# EQUITY, GROWTH AND SOCIOECONOMIC CHANGE: ANTI-DISCRIMINATION POLICY IN AN ERA OF ECONOMIC TRANSFORMATION

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## INTRODUCTION

> The idea that's been established over the last ten years, that almost every service that someone might need in life ought to be provided, financed by the government as a matter of basic right, is wrong. We challenge that. We reject that notion.
>
> David Stockman[1]

Advocates of anti-discrimination policy currently confront a hostile landscape. Attacks on federal civil rights efforts have resulted in a revamping of the United States Civil Rights Commission, attempts by the government to grant tax benefits to racially segregated schools, and briefs filed by the Justice Department trying to overturn consent decrees for racial integration, decrees negotiated earlier by that same department. Racial gaps in family income are growing. The United States now has the highest level of poverty since 1965, and there is disturbing evidence that incomes are becoming more and more polarized. Inner city unemployment, especially among minority youth, remains at depression-era levels, while the national unemployment rate has only recently dropped below eight percent, in the midst of an economic recovery.[2] Recent studies suggest that persistent pay gaps between men and women are

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1. R. Lekachman, Greed Is Not Enough: Reaganomics 136 (1982).

2. J. Jeffries & R. McGahey, Education, Training, and Industrial Policy: Implications for Minorities (1983) (Paper presented for the Joint Center for Political Studies).

growing, in spite of women's increased education and training.[3]

This article discusses recent changes in American socioeconomic structure, in order to consider the role of anti-discrimination policy in a time of economic and social change. Through a review of occupational and industrial employment trends, changes in household composition, and recent social policy, we call attention to the dramatic change in public policy and in the political climate for anti-discrimination efforts. Although some of this change is a direct outcome of Reagan administration policies, many of the trends we discuss precede his administration and are likely to persist for the remainder of the decade.

How Americans view the interaction between economic prosperity and social equity is our major theme. In the 1960's, economic growth and increased social equity were seen as mutually reinforcing, a view which has since become discredited. As the economy stagnated, Americans questioned the harmonious pairing of growth and equity, leading to the current climate in which government policies to increase social equity are seen as harmful, possibly fatal, to economic prosperity. This transformation of the political debate creates a difficult atmosphere for advocates of anti-discrimination policy, an atmosphere that will not be improved until a convincing counter-argument is made that economic growth and social equity can coexist and mutually foster each other.

We do not present that argument here, for we also think that merely asserting the compatibility of prosperity and equity is not sufficient. Socioeconomic conditions in the United States are in the midst of rapid and confusing shifts, and until we understand these changes, a broader argument about growth and equity will elude us. As a result, contemporary political debate remains dominated by those who see prosperity and equity as opposed. By reviewing anti-discrimination efforts and federal economic policy, outlining recent socioeconomic dynamics, and briefly considering affirmative action, unionization, efforts to control capital mobility, and comparable worth strategies, we hope to stimulate discussion on how anti-discrimination efforts can be reinvigorated in coming years.

## I
## Equal Opportunity, Desegregation, and Economic Integration

Over the past three decades, federal anti-discrimination policy has been aimed at eliminating nonmarket and market advantages that have their roots in legal or customary privilege. The policy was designed to promote equal opportunity and access, justified as a measure ensuring equality under the law. Equality of opportunity was seen as the mechanism that would allow all indi-

3. K. Stallard, B. Ehrenreich & H. Sklar, Poverty in the American Dream — Women and Children First 18 (1983).

viduals fuller participation in economic, social, and political life by integrating victims of discrimination into the social mainstream.

But a social policy based on equal opportunity does not necessarily say anything about equality of result. Strict adherence to an equal access policy need not result in greater social equity. Equal opportunity policy requires that barriers be broken down and that individuals be free to participate in the economy and society, but it need not address itself in principle to the question of outcomes. In a market system, equal outcomes are assumed to follow from equal opportunity, reflecting a belief that true individual abilities and potentials for success are widely distributed among people, and that a free and fair exercise of these abilities will lead to more general equality. The remaining range of inequality would then reflect authentic differences in individual talents. As economic historian R.H. Tawney wrote, equality of opportunity "depends not merely on the absence of disabilities, but on the presence of abilities."[4]

If the fair exercise of individual abilities is not restrained, then the resulting outcome can be justified as fair and equitable according to market principles of equal opportunity. This logic implies that without equal opportunity, further equality of result is unobtainable, unless there is direct interference with market mechanisms of distribution. Equal opportunity is therefore considered a necessary but not sufficient condition for increased equality of result.

