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Race and Twentieth-Century American Economic History

William J. Collins*

Two recent anniversaries have put a spotlight on the economic history of race-related public policy in the United States — the fiftieth anniversary of the Supreme Court's *Brown v. Board of Education* decision and the fortieth anniversary of the Watts Riot in Los Angeles. The *Brown* decision was a landmark in the mid-century reorientation of race-related policy, as the machinery of government slowly responded to the imperatives of the Civil Rights Movement. The Watts Riot, in contrast, marked the onset of a wave of civil disturbances that broke out in predominantly black neighborhoods across the country. Although they were fundamentally different manifestations of African-American discontent, the *Brown* case and the 1960s riots have two things in common: first, they often serve as points of departure in discussions of race and labor market, housing market, and educational disparities; second, whatever their political or symbolic significance, scholars have yet to reckon fully their economic significance.

Much of my work has attempted to measure the effects of such events and to describe the underlying political economy and historical forces that contributed to their occurrence. This is undertaken with the overarching goal of building a more comprehensive and quantitative story of the economics of race in twentieth century America. In this research summary, I describe specif-

ic work on the evolution of racial disparities in educational outcomes, the political economy and impact of changes in race-specific employment and housing policy, and racial disparities in housing market outcomes, including assessments of how severe riots affected the cities in which they occurred.

Race and Schooling

In 1860, approximately 90 percent of African-Americans were slaves, and few slaves (perhaps 10 percent) learned to read and write at even a minimal level of competence. Throughout the South, it was illegal to teach slaves to read and write; consequently, African-Americans entered into the post-Emancipation period with very little exposure to formal schooling. The literacy rate gap between blacks and whites born between 1800 and 1860 (and still alive in 1870) was approximately 70 percentage points. Robert A. Margo and I use micro-level census data, a simple model of parents' incentives to invest in their children's schooling, and historical sources to describe the long-run process of racial convergence in schooling attainment from 1870 onward.¹ Despite imperfections and limitations of the data, it is clear that the key mechanism driving the convergence was "cohort replacement" — new generations of African-Americans entered the labor force with more and better schooling (relative to whites) than older generations that exited the labor force. There was nothing automatic about this process, especially in the 1890-1930 period when the disenfranchisement of southern blacks enabled administrators to ratchet up the

quality of white schools at the expense of black ones, and as the high school movement took off in the North (where few blacks lived).² In fact, there appears to have been some racial divergence in years of schooling for some birth cohorts in this period. But the incentives for investing in children's schooling were strong (despite labor market discrimination), and the overall post-1870 story is dominated by a theme of black-white convergence. The literacy rate gap among those born from 1870 to 1909 was about 20 percentage points, and for the 1910-14 birth cohort to the 1950-4 birth cohort, the racial difference in average grades of schooling fell from three to less than one. The work highlights the importance of intergenerational factors in the transmission of human capital, and it provides an important backdrop to current debates about racial differences in test scores and educational attainment.³

A subsequent paper, co-authored with Orley Ashenfelter and Albert Yoon, attempts to set the Supreme Court's *Brown v. Board* decision in the context of the history described above.⁴ Resources for black and white schools in the South began to equalize about two decades before the 1954 *Brown* decision, but it was not until the late 1960s that southern schools truly desegregated. The paper addresses two main questions. First, after estimating the labor market returns to school quality for southern-born black men, we ask how much more would they have earned (in 1970) if they had attended schools with the same measurable characteristics as white schools in their birth state? For the 1920s birth cohort, we estimate a 6 to 9 percent earnings

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loss. Second, given that school desegregation in the South occurred fairly suddenly, is there evidence that pre and post-desegregation cohorts of southern-born black students fared differently in labor markets or in terms of educational attainment (in 1990)? With numerous caveats attached to the interpretation, the answer is “yes”. Relative to same-aged non-southern-born blacks, the post-desegregation southern-born cohorts earned more than the pre-desegregation southern-born cohorts, by about 10 percent.

The Political Economy and Effects of Early Anti-Discrimination Laws

World War II catalyzed the Civil Rights Movement. Because of wartime production exigencies, African-American leaders had more political leverage than ever before. As labor markets tightened, African-American workers were in relatively high demand; still, they were initially excluded from high-paying defense-industry jobs. A. Philip Randolph, a prominent black labor leader, demanded (by threatening a march on Washington) that President Roosevelt issue an executive order to outlaw discrimination in defense work. The President’s Fair Employment Practice Committee attempted to enforce the first widely applicable anti-discrimination policy, thereby opening some new employment opportunities for black workers and providing a model regulatory agency for future anti-discrimination initiatives.⁵ The policy and the Committee expired when the war ended, but the drive to legislate similar policies and committees at the state and federal level continued.

