10

Black-White Income Differences

MICHAEL REICH

Progress in race relations in the United States historically has occurred in concentrated bursts, rather than through a gradual and continuous evolution. These concentrated bursts of progress often have been followed by periods of regress that diminished but did not totally erase the previous advances. The abolition of slavery in 1861 and the Reconstruction Era of the post-bellum years offer the most dramatic cases of concentrated bursts of progress. The Reaction Era that began in 1877 and the subsequent rise of Jim Crow offer an equally dramatic illustration of a period of regress. More recently, the Second World War and the Civil Rights era of the 1960s provide important examples of concentrated bursts of progress, each followed by some reaction.

This pattern of concentrated bursts of progress followed by regress invites explanation. Through an analysis of black-white income differences in the post-World War II era, I attempt such an explanation here for the postwar period. Conventional wisdom notwithstanding, I show that black-white income ratios exhibit a long-swing pattern, with a period of upward trends followed by one of declines. I suggest that neither the supply-based nor the demand-based analyses of conventional economics provides an adequate explanation of the postwar patterns of black-white income differences. I argue that an account that stresses the rise and fall of socio-political movements pressing for institutional change provides a superior explanation.

To preview my approach, consider first the concentrated burst of progress that occurred during World War II. Weaver writes (1948:78): "[The] changes in a period of four years [1940 to 1944] represented more industrial and occupational diversification for Negroes than had occurred in the seventy-five preceding years."

Income data from the 1940 and 1950 censuses indeed indicate the dramatic extent of this progress. During the 1940s the median income of urban black males relative to that of urban white males rose by a fifth, nearly twice the increase recorded during the 1960s. Comparable increases were recorded for black females (Reich 1981:Chap. 2).

Sitkoff's (1978) explanation of these advances is of interest. He does not refer to the gains in educational attainment of blacks in this period, for these were modest; nor to equalizing effects of increasing competitiveness in labor or product markets, for wartime labor and procurement policies make it arguable whether these occurred; nor to the great wartime expansion of demand for labor, for blacks at first did not share in increased employment; nor to government intervention, for President Roosevelt at first opposed equal employment policies.

Instead, Sitkoff assigns the credit to a solidaristic socio-political movement, led by blacks but encompassing a coalition with organized labor, white liberals and white radicals. Constructed painstakingly during the 1930s, this coalition successfully pressured the government in 1941 to open wartime production employment to blacks and to establish, for the first time in U.S. history, nondiscriminatory hiring as official government policy.

Many accounts of the implementation of this new policy (Meier and Rudwick 1979) document employers' resistance to altering the color line. Even under the pressure of wartime the government's antidiscrimination efforts proved effective only when the civil rights and labor movements joined with the Federal government to press employers to hire blacks. Sitkoff's choice of explanatory variables for this important episode thus seems persuasive.

The postwar era constitutes the period of main interest here. Sitkoff's account, I shall suggest, is instructive for economists attempting to understand the racial dynamics of the postwar era. In this period the major political and civil upheavals of the late 1950s, 1960s and early 1970s demolished the separatist and unequal practices that had characterized race relations in the United States since Reconstruction ended in Reaction in 1877. With its major progress toward racial justice and equality in political and civil affairs, this period deserves to be called the Second Era of Reconstruction in U.S. history.

Progress toward racial justice and equality in the economic dimensions of employment and income has not followed such a dramatic trajectory. Blacks no longer are concentrated in the sharecropping agrarian South, which has virtually disappeared, nor in the very lowest paid industrial and domestic employment that had comprised their northern job ghetto before World War II. A much larger proportion of blacks are employed in either the capitalist or government sectors of the economy, many in professional and managerial occupations.

On the other hand, and contrary to much popular and scholarly opinion, progress toward racial equality within the capitalist and government sectors has been severely uneven. Increasing unemployment, declining labor force participation rates and increasing inequality among blacks constitute one set of indicators of unevenness. Changes in the black-white income ratio over the period constitute another. Among men, most of the increase in black-white income ratios was concentrated in the 1960s and early 1970s, with no visible improvement since 1975. Among women, racial progress looks more dramatic: since the early 1970s black and white female incomes have come close to equality. This apparent improvement, however, must be weighed against the continuing inequality between women and men and the considerable postwar divergence in black and white family patterns.