The presumed necessity of formal equality of opportunity for achieving greater equality of result is coupled with the notion that social mobility is a desirable and characteristic feature of American society.[5] Education has traditionally been seen as the source of this mobility, raising individual productivity for participation in the market economy.[6] This view framed the federal government's early emphasis on eliminating de jure segregation, particularly in schools. The landmark 1954 case—*Brown v. Board of Education*,[7] the Civil Rights Act of 1964,[8] and later presidential directives mandated that the federal government actively oppose de jure and de facto segregation.[9] Through a series of court decisions, laws, and administrative decisions, government policy toward school desegregation eventually expanded to include active redistribution of minority students through busing into predominantly white school districts, where the education was thought to be of higher quality. By the early 1970's, busing was considered by its proponents to be the only sure way to achieve minority access to quality education and to actively correct past de jure or existing de facto segregation.

4. R. Tawney, Equality 103 (1931).

5. D. Potter, People of Plenty: Economic Abundance and the American Character (1954).

6. R. DeLeone, Small Futures: Children, Inequality and the Limits of Liberal Reform (1979).

7. 349 U.S. 294 (1954).

8. 42 U.S.C. 1981 (1964).

9. National Council for Social Studies, Racism and Sexism: Responding to the Challenge (1980).

The stress on educational integration led in turn to attacks on residential segregation. Because the quantity and quality of educational resources in a community depends largely on the ability of the local residents to pay taxes (especially property taxes), wealthier neighborhoods are better able to finance local schools than lower-income neighborhoods.[10] Superior schooling allows children from higher income families to receive a better education (which presumably leads them to higher adult incomes in the market economy). When grown, they reside in high income neighborhoods, which results in de facto segregation where these higher income families are disproportionately white. Advocates of school desegregation hoped to facilitate the future social integration of American communities by giving minorities access to better schooling in the present. They hoped that future generations of minority children would receive higher quality schooling and then become integrated into the economic mainstream.

The central role of school desegregation policy is thus related to the presumed role that education plays in the economic integration of disadvantaged minorities and others. Although political voting rights and equal protection under the law were considered necessary components of equal opportunity and access, black leaders during the mid-1960's increasingly felt that the "fate [of black Americans] is inextricably tied up with the American economy."[11] In 1964, Bayard Rustin asked: "What is the value of winning access to public accommodations for those who lack the money to use them?"[12] A statement attributed to Dr. Martin Luther King shortly before his death echoes Rustin's concern: "What good is it to be allowed to eat in a restaurant if you can't afford a hamburger?"

The necessary elimination of legal barriers to formal participation in American society did not by itself guarantee that blacks would obtain greater economic benefits. In order to attack the problems of black employment, poverty, and housing, Rustin and others asserted that the civil rights movement "was compelled to expand its vision beyond race relations to economic relations, including the role of education in society."[13] Anti-discrimination policy based on equal opportunity began to broaden its scope to improve the abilities of blacks and other victims of discrimination in order to enhance their chances for socioeconomic mobility. Desegregation was pursued not only to achieve formal political equality, but also in the hope that an improved quality and quantity of minority schooling would erode economic inequality between blacks and whites.

10. R. Reischauer & R. Hartmann, Reforming School Finance (1973).
11. O. Patterson, Ethnic Chauvinism: The Reactionary Impulse (1977).
12. B. Rustin, From Protest to Politics: The Future of the Civil Rights Movement, Commentary, Feb. 1965, at 25-31.
13. Id. at 25.

### *A. Education and Labor Market Policy: Mismatches, Productivity Queues, and Social Equality*

The past twenty-five years of federal labor market policy reflect the belief that improved education and skill training coupled with the elimination of artificial legal barriers will promote social equality. This assumption implies that the problems faced by the economically disadvantaged stem in large part from their own limitations as workers. The logic has been applied to blacks, Hispanics, women, and other groups who lag economically. The Area Redevelopment Act (ARA) of 1962, the Manpower Development and Training Act (MDTA) of 1962, the Johnson administration's War on Poverty, the Comprehensive Employment and Training Act (CETA), and the Reagan administration's Job Training Partnership Act (JTPA) are all strategies based on those assumptions.

These policies reflect three intertwined propositions about the American labor market: the mismatch hypothesis of unemployment, a productivity queue theory of the labor market, and a human capital approach to human resources development. According to the mismatch hypothesis, a free labor market tends to the efficient matching of job seekers with the demands of employers. In the ideal model: (1) workers and employers have full and perfect information regarding job opportunities and wage rates; (2) workers are rational and respond to differential rates of return for education and work; (3) employers are rational profit maximizers, and their hiring decisions reflect this rationality; (4) labor and capital are mobile, flowing to areas with higher rates of return; (5) and workers and employers act individually in making their decisions regarding wage rates and employment levels. In this model, labor market inefficiencies stem from poor labor market information, inadequate or inappropriate worker skills, barriers to geographic and sectoral flows of labor and capital, and poor or undesirable work habits. When there is a mismatch between a worker's supply characteristics and the needs of employers, unemployment results.

