *Race & Economics*, Walter E. Williams takes a different approach. He applies economic analysis to attempt to prove that free-market resource allocation is in the best interest of minorities. Williams is the author of 10 books, including *Up From the Projects: An Autobiography*, in which he describes his journey as a Black man from a Philadelphia housing project to the faculty of George Mason University in Fairfax, Virginia, where he has served as the John M. Olin distinguished Professor of Economics since 1980. In the acknowledgment page of this, his most recent book, Dr. Williams confides that he spent a number of years gathering research materials and writing the book. His diligence is readily apparent.

Throughout *Race & Economics*, Dr. Williams promotes the idea that economics and profits usually trump personal feelings and prejudices. He uses the sport of baseball as an example of this idea. There have been many, many significant events during the long and storied history of the sport, but sportswriters are almost unanimous in choosing Jackie Robinson's breaking of the color barrier in 1947 as the most important. Robinson's appearance didn't immediately end prejudice among fans or owners. So why was it that all of the then 16 major league baseball teams integrated between 1947 and 1959? Per Williams, it came down to economics. Team owners realized that a "Whites only" policy would lead to losses to teams with more talented Black players, which would lead, in turn, to lost fans and lost revenue. Owners couldn't justify paying more to less talented White players than their abilities would dictate; in other words, the owners couldn't afford to discriminate.

Williams' position is that success among Blacks was achieved, not with the help of government policy, but in spite of it. He speaks out strongly against policy intended to help those in poverty who are members of minority groups. In doing so, he finds support from Frederick Douglass, a hero of the African-American community. Williams quotes an 1865 speech of Douglass' titled "What the Black Man Wants": "Everyone has asked the question …'What shall we do with the Negro?' I have had but one answer from the beginning. Do nothing with us! … And if the Negro cannot stand on his own legs, let him fall also. All I ask is, give him a chance to stand on his own legs!" Williams cites numerous examples of successful entrepreneurs among free Northern Blacks and even Southern slaves, examples that Douglass doubtless witnessed.

The current (April 2012) unemployment rate is 8.1 percent, and it would be higher if it included those who wanted full-time work but accepted part-time work and those who gave up searching for employment. The unemployment rate among African-Americans is much higher still, currently more than 15 percent, and more than 40 percent among Black youths ages 16 to 24 years. Is the higher rate among Blacks the result of discrimination?

Williams would answer that it is not. He comes to this conclusion by comparing current unemployment rates with unemployment rates of 100 years ago, a time of much greater discrimination. In 1900, for example, the employment-to-population ratio was 57.4 percent for non-Whites and only 45.5 percent for Whites. By 1990 these ratios had reversed, with the rate for non-Whites falling slightly, to 56.2 percent, while the ratio for Whites rose to 63.6 percent. Earlier periods displayed a similar pattern, as did the 1900–1930 period. On March 31, 1931, Congress passed the Davis–Bacon Act. This bill (which Williams believes was pushed by labor unions seeking higher wages and which would exclude Black workers who were willing to work for less) mandated the payment of locally prevailing wages and benefits on all federally financed or federally assisted construction projects that exceeded $5,000 (reduced to $2,000 in 1935). Once the bill became law, Black unemployment began rising relative to that of Whites; per Williams, this effect was further compounded by the passage of several other pieces of New Deal legislation, such as the Fair Labor Standards Act (FLSA), the Walsh–Healey Act, the National Labor Relations Act, and even the Social Security Act. The FLSA established a federal minimum-wage law that applied to employees engaged in and producing goods for interstate commerce.

Williams argues that this law helped those workers at the low end of the wage scale, but only those who could keep their job, because employers were not likely to keep an employee whose productivity was worth $6/hour if the employee had to be paid $7/hour. Williams concedes that some of those who advocate for a minimum-wage law do so with good intentions, believing that an increase in the number of people paid a "living wage" will reduce the poverty rate. However, it is his view that these actions have also been used with the goal of protecting the jobs of White workers. He cites union workers in apartheid South Africa, who demanded equal-pay-for-equal-work laws so that Blacks could not be hired for less and thereby usurp their jobs. What matters is the ultimate effect, says Williams, and that has been to increase the unemployment rate of the unskilled and young, many of whom are minorities.

Williams also decries occupational licensing laws. For some occupations, such as medicine and law, licensing laws are clearly needed. But there are now approximately 800 occupations that require licenses in at least one state: barbers, cosmetologists, taxi drivers, beekeepers—even fortune tellers—and more. Williams believes that these licensing laws are a means of restricting entry into an occupation, benefiting only those who are already practicing the trade. Some such laws, he maintains, are truly outrageous—for example, taxicab licensing requirements in New York City that include an entry fee of $500,000. He believes that these regulations result in the exclusion of less skilled, less experienced, and less wealthy persons, many of whom are Black. Williams acknowledges the union claim that licensing laws are needed to screen out unscrupulous practitioners, but he argues that in some trades (specifically, electricians, railroad workers, truckers, and plumbers) the laws have been purposely written to restrict the entry of Blacks.

Williams also has concerns about racial-profiling charges made against police officers accused of stopping Black or Hispanic drivers more often than non-Hispanic Whites. Similar accusations have been made against certain taxi drivers, alleging that they refused to provide rides to Blacks. Williams cites a 1999 story by James Owens in which (mainly black and Hispanic) cab drivers in Washington, DC, voice support for racial profiling and Commissioner Sandra Seegars (also Black) warned cabbies to stay away from low-income Black neighborhoods. Pizza companies that deliver also have been accused of racial profiling for refusing to deliver to certain neighborhoods, often crime-ridden and primarily Black ones. Since most of the delivery drivers who refused were themselves Black, Williams believes that the accusation is specious. In 1991, Jesse Jackson stated that it is criminal that banks "systematically discriminate against African-Americans and Latinos in making mortgage loans." Williams argues that discrimination was not involved; rather, the huge difference in net worth and credit scores of Blacks and Whites, even those who have the same monthly income, was to blame. Williams contends that if banks were discriminating against Blacks by making their loan approvals more difficult, then Black default rates would be lower, and he cites a 1992 Federal Reserve study which found that Black and White default rates were roughly equivalent. He also claims that the insistence of many in Congress in recent years that homeownership be made more available in the form of subprime loans to low-income people was a primary cause of the collapse of the housing market and the ensuing recession. Had lending institutions been allowed to set their own requirements, Williams opines, many of our recent economic problems could have been avoided.

The thesis of this book is that attempts in the last 50 years to lessen the economic gap between Blacks and Whites through government interventions have been unsuccessful and may even have worsened the situation. Williams argues that free-market resource allocation would have been a better solution for both minorities and the public in general. *Race & Economics* is an easy read, well written and well researched: Williams provides 24 pages of footnotes to support his arguments. For those readers open to looking at the issue of race and economics from a distinctly conservative point of view, I strongly recommend this book. ☐

—Ronald Johnson
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