At the federal level, the Civil Rights Act of 1964, the Voting Rights Act of 1965, and the Fair Housing Act of 1968 were the culmination of the political struggle to advance such legislation. But long before these milestones, race-specific policy changed rapidly at the state

level. The unevenness of the diffusion of anti-discrimination policy provides opportunities to study both the political economy and the effects of such policies *before* federal coverage applied a comparatively uniform standard to all places at the same time.

To explore the political economy that facilitated (or hindered) the spread of fair employment and fair housing laws, I combined historical sources and hazard models.⁶ In short, I learn that throughout the period under study, African-Americans were a relatively small and poor segment of the non-southern population. Nonetheless, the legislation gradually moved forward because the efforts of black political groups (such as the NAACP) were strongly reinforced by labor unions (particularly the CIO) and Jewish groups. The econometric estimates and historical accounts of state-level legislative campaigns complement one another in this interpretation. The hazard model coefficients, which can be used to project the likelihood of the adoption of anti-discrimination laws, also confirm the notion that federal intervention was critical in the South.

But did the sub-federal anti-discrimination policies make any real difference for black workers and households? The results from detailed analyses of individual-level census data are mixed. I find that black workers, especially women, residing in states that adopted fair employment laws in the 1940s had larger improvements in their labor market outcomes during the 1940s than black workers in similar states that did not adopt fair employment laws. But I find no such evidence for black workers in states that adopted fair employment laws in the 1950s.⁷ In a separate paper on fair housing laws and housing markets in the 1960s, I find little evidence of a significant positive effect on the quality of housing enjoyed by black households or on the level of residential segregation.⁸

Although the state fair housing laws were usually somewhat stronger in coverage and enforcement provisions than the federal Fair Housing Act of 1968, they were still considered by many contemporary observers to be too weak and too blunt to make a big difference. The results are consistent with that suggestion.

Home Ownership, Housing Values, and Riots

A series of co-authored papers explores the economic history of race, residential segregation, home ownership, and housing values.⁹ The racial gap in the home ownership rate (by household heads) was nearly the same in 2000 as it was in 1900, approximately 25 percentage points. Around mid-century, the gap widened as whites rapidly increased their rate of home ownership and as blacks moved to central cities (where ownership rates were low), but between 1960 and 1980 the gap narrowed. Even so, the ownership gap remains large, and in 2000 approximately half of the gap could not be accounted for by racial differences in income, education, location, or household composition. This is approximately the same size as the “unexplained” portion of the gap in 1940. In a separate paper, Margo and I find that there was considerable black-white convergence in the ratio of mean values of owner-occupied housing between 1940 and 1970 (from about 0.36 to 0.60) but, again, there has been little change since. It is notable that the vast majority of black-white convergence in ownership and housing values occurred before the federal Fair Housing Act and related anti-discrimination policies and before large numbers of black families moved to the suburbs.

The unprecedented wave of riots that rolled through black neighborhoods in the mid- to late-1960s looms large in the literature on race, housing, and cities, but few studies attempt to measure the

riots' economic impact. In two papers, Margo and I set out to measure the effect of the riots on the labor market outcomes and owner-occupied property values of African-Americans.¹⁰ Most of our analysis focuses on cross-city regressions of changes in labor market outcomes or property values on measures of riot severity, pre-riot trends, and several city-level characteristics. Instrumental variable estimates that exploit exogenous variation in the weather around the time of Martin Luther King's murder and in city government structure provide an alternative perspective on the riots' effects. When possible, we also examine patterns of change at the census tract level and using individual-level data. Nearly all of the evidence suggests that the riots had negative and long-lasting effects (until at least 1980) on the median value of black-owned residential property and smaller, but nontrivial, effects on the median value of all residential property. For the 1960s, the base results suggest approximately a 15 percent decline in the value of black-owned property in cities that had severe riots compared to those that did not. Our estimates of the effects on labor market outcomes are more mixed, but on the whole they suggest a significant negative riot effect on black income and employment. For example, the base results suggest approximately a 10 percent decline in median black family income in cities that had severe riots compared to others.