The productivity queue theory ties worker skills to productivity on the job, and asserts that where employers rank workers according to their individual levels of productivity, workers at the top of the queue receive high wages because they are the most productive, and the least productive and unskilled workers occupy low-wage and chronically unemployed stations at the bottom of the queue.[14] According to this theory, chronically troubled workers are poor because of their low productivity, and the observed income distribution within the United States economy generally reflects real differences in workers' productivity. The productivity queue vision of the labor market, coupled with the mismatch hypothesis, has supported labor market policies endorsing education and training strategies designed to move workers further ahead in

14. P. Doeringer, Programs to Employ the Disadvantaged, in Programs to Employ the Disadvantaged: A Labor Market Perspective 245 (P. Doeringer ed. 1969).

the productivity queue, thereby increasing their chances of employment and solving the presumed mismatch between their skills and the needs of employers.

These policies are buttressed by economists' theories on the importance of human capital.[15] Human capital theory attempts to reconcile the income distribution among individuals and groups with the productivity queue approach, positing that individual incomes correspond to individual productivity, through a labor market that allows more productive workers to command higher wages. Investment in human capital (education, skills training, and work experience) enhances individual productivity, which, in a competitive labor market leads to increased employment and wages. Through additional investments in human capital, the economically disadvantaged can raise not only their individual productivity, but also indirectly raise the productivity level of the whole economy, by fostering economic growth, which allows further increases in income for the disadvantaged. This human capital acquisition would also enhance the employability and future earnings of the poor, moving them up in the hiring queue as they acquired the supply characteristics needed to obtain better paying jobs. Although some of the policy particulars change, these theoretical explanations and related policy approaches have dominated federal labor market policy through the past several decades.[16]

Anti-discrimination policy's emphasis on equal opportunity and its focus on school desegregation fit nicely with labor market policies that stress human capital improvement. In our view, this conjuncture reflects the powerful influence of the mismatch idea in the United States. The dominance of the mismatch hypothesis is not due to any conspiratorial intent on the part of policymakers. Quality education and training were and still are viewed by both black and white civil rights theorists and intellectuals as "the corridor through which America's minorities [must travel to] move from rejection, deprivation, and isolation to acceptance, economic sufficiency, and inclusion."[17] The belief in education as a potent social equalizer has a long history in American society and existed well before the federal government's post-World War II involvement in anti-discrimination initiatives.[18] The emphasis on education as leading to improved individual economic status and greater social equality was a logical complement to equal opportunity policy. If the law guaranteed every individual an equal opportunity to develop abilities, and to have quality education, then unfair economic disparities by race or gender would erode over time through the competitive forces of the labor market. In this way, equality of opportunity could lead to equality of result and greater social equity and integration.

15. G. Becker, Human Capital (1975).

16. J. Jeffries and R. McGahey, supra note 2, at 37-38.

17. S. Proctor, Racial Pressures on Urban Institutions, in The Campus and the Racial Crisis 43 (D. Nichols & O. Mills eds. 1970).

18. R. DeLeone, supra note 6, at 41-46.

*B. Labor Market Realities—Questioning the Mismatch Hypothesis*

The mismatch hypothesis has strongly influenced labor market policy. But, along with human capital theory and the productivity queue approach, it has been criticized by economists seeking to explain persistent poverty, uneven distribution of rewards by race and gender, and the job seeking and wage determination process.

Empirical research on human capital formation finds that the combined effects of human capital-related variables, such as years of schooling and work experience, at best account for half of individuals' variance in earnings.[19] Others find much less explanation in these variables.[20] There is also considerable doubt as to whether these differences in earnings reflect underlying differences in individual productivity, such as those posited by standard economic theory.[21] In particular, this individual productivity theory of employment and wages downplays or ignores factors such as unionization, social custom, firms' ability to pay varying wages, and discrimination.[22] Robison, in a 1978 review of fifty-two case studies of employer attitudes toward educational credentials, found that educational attainment serves as a screening device for employers but may have no true association with a worker's actual productivity.[23] Similarly, in a detailed case study, James Medoff and Katherine Abraham found that higher wages within an enterprise did not reflect underlying productivity differences among the employees.[24]

The human capital approach is also called into question by policy research on federal skills training programs that aimed to solve the mismatch between the alleged low skills of the economically disadvantaged and employer demands. From the Manpower Development and Training Act, to the War on Poverty, and the Comprehensive Employment and Training Act, such programs often show only marginal impacts on the post-program labor market experiences of the participants, particularly minorities.[25] There is no

19. Blaug, The Empirical Status of Human Capital Theory: A Slightly Jaundiced Survey, 14 J. Econ. Lit. 827 (1976).

20. J.A. Brittain, The Inheritance of Economic Status (1977); C. Jencks, Who Gets Ahead? The Determinants of Economic Success in America (1979).

21. S. Bowles, D.M. Gordon & T.E. Weisskopf, Hearts and Minds: A Social Model of Productivity Growth, 2 Brookings Papers on Economic Activity (1983); Gottschalk, A Comparison of Marginal Productivity and Earnings by Occupation, 31 Indus. & Lab. Rel. Rev. 368 (April 1978); National Research Council, Panel to Review Productivity Statistics, Measurement and Interpretation of Productivity (1979).

