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In the forty years after World War Two the black-to-white earnings ratio increased and a “new” black middle class emerged. These changes stand in stark contrast to the half century before 1940, which witnessed little improvement in the relative economic status of black Americans.

I have discussed two frameworks for interpreting long-term trends in racial income differences: a supply-side, “human capital” model, and a demand-side, “institutionalist” model. The human capital model emphasizes racial differences in the quantity and quality of schooling, arguing that once these differences narrowed after World War Two, relative black status improved. In the institutionalist model, by contrast, improvements in the relative economic status of blacks were dependent on “shocks” to the economy that increased the nonfarm demand for black labor. Using a variety of econometric techniques and previously unexploited data sources, I have then critically examined the empirical validity of the two models.

Focussing on the South, I considered the historical evidence on racial differences in the quantity and quality of schooling. Each successive generation of black children attended school more frequently than had their predecessors and, as a result, achieved higher child literacy rates. The racial gaps in school attendance and child literacy rates, which were huge in 1880, had essentially disappeared by 1950. Census data revealed, however, that racial differences in average educational attainment (or “years of schooling”) among adults remained persistently large until after World War Two. The gap for adults was mainly a result of the fact that, prior to 1954, the majority of southern black children attended *de jure* segregated schools. The relative “quality” of these schools—as measured by the black-to-white ratio of per pupil expenditures—followed a U-shaped pattern over time. That is, from an initial position of similarity, relative quality declined in the late nineteenth and early twentieth centuries, remained roughly stable from 1910 to 1940, and then increased in the 1940s.

The decline in relative quality around the turn of the century was found to be the consequence of black disenfranchisement and growing white demand for better schools. On the eve of World War One, expenditures per pupil in southern black schools fell far below expenditures per pupil in southern white schools. A portion of this difference reflected pure “wage discrimination” against black teachers. Although southern blacks were disenfranchised, various institutions and incentives existed that ensured public school funds would continue to be allocated to the southern black population. These institutions and incentives were reasonably successful in keeping the black schools from progressively falling further behind as the white schools improved, but they were not enough to force an equalization of school expenditures. The trend towards equalization, especially in teacher salaries, was the outcome of a concerted political and legal effort. Success was achieved in part by the timing of the effort during the 1940s, when labor markets were tight and social attitudes had begun to change.

During the first half of the twentieth century, the South failed to abide by the equal part of the separate-but-equal doctrine, as established in the Supreme Court’s 1896 case, *Plessy v. Ferguson*. It was demonstrated that separate-but-unequal provision of public schools in the South retarded black educational achievement. Had the schools been separate-but-equal, southern black children would have attended school more frequently, achieved higher literacy rates earlier in the century, and had higher scores on standardized tests. However, separate-but-equal would not have compensated for aspects of family background—poverty and adult illiteracy—that hindered black educational achievement. This “intergenerational drag” was a major factor behind the persistence of racial differences in schooling before World War Two.

The consequences of racial differences in schooling for labor market outcomes were also studied. Before World War Two the shift of labor out of southern agriculture, black and white, was a cohort phenomenon. Better-educated, geographically mobile southerners were more likely to enter the nonfarm economy as young adults, where earnings were higher than in agriculture. But blacks were underrepresented in the expansion of nonfarm employment in the South before the Second World War. Employment segregation in the South increased over time, and this increase cannot be explained by racial differences in the quantity or quality of schooling. During the 1940s, southern blacks of all ages left farming for nonfarm jobs created during the war, and this sectoral shift led to an increase in the black-to-white earnings ratio in the South between 1940 and 1950.

Schooling and black migration to the North, like schooling and nonfarm employment in the South, were shown to be positively related. Better-educated blacks were more likely to take part in the “Great Migration.” Yet secular trends in black schooling could not fully explain the magnitude or timing of the flow of black labor from the South; increases in the nonfarm demand for black labor during the world wars were crucial. Various indicators

revealed that the economic status of black migrants compared favorably with that of nonsouthern blacks. The stability of relative black status before World War Two could not be blamed on difficulties black migrants had in adjusting to a different social and economic environment, insofar as employment segregation outside the South was actually decreasing during the first half of the twentieth century.

Considered separately, the human capital and institutionalist frameworks proved too simple to explain the absence of improvement in relative black status during the first half of the twentieth century. Human capital, intergenerational, and institutionalist factors were involved, and these factors were intertwined in complex ways. If black people had been better educated earlier in the century, more would have been able to enter blue- and white-collar occupations in the South, more would have migrated to the North, and relative black status would have been higher. But the shift of black labor out of southern agriculture would have been much smaller than it actually was had it not been for “shocks” like the world wars.

