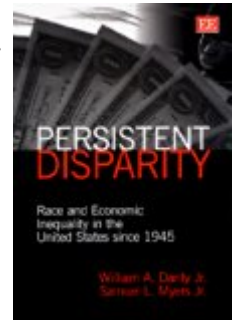


William A. Darity, Jr., Samuel L. Myers Jr... *Persistent Disparity: Race and Economic Inequality in the United States since 1945*. Cheltenham, UK and Northampton, Mass.: Edward Elgar, 1998. xiii + 191 pp. \$80 (cloth), ISBN: 1-85898-658-3; \$25, paper, ISBN 978-1-85898-665-4.



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Occasionally enlightening, often frustrating, this book examines the continuing gap in economic status between white Americans and African-Americans. The authors stake out a pessimistic position, arguing that the perceived relative economic progress of blacks during the 1960s and 1970s was largely illusory. Furthermore, they contend, the stagnation or erosion of black relative incomes since the 1970s cannot be attributed to rising general inequality or changing family structure. Rather, racial discrimination in the labor market has played an important ongoing role.

Darity (Professor of Economics, University of North Carolina) and Myers (Professor of Human Relations and Social Justice, University of Minnesota) propose a link between increased discrimination and the general trend toward greater income inequality of the last 30 years, arguing in the introductory chapter that "Job losses and earnings losses for white males who are the 'victims' of the unequalizing spiral will lead them to intensify their efforts to preserve their remaining occupational turf and to squeeze black workers further down the occupational ladder" (p. 3). An

intriguing possibility, to be sure, but a reader expecting to find direct evidence of this endogenous discrimination will be disappointed.

Instead, much of the monograph is devoted to undermining competing explanations of changes in the black-white gap. This it does with mixed success. The authors are compelling in their claim that evidence of wage convergence between blacks and whites before the 1980s is severely biased by the exclusion of non-earners from the comparison. Whereas the median wage of black workers converged toward that of white workers during the 1960s and 1970s, convergence disappears if one includes nonworkers and assigns them a wage in the lower half of the distribution. Similarly, family incomes fail to show the same racial convergence as the wages of individual workers over the same period.

Thus the evidence supports a claim of economic polarization within the African-American population during the 1960s and 1970s, with employed blacks experiencing gains relative to whites, but a substantial segment of un- and underemployed blacks (who would be labeled the

"underclass") falling further behind. Darity and Myers suggest that this mixed picture undermines the views of the "optimists," including James Smith, Finis Welch, and Richard Freeman, who have argued that improved educational opportunities and/or diminished labor-market discrimination contributed to large gains for blacks before the 1980s.

It is not entirely clear, however, why the authors think one must reject the optimists' explanations for progress on the part of those African-Americans who did succeed. Darity and Myers assert that the rise of a black professional class during these decades was due to "the growth in public sector employment opportunities in social welfare agencies attributable to the Johnson Administration's Great Society programmes" (p. 52), although they provide little supporting evidence. It seems unlikely that public employment explains the emergence of the black middle class as a whole.

The book's central chapters present the authors' analysis of data from the Current Population Survey regarding the role of the racial "skills gap" and racial differences in family structure in generating income inequality between the races. Darity and Myers present truly bleak figures documenting the widening of the racial gap in incomes for families with poorly educated family heads. Among families headed by young people with less than a high school education, the black-white ratio of family incomes dropped from about 70 percent in 1970 to about 50 percent in 1991. By contrast, the racial gap was virtually unchanged among families headed by older, better-educated persons.

In Darity and Myers's view, this evidence tends to refute a widely held explanation of the erosion of black relative gains during the 1980s: namely, that the growing return to skills exacerbated racial inequality because blacks tended to have lower skills on average. If this were the case, argue the authors, then the least skilled whites

should have done no better than the least skilled blacks. Instead, we observe the racial gap widening even among high school dropouts, suggesting that something more than skill differentials is at work. This conclusion is bolstered by earnings regression results, which suggest that racial differences in the return to schooling actually narrowed between 1976 and 1985.