22. National Research Council, Committee on Occupational Classification and Analysis, Women Work and Wages: Equal Pay for Jobs of Equal Value (D.J. Treiman and H.I. Hartmann eds. 1981).

23. D. Robison, The Attitudes of Employers and Business Professionals Toward Government Manpower Programs, in Increasing Job Opportunities in the Private Sector 137 (Special Report of the National Commission for Manpower Policy 1978).

24. Medoff & Abraham, Are Those Paid More Really More Productive? The Case of Experience, 16 J. Hum. Resources 186 (Spring 1981).

25. Mathay & Johnson, America's Black Population: 1970 to 1982, A Statistical View, The Crisis, Dec. 1983, at 10; Ashenfelter, Estimating the Effect of Training Programs on Earnings, 60 Rev. of Econ. and Statistics 47 (Feb. 1978); Brown and Erie, Blacks and the Legacy of

reason to expect that the Reagan administration's Job Training Partnership Act, the omnibus replacement for CETA, will yield radically different results through its increased private sector orientation. Lester Thurow summarized the rationale and results of federal education and training policy, a policy which has been congruent with the mismatch hypothesis:

> Instead of worrying about jobs and wages directly, economists have argued that rising inequalities in market earnings [can] be counteracted with rising equality in the distribution of human capital. . . . Pump a more equal distribution of human capital into a full employment economy and a more equal distribution of earnings will automatically flow out of the system. This strategy was followed, but we know it did not work.[26]

The persistence and growth of race and gender economic inequality despite twenty-five years of labor market policy designed to improve the economic standing of the disadvantaged also fuels skepticism about the mismatch hypothesis and human capital policy. These economic disparities exist despite the fact that differences in the average years of schooling completed between whites and nonwhites and between men and women have narrowed significantly during the past two decades and were virtually equal in 1982.[27] Consider the following statistics from the 1980 census and elsewhere:

(1) In 1981, the real median income for all black families was $13,270, an 8.3% decline from 1971 and a 5.2% decline since 1980; the median family income for all white families was $23,520 in 1981.[28]
(2) In 1971, the median income for black families was 60% that of whites; by 1981, this ratio had fallen to 56%.[29]
(3) Between 1972 and 1982, the number of employed black persons grew by 19% (1.4 million), while the number of unemployed black persons increased by 140% (from 900,000 in 1972 to 2.1 million in 1982).[30]
(4) The unemployment rate for blacks in 1972 was twice that of whites (10.3% and 5.0% respectively). By 1982, black unemployment was more than double that of whites—18.9% compared to 8.6% for whites. Both black and white jobless rates

the Great Society: The Economic and Political Impact of Federal Social Policy, 29 Pub. Pol. 299 (Summer 1981); Reid, Some Evidence on the Effect of Manpower Training Programs on the Black/White Wage Differential, 11 J. Hum. Resources 402 (Summer 1976); R. Taggart, A Fisherman's Guide: An Assessment of Training and Remediation Strategies (1981).

26. L. Thurow, Equity, Efficiency, Social Justice, and Redistribution, in The Political Economy of the United States 321, 324 (C. Stoffaes ed. 1982).

27. United States Department of Labor, Bureau of Labor Statistics, Educational Attainment of Workers, March 1981 (Bulletin 1259, January 1983).

28. Mathay and Johnson, supra note 25, at 11.

29. Id.

30. Id. at 12.

reached post-World War II highs in 1982.[31]

(5) Among black teenagers, the unemployment rate in 1982 was 28% higher than that of white teenagers—48% compared to 20.4%.[32]

(6) During the fall of 1981, the unemployment rate of 16- to 24-year-old black high school graduates was more than three times that of 16- to 24-year-old white high school graduates.[33]

(7) The median income of black farm families in 1978 was about two-fifths ($8,610) that of white farm families ($19,670), and the proportion of black farm residents in poverty was almost twice that of whites—30% versus 16.5%.[34]

(8) A recent study conducted for the Census Bureau found more evidence of wage discrimination against young white women who entered the labor force in 1980 than in 1970, even though the 1980 female entrants had higher levels of education.[35]

(9) After years of decline and then stability, the percentage of the American population below the official poverty level has grown—it is now over 34 million people, or around 15% of the population. This rate is higher than at any time since 1965.[36]

Another stubborn empirical fact that questions human capital strategies for economic integration is the persistent gap between male and female earnings. Women's labor force behavior has changed dramatically in the last several decades. In 1960, 37.7% of all American women were in the labor force (defined as either employed or actively seeking work); by the second quarter of 1982, 52.6%—a majority—of American women were working or seeking work.