Although I have focussed on the period before 1950, my findings have important implications for understanding events after 1950 and, more broadly, the relationship between social change and economic development. In 1954 the Supreme Court outlawed *de jure* segregated public schools, but the *Brown* decision did little to stop the post-1950 emergence of *de facto* segregated schools, a consequence of black migration into central cities coupled with massive suburbanization of the white population. Unlike their counterparts in the early twentieth century South, black children after *Brown* could legally attend the same schools as white children, provided they lived in the same school district; but, because of extraordinarily high levels of residential segregation, few blacks were able to do so. In the face of *de facto* segregation and continued racial inequality in school resources, court-ordered busing plans have frequently been imposed; very recently the Supreme Court has upheld the right of federal district judges to require school boards to levy taxes to pay for desegregation plans.

Another implication concerns the historical origins of post-1950 gains in relative black status. Successive generations of black parents in the South made sacrifices to send their children to school. Faced with many constraints—government and labor market discrimination, poverty, adult illiteracy—their efforts were frequently thwarted. Eventually, however, the sacrifices paid off, and racial differences in schooling narrowed. Blacks who entered the labor market in the decades after 1950 were, on average, much better educated than earlier cohorts. Unwilling to submit any longer to segregationist ideology, these new generations were an important catalyst for social activism. The South became the major battleground: the civil rights movement began there, it was the South that was targeted for federal civil rights enforcement, and it was in the South that the greatest gains in relative black status occurred in the late 1960s and early 1970s (Jaynes and Williams 1989;

Heckman 1990). "The purpose of outlawing employment discrimination," according to three recent members of the U.S. Commission on Civil Rights, "was to increase the opportunities for *qualified* blacks to gain better paid employment. The programs have done that" (U.S. Commission on Civil Rights 1986, 122; emphasis added). The history of the modern civil rights movement has been told in terms of its major events and protagonists (Branch 1988). It is time to add past generations of black parents to that history. They are the unsung heroes of the civil rights movement.

Postwar gains have not been distributed equally throughout the black community. Along with the new black middle class, there emerged the black "underclass"—poor, primarily inner-city blacks who, as a group, are likely to grow up in single-parent families, are undereducated, and are much more likely to be unemployed or out of the labor force as adults than other Americans. Some scholars have attributed the existence of the underclass to postwar government welfare policies that allegedly subsidize nonparticipation in the labor market and lead to dissolution of traditional, two-parent families (Murray 1984). Others argue that welfare policy does not explain joblessness and family structure in the ghetto (Ellwood 1988). Although I would not pretend to evaluate the substance of this debate here, I would suggest that contemporary economic inequality within the black community cannot be understood independently of historical forces. Blacks displaced by agricultural mechanization were among the last to leave the rural South. With limited education and few job skills, they faced many difficulties in competing successfully in an urban economy that by the late 1960s was already much different than its pre-1960s predecessor (Wright 1986). Given the short period of time since then (about a generation), and in light of the evidence of intergenerational drag earlier in the century, it is plausible that economic inequality in the black community would have increased anyway, whether or not government policies played a role. The historical roots of the underclass deserve further investigation.

It is frequently said that the growth of competitive, market economies and social progress go hand in hand. Freely mobile workers can always leave if they are treated unfairly; discrimination is unprofitable for private firms (and sometimes for governments). Competition ultimately makes it costly for societies to maintain rigid social norms in the face of long-run economic growth and structural change. The economic history of black Americans, however, offers little evidence in support of these claims. Before the Civil War the southern economy grew at about the same rate as the rest of the country; there is no evidence that slavery was incompatible with industrialization (Fogel 1989; Goldin 1976). From the end of the Civil War until World War Two, the southern economy lagged somewhat behind the rest of the nation, but the South still experienced modern economic development, as labor shifted out of agriculture. Yet employment in the South was more segregated in 1950 than in 1900. Segregationist ideology, like slavery, was not incompatible with eco-

conomic growth or structural change. Both took a concerted political effort to fight, and in the end neither was overcome without bloodshed.

During the 1980s the American economy has become increasingly integrated into world markets. The forces of international competition have led to a marked shift in employment towards the service sector. One consequence of this shift has been a sharp rise in the earnings of college graduates relative to the earnings of high school graduates. Black college enrollment rates still lag behind white college enrollment rates; demographic trends, however, will create a relatively abundant supply of minority labor in the 1990s. Assuming that aggregate demand conditions are favorable and that the racial gap in college attendance can be narrowed, the 1990s may be a decade of improvement in relative black status. History provides examples of similar opportunities; time will tell if the 1990s will be added to the list.

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