How are these contradictory developments to be understood? Why are the outcomes of the 1980s so different from those of the 1940s and 1960s? In this paper I take up these questions by examining postwar trends and theories concerning male racial economic inequality. The discussion is limited to the case of males both because racial inquality among men has proven more intractable and because the analysis of female racial inequality would require (to an extent that the male racial case does not) an analysis of male-female relations and family structure that is beyond the scope of one paper.

I first show how sectorally-disaggregated data on racial inequality revise popular images of continued racial progress. I then consider alternative theories of racial inequality in capitalist societies characterized by free markets and liberal-democratic governments. The main theories, in my view, break down not into neoclassical, institutional and radical, but into conservative neoclassical, liberal neoclassical and radical-institutional. Against neoclassicals I argue that racial inequality need not disappear even under conditions of perfectly competitive markets. Changes come about not because of economic development or political freedom per se, but because socio-political movements arise that undermine and then restructure the existing institutions and norms of economic and political relations. A radical-institutional conception of the capitalist economic and political process is better equipped to explain recent patterns of change and continuity in race relations.

RACIAL INCOME TRENDS: WHAT IS TO BE EXPLAINED?

Census data show that in the postwar period the median annual income of black males has risen from a level averaging about 55 percent that of whites in the late 1940s to 63 percent in the early 1980s (see Table 1). The annual aggregate figures show considerable short-run cyclical fluctuation. But they also seem to suggest an inescapable conclusion: modest but permanent relative improvement since the war for black men.

This optimistic conclusion is not so inescapable, however. Table 1 also reveals that most of the improvement occurred during the late 1960s and that no improvement has occurred since 1975. Equally important, the familiar aggregate figures of Table 1 obscure as much as they reveal. The published median and mean income statistics, for example, exclude those with zero incomes who have dropped out of the labor force during the year; estimates (Darity 1980; Brown 1981; Hoffman and Link 1984) suggest that about half of the observed improvement in Table 1 may just reflect the declining labor force participation of blacks relative to whites.

Economists of the supply-side, human capital school frequently have argued that racial income data, when disaggregated by age, schooling attainment level and gender of family "head," show even *more* progress than the aggregate figures of Table 1 and that advances in racial equity in schooling in recent decades best explain this racial economic progress (Smith and Welch 1977; Smith 1984; Cain 1985). Many demand-side oriented economists agree that much racial progress has been made, but suggest that growth in the demand for black labor, assisted by governmental anti-discrimination efforts, is primarily responsible. The demand-side view accepts the importance of increased schooling of blacks, but suggests that schooling gains represent a response to improved opportunities (Freeman 1973, 1978; Brown 1981).

Whether the ultimate cause falls on the demand or the supply side, gains attributable to improvements in black schooling undoubtedly are significant. But how much black economic progress is really shown in data disaggregated by schooling and age? And how much of the gains can be attributed to human capital variables? Smith and Welch (1986) represent perhaps the most impressive attempt to measure the importance of schooling variables. However, the evidence marshalled in their article is not conclusive.

One important question simply involves choice of income measures. Smith and Welch (1986) use usual weekly wage figures and exclude individuals who worked less than 26 weeks in the previous year. This reduces the impact of declining black male labor force participation rates and higher black unemployment rates which became significant during the 1970s. I (Reich 1988) have made the same calculations using yearly data, which includes all male workers with nonzero income regardless of the number of weeks worked in the previous year.

Table 1
Ratio of Nonwhite to White Median Income
Postwar United States

Year	Nonwhite Families	Black Families	Nonwhite Males	Nonwhite Females
1945	.56		n.a.	n.a.
1946	.59		.61	n.a.
1947	.51		.54	n.a.
1948	.53		.54	.49
1949	.51		.49	.51
1950	.54		.54	.49
1951	.53		.55	.46
1952	.57		.55	n.a.
1953	.56		.55	.59
1954	.56		.50	.55
1955	.55		.53	.54
1956	.53		.52	.58
1957	.54		.53	.58
1958	.51		.50	.59
1959	.52		.47	.62
1960	.55		.53	.70
1961	.53		.52	.67
1962	.53		.49	.67
1963	.53		.52	.67
1964	.56	.54	.57	.70
1965	.55	.54	.54	.73
1966	.60	.58	.55	.76
1967	.62	.59	.59	.78
1968	.63	.60	.61	.79
1969	.63	.61	.59	.85
1970	.64	.61	.60	.92
1971	.63	.60	.61	.90
1972	.62	.59	.62	.95
1973	.60	.58	.63	.93
1974	.64	.60	.63	.92
1975	.65	.61	.63	.92
1976	.63	.59	.63	.95
1977	.61	.57	.61	.88
1978	.64	.59	.64	.92
1979	.61	.57	.65	.93
1980	.63	.58	.63	.96
1981	.62	.56	.63	.92
1982	.62	.55	.64	.92
1983	.62	.56	.63	.90
1984	.62	.56	n.a.	n.a.