This change is not confined to single or professional women. In 1960, 30.5% of all women in households with their husbands present were in the work force. By 1980, this percentage had risen to 51.2%. The change was even more dramatic for women with children under eighteen and a husband present in the home: 27.6% of these women were in the work force in 1960, while 56.3% were in the labor force in 1980.[37]

But although women have entered the labor force in ever-increasing numbers, their overall position in terms of wages has not changed. In 1939, median earnings for full-time, full-year women workers were 58% of men's

31. Id.

32. Id.

33. Young, Labor Force Patterns of Students, Graduates, and Dropouts, Monthly Lab. Rev., Sept. 1982, at 41 (table 3).

34. Id. at 13-14.

35. G. Green, Wage Differentials for Job Entrants, By Race and Sex (1983)(Unpublished dissertation, George Washington University).

36. Pear, Poverty Rate Rose to 15 Percent, N.Y. Times, Aug. 3, 1983, at 1.

37. United States Department of Labor, Bureau of Labor Statistics, The Female-Male Earnings Gap: A Review of Employment and Earnings Issues 2 (1982 Report 673).

earnings. In 1981, the ratio was virtually unchanged at 59%.[38] This "wage gap" cannot be fully explained by lack of education among women, or by age or experience. Most studies that incorporate such factors still find that over half of the male-female earnings gap remains unexplained, and many analysts take this remaining unexplained gap as testimony of discrimination.[39]

The spotty record of human capital strategies raises questions about the efficacy of traditional anti-discrimination policy in a period of rapid economic dislocation and change. Policy makers assumed that equal access to education and employment would allow people to be rewarded fairly—that is, equally and appropriately, according to their productivity, education, and experience. Improved skills would increase productivity and efficiency, thereby promoting economic growth. Equal access to education and jobs would lead to greater equality of income distribution, lessening the social tensions associated with unequal economic positions and fostering greater social harmony and integration. But a quarter century of labor market policies based on the mismatch notion and various government programs to increase equality has produced limited results. Gaps between blacks and whites, and men and women, persist and in many cases are getting worse.

## II
## THE CHANGING ECONOMY—ECONOMIC GROWTH, BUSINESS CYCLES, AND STRUCTURAL CHANGE

All of this is occurring in a period of dynamic economic and social change. The presumed links between equality of access and greater equality of result are now tenuous. Cracks are appearing in this formerly harmonious pairing. The American economy and society are changing so rapidly that it is hard to stay current, but understanding the changes, particularly those in industrial and occupational concentrations of minorities and women, is central to understanding the persistence of the broad socioeconomic gaps that we have outlined. These concentrations and related economic inequality do not appear to result from overt discrimination, nor can they be attacked with traditional theories of equal opportunity and access.

In this section, we will first review business cycle movements and the effects of recent short-term economic cycles on equality. Next, we turn to the "secular" long-run labor market transformations reflected in occupational and industrial segregation of minorities and women. The pressures created by the shift to service employment, the threat of labor-displacing technology, and changes in government employment and spending patterns are significantly related to changes in household composition. These two factors—a transformed labor market and the reshaping of households — have combined to create growing economic and social polarization—the "vanishing middle." To

38. Id.

39. National Academy of Science, Women, Work, and Wages: Equal Pay for Jobs of Equal Value (D. Treiman & H. Hartmann eds. 1981).

understand this problem, it is first necessary to review the changes in the economy, especially the debate over the relationship between economic growth and social equality.

### *A. Business Cycles and Long-Term Economic Stagnation*

A key theme of this article is the relationship between economic growth and social equity. We use the term "economic growth" to refer to the long-term growth of the economy, as distinguished from a short-term economic expansion following a drop in the business cycle. This distinction avoids the implication that cyclical recessions are independent of the patterns of long-term growth.

Recent recessions and economic recoveries suggest that the frequency and severity of business cycles have negative effects on long-term patterns of investment and employment. In July of 1981, the United States economy entered its eighth post-World War II recession. These dips are increasingly frequent: this was the sixth economic decline in two decades, the fourth since 1970, and the second since 1980. Of the first forty-eight months of the 1980's, twenty-four were spent in recession.

Conventional "business cycle" views of our economy, which imply a balanced and self-correcting series of ups and downs, understate the harm done by economic declines and overstate the benefits of recoveries. Viewing each recession as an independent cyclical occurrence masks the increasing vulnerability of our capitalist economy to long-term stagnation. Economic downturns are not automatically followed by equivalent upswings, as the cyclical metaphor suggests. Past recessions have left progressively deeper scars; their cumulative effect has weakened the economy and the labor force's ability to recover from one business cycle to the next. Rather than viewing economic declines as necessary but short-term weapons in the fight against inflation, policymakers must evaluate recoveries of the past decade against a backdrop of broader overall stagnation.

In the mid-1960's, rising inflation during periods of economic prosperity began to capture the attention of academic economists and policy makers. By 1974, the OPEC cartel (initially dismissed as irrelevant to the U.S. domestic economy) had installed inflation as the most important American economic problem. Originally interpreted as a simple supply shock that would have no major effect except to raise the price of fuel, the oil embargo generated an inflationary chain reaction throughout the American economy. Consumer and producer prices, including wages, rose. In the wake of the Nixon administration's failed wage and price control program, economists and policymakers turned more and more to recessions as the cure for inflation.