New Work

Two new projects will follow close on the heels of those described above, though with less focus on race-specific issues. First, I hope to study the long-run economic impact of early urban renewal and slum clearance projects (particularly in the 1950s and 1960s), which is currently unknown. Like much of the work described above, anecdotal impressions have outstripped systematic analyses of

the policy effects thus far. Second, in a co-authored paper with Martha Bailey I demonstrated the importance of the rapid decline in household service employment, especially for black women and especially after 1940, a decline that coincided with a dramatic reorganization of intra-household production and a rise in married women's labor force participation.¹¹ Currently, Bailey and I are collecting data on electrification, household appliances, domestic servants, and women's fertility and labor market outcomes to shed light on the early-to-mid twentieth century connections between women's work in the home and work in the market.

¹ W.J. Collins and R.A. Margo, "Historical Perspectives on Racial Differences in Schooling in the United States," NBER Working Paper No. 9770, June 2003, forthcoming in the Handbook of the Economics of Education, E. Hanushek and F. Welch eds. New York: North-Holland.

² C. Goldin, "America's Graduation from High School," Journal of Economic History 58 (1998): pp. 345–74.

³ See, for example, D. Neal, "Why Has Black-White Skill Convergence Stopped?" NBER Working Paper No. 11090, January 2005.

⁴ O. Ashenfelter, W.J. Collins, and A. Yoon, "Evaluating the Role of Brown v. Board of Education in School Equalization, Desegregation, and the Income of African Americans," NBER Working Paper No. 11394, June 2005, forthcoming in American Law and Economics Review.

⁵ W.J. Collins, "Race, Roosevelt, and Wartime Production: Fair Employment in World War II Labor Markets," American Economic Review 91 (2001): pp. 272–86; "African-American Economic Mobility in the 1940s: A Portrait from the Palmer Survey," Journal of Economic History 60 (2000): pp. 756–81; and M.J. Bailey and W.J. Collins, "The Wage Gains of African-American Women in the 1940s," NBER Working Paper No. 10621, July 2004.

⁶ W.J. Collins, "The Political Economy of State-Level Fair-Employment Laws, 1940–1964," NBER Historical Working

Paper No. 128, June 2000, and Explorations in Economic History 40 (2003): pp. 24–51; and W.J. Collins, "The Political Economy of State Fair-Housing Laws Prior to 1968," NBER Working Paper No. 10610, July 2004, forthcoming in Social Science History.

⁷ W.J. Collins, "The Labor Market Impact of State-Level Anti-Discrimination Laws, 1940–1960," NBER Working Paper 8310, May 2001, and Industrial and Labor Relations Review 56 (2003): pp. 244–72.

⁸ W.J. Collins, "The Housing Market Impact of State-Level Anti-Discrimination Laws, 1960–1970," NBER Working Paper No. 9562, March 2003, and Journal of Urban Economics 55 (2004): pp. 534–64.

⁹ W.J. Collins and R.A. Margo, "Race and Home Ownership: A Century-Long View," NBER Working Paper No. 7277, August 1999, and Explorations in Economic History 38 (2001): pp. 68–92; "Residential Segregation and Socioeconomic Outcomes: When Did Ghettos Go Bad?" Economics Letters 69 (2000): pp. 239–43; and "Race and the Value of Owner-Occupied Housing, 1940–1990," NBER Working Paper No. 7749, June 2000, and Regional Science and Urban Economics 33 (2003): pp. 255–86.

¹⁰ W.J. Collins and R.A. Margo, "The Labor Market Effects of the 1960s Riots," NBER Working Paper No. 10243, January 2004, and in Brookings-Wharton Papers on Urban Affairs 2004, W. Gale and J. Pack eds. Washington, DC: Brookings Institution, 2004, pp. 1–34; and "The Economic Aftermath of the 1960s Riots in American Cities: Evidence from Property Values," NBER Working Paper No. 10493, May 2004.

¹¹ M.J. Bailey and W.J. Collins, "The Wage Gains of African-American Women in the 1940s," NBER Working Paper No. 10621, July 2004. For related work, see J. Greenwood, A. Seshadri, and G. Vandenbroucke, "The Baby Boom and Baby Bust," American Economic Review (95) 1, March 2005, pp. 183–207; W.J. Collins and R.A. Margo, "Historical Perspectives on Racial Differences in Schooling in the United States," NBER Working Paper No. 9770, June 2003, forthcoming in the Handbook of the Economics of Education, E. Hanushek and F. Welch eds. New York: North-Holland.