Sources: U.S. Bureau of the Census, "Income of Families and Persons in the United States," *Current Population Reports*, P-60 Series (Washington, D.C.: U.S. Government Printing Office, various years).

Smith and Welch's figures show dramatic improvements in racial equality over the period 1940 to 1980. My figures, however, show a much more modest gain. Both sets of data indicate that much improvement occurred during the war decade of the 1940s and little improvement in the 1950s. But the patterns from 1960 to 1980 look quite different. For example, in these years my estimates indicate that the black-white income ratio among college graduates rose only one-third as much as Smith and Welch's.[1]

The Persistence of Racial Inequality

Disaggregations of black-white male income data, by the characteristics of economic sectors rather than the human capital attributes of individuals, reveals not more but substantially *less* progress than is shown in the postwar aggregate data. This sectoral analysis disaggregates the national black-white male income data by urban-rural differences, regions, metropolitan areas, and detailed industries.[2]

Within each of these sectors black-white differences in traditional supply-side variables, such as years and quality of schooling, age and experience, diminished over this period. The substantial pressure from the civil rights movement and from governmental efforts to reduce discrimination at the same time increased the relative demand for black labor within these sectors. Consequently, a traditional supply-and-demand framework would predict improvements in the relative incomes of blacks within sectors, as well as in the nation as a whole.

For the urban United States, the urban South and the urban nonSouth median income ratios can be calculated from each of the decennial censuses since 1940. During the 1940s the relative income of black males increased substantially in both the urban South and the urban nonSouth. Decreases throughout the urban United States occurred during the 1950s. Between the 1960 and 1970 censuses the relative income of black men improved in the urban South. It deteriorated, however, in the urban nonSouth. Between 1970 and 1980 the black-white income ratio declined in both the urban South and the urban nonSouth. Progress in the urban South ended sometime after 1969, while regress in the urban nonSouth has been continuous since 1949.

A further disaggregation into four regions reinforces these findings. Income data by race and region (but not by urban-rural) are available for each year since 1953. In the Northeast, the Midwest and the West no trend is visible between the mid-1950s and the late 1970s. In two of these regions, the Northeast and the Midwest, black men have fallen farther behind white men since 1979; in the West, a small gain is registered in these years. The biggest gains since the mid-1950s again occurred in the South. However, improvement in this region seems to have ended by 1972.

Racial income data on particular metropolitan areas exhibited a similar pattern. Black-white male income ratios rose slightly between 1949 and 1979 in southern metropolitan areas, but fell considerably more in nonsouthern metropolitan areas. A more detailed tabulation of the 48 largest metropolitan areas in the United States further generalizes this finding.

A final disaggregation examines trends for detailed industries, covering 49 private-sector industries for which consistent decennial census data for the period could be obtained. In 1979 the average black-white male earnings ratio among these detailed industrial sectors was exactly the same as in 1949. Some gains occurred during the 1960s and small declines in the 1950s and 1970s.

Taken together, the findings suggest that some of the national improvement for black males registered in Table 1 occurred because of declines in inequality within economic sectors. But most of the improvement resulted from shifts in the sectoral composition of the economy rather than because of declining inequality within sectors. The national data obscure the continuities in racial inequality within the major urban areas where blacks are now concentrated.

The collapse of the low-income sharecropping South and the associated black outmigration play a major role in these sectoral shifts. Contrary to conventional wisdom, outmigration from the *rural* South did not end in the early 1960s. As late as 1970, 17.3 percent of all blacks and 10.3 percent of all whites still resided in the rural South (Reich 1981:63). The growth of government employment, which paid blacks higher salaries than the private sector, also generated significant intersectoral shifts and raised the observed national ratios.

Within economic sectors, both public and private, the relative position of black males has displayed a modest upward curve, followed by a modest downward one, with little permanent improvement. This pattern suggests that a long-swing mechanism may be at work in the capitalist and government sectors of the economy.