The rationale for this policy is embedded in orthodox macroeconomics, which asserts that the average level of price increases and the unemployment rate must be traded off against each other. Mainstream economists argue that there are two types of inflationary pressures — "cost-push" and "demand-pull." Cost-push, or market power, inflation occurs during economic expansion when the prices of labor, raw materials, or finished products rise faster than productivity or efficiency, igniting an inflationary spiral. Demand-pull inflation takes place when aggregate demand is rising while the available supply of goods is limited. The result is spiraling prices as producers bid against one another for a relatively fixed supply of resources. The general level of prices increases, resulting in a situation economists describe as "too much money chasing too few goods."

According to these analyses, both cost-push and demand-pull inflation are stronger in times of economic prosperity when resources are in relatively short supply and consumers are presumably less sensitive to price increases. Both theories of inflation suggest that the way to avoid continuous price increases is to restrict demand. Lowering demand requires operating the economy at less than full capacity, which implies an under-utilization of both labor and capital. Lowering demand therefore depresses economic activity, usually through recessions which increase unemployment. When combating inflation becomes the top priority of macroeconomic policy, recessions are seen as beneficial. Under this view, the nation's economic health depends rather paradoxically on unemployment and stagnation.[40]

But there are long-term costs associated with accepting economic decline and stagnation as necessary staples of public policy. In social and economic terms, this policy becomes increasingly expensive and limits the possibilities for future economic recoveries. Attempts to rid the American economy of inflation have forced more and more people to experience long spells of unemployment. Until our most recent recession, the economic decline that began in November 1973 and ended in March 1975 was the worst recession since World War II. The unemployment rate reached a post-war high of 8.5% at the bottom of that business cycle in March 1975, and continued to rise until two months later, at 9%. By contrast, in December 1982, the unemployment rate climbed to an unprecedented 10.8%, giving the most recent downturn the dubious distinction of being the worst since the Great Depression. At the end of 1982, over twelve million people were out of work.

The duration of unemployment has also increased during the cycles of recessions and recoveries. The average amount of time spent out of work at the low point of the 1973-75 recession was fifteen weeks. In June of 1983, six months after the recovery was under way, unemployed workers were out of a job for an average of twenty-two weeks—another post-war high. Comparisons of the average duration of unemployment within particular industries also indicate a worsening of economic conditions from one recession to another. For example, in June 1983, in the midst of economic recovery, finance and service workers experienced levels of long-term joblessness that were three times those in June 1979, when the economy was in deep recession. In the cyclically sensi-

40. Heilbroner, Economic Prospects, New Yorker, Aug. 29, 1983, at 66-78.

tive construction, durable goods, and primary metal industries, long-term unemployment was even more severe:

> While about 4 percent of the civilian labor force was unemployed at least 15 weeks in June 1983, more than 7 percent of the construction and durable goods labor force had reached that level. And while the average worker was 5 times as likely to have been unemployed more than 6 months in June 1983 compared to 4 years earlier, workers in construction were 8 times as likely and those in durable goods, 9 times. In primary metals (largely steel), a worker was nearly 20 times as likely to be jobless for 15 (or 27) weeks as 4 years earlier.[41]

In 1950, manufacturing's share of jobs stood at twenty-one percent, but that sector of the economy has been adversely affected by the frequency and severity of recessionary periods during the 1970's and 1980's. As one observer stated:

> The 1970's were particularly troublesome years for manufacturing. During the 1973-75 recession . . . manufacturing employment fell by 2.4 million to 18.1 million, a 12 percent drop. It was not until mid-1978, a full 3 years later, that employment levels returned to those that prevailed before the start of the recession.
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> . . . .
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> . . . By July 1980, manufacturing employment had dropped by 1.4 million over the prior 13 months, and by the end of 1982, reductions totaled 3 million . . . . Job cutbacks were greatest in the durable goods division, with the primary metals and auto industries experiencing large declines over the course of the two recessions . . . .[42]

It used to be thought that service-producing industries were "recession-proof" because employment growth in that sector of the economy has continued even during economic downturns.[43] This idea is being reevaluated in light of new evidence of business cycle impacts on service sectors.

Economist Michael Urquhart's recent analysis suggests that a service industry "that exhibits employment growth during recessionary periods is not necessarily insensitive to business cycles".[44] On average, service-sector employment has grown 2.1% during contractions and 4.8% during expansions, while employment in goods-producing sectors has decreased 8.3% during re-

41. Rones, Recent Recessions Swell Ranks of the Long-Term Unemployed, Monthly Lab. Rev., Feb. 1984, at 25-28.

42. Nilsen, Employment in Durable Goods Anything but Durable in 1979-82, Monthly Lab. Rev., Feb. 1984, at 15, 16.

43. Burns, Progress Towards Economic Stability, 50 Am. Econ. Rev., March 1960, at 1, 7; G. Stigler, Trends in Employment in the Service Industries (1956).