The role of rising general inequality cannot be dismissed quite so easily, however. It is well established that recent increases in inequality occurred within skill groups as well as between them. In regression terms, the variance of the residual in standard earnings equations has increased. If black workers tend to fall in the lower tail of that earnings residual, whether because of discrimination or unobserved skill differences, the increased spread in the residual could also increase racial inequality, a point demonstrated empirically in the important work of Chinhui Juhn and co-authors. (Robert Margo and Thomas Maloney have also shown that the reverse process helped narrow racial pay differentials during the "great compression" of wage inequality during the 1940s.)

Darity and Myers focus much of their data analysis on the incomes of families and family heads, and naturally they must consider the role of changing family structure. Disputing the conventional wisdom, they claim that the rising rate of female headship "is not even a weak candidate" for explaining the reversal of relative black economic progress after the mid-1970s (p. 87). The reason given is essentially that rates of female headship rose as rapidly among whites as among blacks during these years.

This is true, but rather misleading. Among white families, the percentage headed by females rose from 9 percent in 1970 to 13 percent in 1991. The corresponding figure for African-Americans went from 28 to 46 percent. The proportionate increases are thus not dissimilar, but the absolute change in proportions may be more important.

For instance, suppose that female-headed households earned 50 percent of two-parent households, but that within family types there were no racial income differences. Then in 1970, the black-white household income ratio would have been 0.90, falling to 0.82 in 1991 on account of the change in family structure alone.

This is not to deny that racial discrimination in job and housing markets has played a significant role in generating racial differences in family structure. But changing family structure cannot be so readily dismissed as an intermediate factor in generating trends in racial income inequality.

In fairness, later in the same chapter Darity and Myers report estimates of the impact of increased female headship on the racial income gap from a complex counterfactual exercise. They conclude that "less than 10 per cent of the increase in racial earnings inequality among family heads can be attributed to changes in the proportion of families headed by females" (p. 105). In their model, however, female headship apparently affects earnings only through its impact on labor-force participation. It is not clear that their model has captured the full impact of female headship to the extent that it affects earnings in other ways (for example because women are paid less than men).

Darity and Myers conclude their empirical analysis by noting that very little of the change in racial income inequality between the 1970s and 1980s can be attributed to racial differences in measured characteristics. Is this then evidence of differential treatment—i.e., labor-market discrimination? Darity and Myers believe so. A reader familiar with this highly contentious literature, however, will wonder about the role of unmeasured factors, including school quality and family background, which some argue show up in the much-discussed test-score gap between whites and blacks.

The book's final two chapters discuss the political and economic ramifications of various pos-

sible remedies to the problem of racial economic inequality. Darity and Myers are deeply pessimistic about the prospects of reducing racial income inequality in the United States any time soon. They see the economic trends as largely negative, and the political trends increasingly hostile to the race-based remedies that might have the greatest chance of success.

Given all that has come before, the concluding chapter, which is in many ways the most thought-provoking in the book, seems to come out of left field with a plea for monetary reparations to the descendants of African-American slaves. For Darity and Myers, the case for reparations is not merely a matter of correcting a past injustice. As they put it, "The effects of historic deprivations are cumulative" (p. 151).

The cumulative deprivation that would be offset by reparations is the maldistribution of wealth between blacks and whites. Wealth is much less equitably distributed than income, and Darity and Myers cite recent studies finding that racial wealth differences are truly historical in origin, arising from differences in the size of inheritances rather than differences in savings rates or asset returns.

But would the wealth redistribution achieved through a one-time payment of reparations bring about the hoped-for transformation of African-American economic prospects? Those of us who are of the Rawlsian persuasion can agree with the authors that a considerable reduction in wealth inequality may be a necessary condition for fair equality of opportunity, but is it sufficient? Darity and Myers think it can be, if coupled with vigorous enforcement of anti-discrimination law and a concerted movement among African-Americans to promote entrepreneurship and economic independence, especially among the poorest. But experience provides us with very little evidence to assess this claim one way or the other.

Disillusioned with the disappointing results and declining political viability of race-based af-

firmative action, Darity and Myers in the end argue for the transfer of literally trillions of dollars from whites to blacks. The irony and air of unreality in this proposal are not lost on the authors, who admit that it would be "outrageous and unrealistic" to the vast majority of Americans. But what if they happen to be right that reparations offer the best chance for eliminating the persistent disparity between the races once and for all? One can hope that if the authors write another book, they will steer their considerable intellectual talents away from inconclusive exercises in crunching the same old earnings data, and toward a serious and thorough defense of the justice and effectiveness of their immodest proposal for reparations.

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