In short, these postwar trends in black-white income differences among blacks raise many interesting questions, and not just for supply or demand theorists. The human capital approach may not explain the limited progress evident in these trends. But can other theoretical approaches do any better? With the trends in the above table in mind, let us turn next to the discussion of alternative theories of racial inequality.

THEORIES OF RACIAL INEQUALITY

How can we understand the persistence of racial inequality in a society such as the modern United States? Unlike the eras of southern slavery or debt peonage and unlike contemporary South Africa, blacks and whites today work in a capitalist economy that is premised upon free labor mobility. Unlike the era of Jim Crow, blacks and whites today live in a liberal democratic policy that is premised upon one-person, one-vote principles. Government policy, moreover, explicitly prohibits discimination based upon race and attempts, through affirmative action programs, to remedy past racial inequities. Schooling, moreover, is supposed to be equally available to all, and racial differences in schooling have narrowed dramatically. With such liberal economic and political institutions, the continuing reality of racial inequality demands explanation.

Among economists the discussion of racial inequality can be categorized into three major approaches. A conservative neoclassical approach regards competitive capitalism as the best cure for racism and attributes the persistence of racial inequality to noncompetitive market structures and to extra-market phenomena, notably the family and the state (including the educational and welfare apparatus). A liberal neoclassical approach takes a less sanguine view of the effects of competitive markets upon racial inequality, has been mainly silent with regard to the family, and has been more sanguine with regard to the efficacy of liberal government interventions. The third approach, which shall be my main concern in this paper, is constituted by both the institutional and radical "worlds" of economics. It emerges from a radical approach to economics that has been developed in the past 15 years, in which, in my view, the similarities between radical and institutional approaches dominate the differences.

In recent years radical economists have developed theoretical tools and analyses to study capitalist economies: for the first time, a Marxist microeconomics has been developed that is distinct from, rather than a subset of the neoclassical approach. And a Marxist-Institutional approach to macroeconomics has been created that is distinctive from both traditional and Marxist macroeconomic theory. These efforts have contributed significantly to our understanding of capitalist economies.[3]

I draw upon these recent innovations in radical economics to develop further a political-economic analysis of racial inequality. In order to contrast the contending positions clearly, I first review the conservative and liberal neoclassical approaches. I then outline the approach to capitalist economies that forms the core of the radical theory.

The Conservative and Liberal Neoclassical Approaches

On the subject of race, neoclassical economics speaks not with one voice, but two. The conservative neoclassical approach sees competitive markets as the great dissolver of racial discrimination, eliminating all differences in factor returns that are not related to differences in individual productivity or preference (for leisure, hazardous work, present vs. future consumption, risk aversion and so forth). The persistence of racial inequality is then attributed either to imperfections in market competition (in which case "pure" discrimination can persist) or to extra-market phenomena, particularly government and family structures and policies that may disadvantage blacks. According to this view, if competitive markets are operating, governmental efforts can only hurt blacks, whether by intention as in the era of Jim Crow, or despite benevolent intentions, as in the current conservative view of governmental anti-poverty, welfare and affirmative action policies as constituting in effect a "government plantation" analogous to the plantations of the cotton era.

The liberal neoclassical view, by contrast, takes a less sanguine view of markets and a more sanguine view of government policy. Markets do not eliminate discrimination because of difficult-to-eradicate imperfections — such as information and personnel costs — and feedback effects. Alternatively, markets might eliminate discrimination but the time period involved is so great as to constitute effective market failure and justify governmental policies.

Since I (1981: Chap. 3) have elsewhere presented a detailed discussion and critique of these two neoclassical approaches I confine myself here to a single summary comment: both conservative and liberal neoclassical approaches ignore conflict and power and consequently contain inadequate accounts of markets and governments. (I leave aside here their treatments of the family.) Alternative approaches to markets and governments, that build upon the institutional and radical traditions to examine changing structures of power in both markets and governments can better aid our understanding of the dynamics of racial inequality.

The Radical Approach to Racial Inequality

The radical view of the capitalist economy builds upon two institutional specifications. First, the distribution of property in the means of production is highly concentrated, so that most households are dependent upon labor incomes. The second institutional specification, related to the first but not reducible to it, states that the labor market is of necessity a market of incomplete contracts. Employers cannot purchase workers with a definite flow of labor services in the way that they can purchase a capital good with a technologically specified flow of capital services. The purchase of labor time does not determine the flow of labor services because workers are conscious human agents who pursue goals that differ at least in part from those of their employers.