44. Urquhart, The Services Industry: Is It Recession-Proof?, Monthly Lab. Rev., Oct. 1981, at 12, 15.

cessions and increased 3.8% during recoveries.[45] Employment growth patterns within the service sector displayed varying sensitivity to economic downturns during post-war business cycles. Comparing the two largest components of the service sector (health and business services), Urquhart found that the health industry had almost no cyclical sensitivity, while business services showed a relatively high degree, masked somewhat by rapid overall growth in business services during the 1970's:

> Business services employment did not decrease during any recession. However, to conclude from the lack of employment declines alone that business services are recession-proof would be misleading . . . . Should the present trend of rapid employment growth in [business services] substantially change, its sensitivity to recessions could result in employment declines.[46]

The problem of increasing economic stagnation is also reflected in the ever-higher numbers of the unemployed. In the summer of 1981, the last peak of economic activity, 100.8 million people held jobs. By October 1983, almost a year into the current recovery, 102 million were employed. In contrast, the number of unemployed persons during the summer of 1981 stood at 7.8 million. By October of 1983, in the midst of economic expansion, the ranks of the unemployed remained at a high level, registering just under 10 million. In addition, the number of discouraged workers—individuals who have stopped looking for work because they believe no employment opportunities exist and are therefore excluded from unemployment statistics—reached a post-war recession high of almost 2 million at the end of 1982. The number of people unemployed during the current recovery is almost one and a half times greater than the number prior to the recession, implying that many individuals who are ready and willing to work have not benefited from the cyclical upswing in economic indicators.

In addition to these growing general problems, different groups in the labor force suffer disproportionately during economic declines. Black joblessness peaked at 20.8% in December 1982 and had declined only two percentage points one year after the recovery was announced. In August 1983, the unemployment rates for black male and female teenagers reached 56.8% and 48.9% respectively. Nonwhite workers are finding it increasingly difficult to recover from recessionary cycles. Nonwhite unemployment rates have increased steadily since the early 1970's, and nonwhites comprise a disproportionate number of discouraged workers.

Further questions about the quality and character of cyclical economic expansions are raised by a key business indicator, private sector investment in new plants and equipment. The Reagan administration's supply-side tax incentives were supposed to increase savings and boost private sector invest-

45. Id.
46. Id.

ment, thus reviving the economy. But the current recovery has been led by consumer spending, not private investment. People are spending their tax cuts, which in any case disproportionately benefited the rich.[47] By the summer of 1983, individuals were saving less than 4% of their after-tax incomes, the lowest personal savings rate in over thirty years.

Although private investment has not led past recoveries, the tax breaks to businesses and depreciation windfalls were explicitly implemented to spur private investment. After initial skepticism about the economy's future, private sector capital spending finally increased during the last two quarters of 1983. The Commerce Department recently estimated that plant and equipment spending will rise by 9.9% in 1984, after declining 3.5% in 1983.[48]

But there has been a shift in the character of private investment away from plants to equipment. This shift has serious implications for future employment growth.

*Business Week* reported that the recent level of spending on structures (plants and buildings) declined from 44% of real business investment in 1960 to 31% in 1975, and that estimates for 1984 hover around 28%.[49] This shift reflects and reinforces the decline in the nation's manufacturing base and the resulting structural shift of the economy. Increasingly, investments are not in new plants, but in labor-saving capital employed by both the declining goods-producing industries and the growing service sector. This type of labor-displacing investment requires fewer and fewer workers, and the cumulative impact of labor-displacing investment can be quite powerful: hours worked in manufacturing grew only 1.5% between 1969 and 1979, while total manufacturing output grew by almost 40% during those years.[50]

Despite claims to the contrary, Reaganomics attacked inflation with the traditional Keynesian weapon—a prolonged and deep recession. Each assault on inflation leaves us with a higher level of unemployment, and succeeding economic upswings do less and less to erode this high unemployment, but the fear of inflation remains. For instance, a recent drop in unemployment below 8% caused declines in the stock market, attributed to a fear of possible inflation. The economy-wide implementation of labor-saving technology is significantly altering the traditional relationships between employment growth during economic recoveries and job generation resulting from increases in output, especially in manufacturing. These new relationships among employment growth, economic expansion, and longer-term economic prosperity and growth, coupled with the relative inelasticity of inflation in response to economic declines, suggests a growing disparity between standard measures of the

47. F. Levy and R. Michel, The Way We'll Be in 1984: Recent Changes in the Level and Distribution of Disposable Income 41-42 (Nov. 1983) (Urban Institute discussion paper).