These goals are not limited to the pace of work or the extent of compensation; they also include the desire to obtain meaning and identity through work and through social relationships at the workplace. These goals are pursued through both individualistic and solidaristic practices, the mix varying greatly in degree. Such practices, which can coexist with competition among workers, are inherent in workplace relationships. Consequently, for capitalist production to be profitable, a set of managerial practices must be adopted by employers to extract work from workers at an average product wage less than the average product of labor. This specification of the problem of extracting work from workers distinguishes radical theory from traditional neoclassical theory.[4]

The above two institutional specifications can be combined with assumptions of competitive market conditions with flexible wages and no information, monitoring or personnel costs to generate surprising results: involuntary unemployment and wage inequality between black and white workers (of equal productivity and preference characteristics) can persist in competitive equilibrium. The presence of unemployed workers outside the workplace and the presence of wage differences among black and white workers inside the workplace (as well as out) constitute sources of employer power over individual and collective action by employees (Reich 1981:204–215). It is through this power that employers are able to profitably extract work from workers.

The theory thus states that racial wage differentials are profitable to individual employers and will not be competed away, even if employers are not the direct agents of racial discrimination. The theory also predicts that inter-racially solidaristic practices by workers will be associated with less racial inequality, higher wages for all workers and lower profits for employers.

Such a theory is difficult to test empirically. Nonetheless, the empirical work that has been performed is consistent with the theory, but not with neoclassical approaches to discrimination. I have already reviewed the persistence of racial income differentials in the face of equalizing pressures in the capitalist sector of the economy. My previous econometric research using detailed industry data also supports the radical theory. I found that black-white wage ratios are positively associated with greater unionism, higher white wages and lower profit rates (Reich 1981:300–303). Similar research across metropolitan areas using size distribution of income data comes to similar conclusions (Reich 1981:Chaps. 4 and 7).

Institutional Variation

This view of the capitalist economic process rejects the conservative neoclassical view that competitive capitalism provides the best cure for racism, or that capitalists constitute a progressive historical force opposing racism. At the same time, the opposite slogan, that capitalism needs racism, seems to me also inadequate. Capitalists can benefit, both individually and in the aggregate, from racial inequality. But there is a complex set of possible relationships among capitalism, government policy and racial inequality. In both the economic and the political realms, progressive coalitions can alter structures of power and, in fact, race relations vary considerably among the advanced capitalist nations. The range on racial issues goes from the more egalitarian, such as Sweden, Denmark and the Netherlands, to the most brutal, such as South Africa, with the United States and the rest of Western Europe somewhere in between.

To comprehend this particular variation we must see it as part of a more general historical reality. There are many different kinds of actually-existing capitalisms, with no single path of development discernable among them. A satisfactory theory of capitalism needs to be able to encompass and explain these differences.

Elsewhere, Gordon, Edwards and Reich (1982) have sketched an institutional theory of the sources of historical variations in capitalist countries. This theory emphasizes the importance of the institutional environment that surrounds the capitalist accumulation process. The institutions that form this environment together constitute what we call the social structure of accumulation. The rise and decline of a social structure of accumulation is correlated with long swings in economic activity and delineates succesive stages of capitalist development. A new social structure of accumulation emerges when a complex and lengthy struggle among classes and groups is resolved and a new governing coalition is able to institute its reform program.

I cannot in this paper develop a full analysis of the relationship between race relations and the social structure of accumulation. Instead, I present some schematic remarks concerning the dynamics of postwar race relations and their connection to the rise and decline of the postwar social structure of accumulation. These remarks illustrate how I would use the social structure of accumulation framework.

To begin, consider the role of racial issues in the construction of the postwar limited capital-labor accord, which constitutes a central element of the liberal postwar social structure of accumulation. The limited accord between organized labor and capital emerged from the 1940s resolutions of labor struggles that had been waged since the 1930s. A relatively egalitarian approach to race relations by the industrial union proved to be a critical variable in these struggles (Meier and Rudwick 1979; Reich 1981: Chap. 5). Earlier attempts to organize industrial workers had foundered largely on the divisive factor of race, as many employers of blacks, such as Henry Ford, well knew.

The formation of a multi-racial coalition among industrial workers therefore constituted a key innovation in the early successes of the CIO. Had this breakthrough in race relations not occurred, the CIO's strength certainly would have been much diminished. Despite all its well-known limitations, this proved to be the first durable multiracial coalition among U.S. workers in the nation's history. The CIO's experience contrasts especially with the record of other New Deal era reforms, none of which significantly changed the lives of blacks for the better.

Both black and white workers in the industrial unions gained enormously from the CIO's efforts. Blacks particularly benefited from the CIO opposition to racial segregation and the policy of disproportionately raising the wages of unskilled workers. The experiences of this period show that race and class issues can be brought together in struggles without sacrificing the integrity of either issue. Bringing them together resulted not in divisive splits or a longer list of demands, but in a progressive coalition whose whole was greater than the sum of its parts.

The changes of the 1930s were contained by the late 1940s as the limited capital-labor accord became solidified. A key turning point occurred in 1948 when the labor movement's campaign to extend unionization to the largely unorganized South failed dismally. The major reason for this debacle involved a decision not to challenge the pattern of southern race relations. The labor movement's failure to challenge race relations in the South defined the point beyond which labor could make no further gains. Progress in race relations proved critical in the formation of the CIO, and regress in race relations proved critical in its containment.

Under the capital-labor accord, blacks inside the industrial sector had made some gains. But the majority of blacks remained outside, either in what we now call the secondary sector of the labor market or outside the wage-labor sector altogether, trapped in the sharecropping economy of the agrarian South. The exclusion of most blacks from the limited capital-labor accord soon generated pressures upon it. From 1957 on, a mass civil rights movement gathered steam, initially in the South. The early attention of the civil rights movement was centered entirely upon the dismantling of legal segregation and disfranchisement in the South.

At first the movement had little impact upon the capitalist sector, where blacks still mainly provided a supply of low-wage labor to employers. By the late 1960s this structure began to change, as the combined effects of the civil rights movements and the booming demand for labor succeeded in opening many primary sector jobs, blue-collar and white-collar, to black workers. Blacks became much more heavily represented in the traditional working class than ever before, and at a rate of change much greater than in any period since the Second World War. Equally important, the black consciousness movements of the period transformed the expectations of black workers, who no longer formed a docile low-wage labor supply.

The civil rights movement also ignited other movements in the 1960s and 1970s, including feminist, anti-war, environmental and labor struggles. Collectively, and in conjunction with other contemporary developments, these movements contributed to the decay of the capital-labor accord and other key elements of the postwar social structure of accumulation. By the early 1970s the collective strength of coalitions of the labor movement joined with various social movements had grown considerably. The concomitant decline in the strength and power of capital was equally advanced. The decline in the power of capital first became highly visible in the aftermath of the 1973 oil crisis, when much of the burden of adjustment for higher energy prices fell upon capital, and in the deep 1974–75 recession, when labor, minorities and women were able to maintain their relative position and again capital proved surprisingly weak.

By the mid-1970s economic pressure — inflation and slower growth in real wages — were beginning to be felt by many whites as well as blacks, placing strains upon interracial alliances. At about the same time capital began a systematic counter-offensive to restore its former power. In this counter-offensive two racial factors played an important part. Each contributed to the end of the period of black advancement and disproportionately benefited capital.

First, visions of a greater social good and of greater racial equality to be jointly brought about through multiracial coalitions acting collectively were repeatedly challenged and defeated. The process by which this occurred was complex. Challenges were frequently organized by capital, as could be seen in the furor over the very limited affirmative action employment programs in place in the 1970s (recall the hysteria over the Bakke case). Many whites also participated actively in these challenges. Many white conservative, liberal and radical elements in all layers of American society at the time saw further racial progress as a zero-sum game, played at white expense.

The econometric evidence in *Racial Inequality* established that a nonzero-sum game, based on class rather than race conflict, could have been played. But by the 1970s the 1930s conception of the integration of race and class issues through a broader reform process was largely absent from existing understandings and programs. As a result whites and blacks lost an opportunity for progressive reform that would have benefited both.

A second racial element of the capitalist counter-offensive also contributed both to the end of the period of advancement for blacks and the re-establishment of capitalist power in the labor market. By the late 1960s employers began to recognize that blacks were no longer a source of docile and cheap labor. This shift in the character of the black labor supply should be understood primarily in terms of the heightened consciousness of blacks developed by the civil rights movement and only secondarily as resulting from the growth of transfer payments (in part also a result of the civil rights movement). In any case, employers began actively to recruit and to switch to new labor supplies, mainly Latinos already in the United States and new immigrants from Latin America, the Carribean, Asia, the Pacific Islands and elsewhere. These groups became a major source of new labor supplies for the private sector. At the same time, the growth of government, which had been the fastest growing employment sector for blacks, slowed substantially. The two-fold reduction in the demand for black labor explains declining black employment to population ratios in this period. (No expansion in black labor supply occurred when transfer payments were reduced in the 1980s.) Employers succeeded in re-establishing low-wage employment, which grew rapidly, but a remarkably small percentage of these jobs were filled by blacks.

The reconstruction of race relations proved to be an important part of the capitalist counter-offensive. The result of this counter-offensive is clear: the rise of a vision and reality dominated by competition among all and social meanness toward disadvantaged groups. Was this not a preview, or rather, the first act of the drama that we now know as the broader conservative political shift of the past decade?

CONCLUSIONS

I conclude that progress and regress in race relations do not depend in a simple manner upon traditional labor economic variables unmediated by considerations of power and conflict. In the prewar and the postwar eras progress in race relations has depended upon the development of inter-racial class and multiclass coalitions and the ability of such coalitions to conceptualize and effect progressive reform programs that would transform black-white relations from perceived zero-sum games into nonzero-sum games. High rates of economic growth can create permissive conditions for such coalitions and nonzero-sum games to develop. But the extent to which they are effective depends upon power relations that are not themselves reducible to traditional economic variables.

The improvement in the relative position of black men in the 1960s was not just the product of high rates of economic growth, as James Tobin argued at the time. It was also directly connected to the socio-political movements pressuring for change in that decade.

These movements did not succeed in creating a nonzero-sum game based upon class rather than race conflict. As a result, little was left of these movements by the early 1970s. As a further consequence, existing pressure upon the capitalist and government sectors to maintain affirmative action and other such programs soon further eroded, ushering in the current era of reaction.[5]

NOTES

1. I would also question the completeness of the human capital explanations. Cross-sectional data usually show that black-white income ratios for particular schooling groups decline with increasing age. Some have interpreted this decline as the result of on-going discimination, particularly in career promotions; others as the result of segmented labor markets. Human capital theorists see this pattern as the result of the lower relative quality of black schooling in earlier decades — the so-called vintage effect. One cannot doubt the improved relative quality of black schooling since the 1930s and earlier. However, Smith and Welch's contention that the quantity, quality and vintage of human capital accounts for much of the variation in black-white income ratios over time is not so persuasive.

First, the results seem to hold mainly for college-educated blacks; much smaller improvements in income are found for lower schooling groups. Since improvements in quality occurred at all schooling levels, the divergent trends in earnings seem to confound the human capital explanation. Second, as I have already mentioned, the extent of improvement is not clear, and even Smith and Welch's data show continuing unexplained black-white income differences. Third, cohort data show that black-white income ratios rose over time well after the cohorts completed their schooling. Since blacks in these cohorts are not likely to have received more on-the-job training or experience over their careers than whites, the continuing increases in relative incomes must have been due to other than human capital-related explanations. Fourth, several researchers have used longitudinal data sets to obtain more appealing tests of the vintage hypothesis than is possible from moving cross-sectional data. Their results often contradict the vintage hypothesis and support the segmented labor market or promotion discrimination hypotheses (Hoffman 1979; Lazear 1979; Duncan 1981). Fifth, historical research in progress by Gavin Wright (1984) has shown that prewar trends in racial wage differentials were often related not to human capital variables but to institutional variables such as the extent and type of labor union power. Finally, changes in the extent of schooling and the returns to schooling themselves reflect institutional variables not analyzed by human capital theories. (Levin 1979 provides a cogent alternative account emphasizing the role of the civil rights movement.) For all these reasons, human capital approaches seem incomplete as explanations of either past or present trends of racial inequality.

2. For detailed data, see Reich (1988).
3. Gintis (1976); Reich (1981); Reich and Devine (1981); Gordon, Edwards and Reich (1982); Bowles, Gordon and Weisskopf (1983); Bowles and Edwards (1984); Bowles (1985); Bowles and Edwards (1985).
4. Recent neoclassical literature on the employment relationships shows greater signs of similarity, but substantial differences remain. See Reich and Devine (1981) and Bowles (1985).
5. For qualifications of this conclusion, see Reich (1988).

REFERENCES

Bowles, Samuel. 1985. The Production Process in a Competitive Economy: Walrasian, Neo-Hobbesian and Marxian Approaches. *American Economic Review* 75(1):16–36.