48. Behind the Apparent Pickup in Business Investment Plans, Bus. Wk., Jan. 30, 1984, at 12.

49. The Sudden Rush to Spend on America's Factories, Bus. Wk., Jan. 30, 1984, at 83.

50. Block, The Myth of Reindustrialization, Socialist Rev., Jan.-Feb. 1984, at 59, 62.

national economy's well-being, such as growth rates and gains in G.N.P., and the security and economic welfare of the American labor force.

### *B. The Changing Job Structure—"High-Tech," Government Spending, and the Growth of Services*

One factor that has drawn much attention in the debate over employment changes is the role of more sophisticated production technology, or high-tech. High-tech has two distinct meanings: (1) jobs in industries that produce sophisticated equipment, such as word processors, industrial robots and microelectronics, and (2) the skills required to perform jobs using this equipment. Some are alarmed by the labor-displacing possibilities of this increase in sophisticated technology equipment, while others view high-tech as a future solution for unemployment. Although the projections of high-tech effects are unstable, there is thus far little evidence of dramatic harm or substantial employment growth as a result of high-tech. Its effects have been to reduce skill requirements for jobs and to lower wages.

There may eventually be substantial job displacement effects from high-tech when it is introduced throughout the economy, although these effects will be somewhat offset by the creation of, for example, new jobs in equipment repair and machine operation. In one study, economist David Howell estimated different job displacement scenarios for the year 1990 due to the use of industrial robots in manufacturing. Depending on the extent of robot use and the number of robots imported, Howell projected net job losses (workers displaced minus new jobs created by use of robots) ranging from 167,600 to 718,000.[51] Although the ratios of job displacement to creation are quite high (4.5 to 6.2 jobs lost for every job created), the overall impact in terms of the United States labor force from using manufacturing robots is quite small—in the worst case, less than one percent of total 1978 employment would be lost.[52] But the effects would be highly concentrated in the auto and computer industries, and among unskilled and semi-skilled production workers.

If the job displacement ratio of 4.5 to 6.2 jobs lost to robots for every job created applies in other sectors where high-tech is introduced, economy-wide unemployment effects will be substantial. But high-tech's effects may be felt more in the elimination of skilled occupations. Researchers at Stanford University argue that one danger of the new technology is that "entire classes of skilled workers will disappear or will be severely reduced in numbers as their jobs are replaced by robots or computer software."[53] For example, they note that within a few years computer-aided design (CAD) may eliminate entry-

51. D. Howell, The Impact of Robots on Employment: An Input-Output Analysis 13 (1984) (N.Y.U. Institute for Economic Analysis).

52. Id. at 15.

53. R. Rumberger & H. Levin, Forecasting the Impact of New Technologies on the Future Job Market 14 (Feb. 1984) (Stanford University School of Education Institute for Research and Education Finance and Governance, Project Report No. 84-A4).

level draftsmen, with a potential loss of 300,000 skilled positions.[54] Similar fears concerning displacement in service sectors, especially in office work, have been raised by other analysts.[55]

High-tech also will not produce very many new jobs, especially jobs of higher quality. Forecasts for the next decade suggest that high-tech jobs will replace, at best, fewer than half of the two million manufacturing jobs lost from 1980 through 1983.[56] The jobs created will be mostly low-paying traditional ones; fewer than one-third of the projected high-tech jobs will be for engineers and technicians. Moreover, displaced manufacturing workers are not likely to be reemployed in these new high-tech positions. For example, Harrison found that of the over 670,000 workers who left New England mill industries between 1958 and 1975, only some 18,000 of them—fewer than 3%—were reemployed in New England high-tech jobs by 1975.[57]

A second important factor in the changing job structure of the job market is the role of government and nonprofit sector employment. These sectors grew substantially during the 1970's and provided work for minorities and women, especially for professionals. Russell Rumberger estimates that in 1980 35% of black males and 45% of black females owed their jobs either directly or indirectly to government spending. Fifty-four percent of black male college graduates and 72% of black female graduates had jobs tied in some way to government spending.[58]

Educated black professionals were not the only ones to benefit from an expanding public sector. Short-term public service employment also disproportionately benefits unskilled minorities. For example, in July of 1978 the federal Summer Youth Employment Program (SYEP) provided almost 45% of all summer jobs for minority youth from the ages of fourteen through nineteen. Only 3% of summer jobs for white youth were tied to the program.[59]

These govenment employment opportunities cannot be counted on in the future. Due to the general trend to diminish government employment, especially the budget shifts of the Reagan administration, these gains have been halted. In 1981, federal agencies dismissed minorities at a rate 50% greater than whites. The number of layoffs doubled in 1982, hitting upper-level black

54. Id.

55. Bergmann, A Threat Ahead from Word Processors, N.Y. Times, May 30, 1982, § 3 (Business), at 3, col. 1.

56. America Rushes to High Tech for Growth, Bus. Wk., Mar. 28, 1983, at 85.

57. B. Harrison, Rationalization, Restructuring, and Industrial Reorganization in Older Regions: The Economic Transformation of New England Since World War II 89 (1982) (Joint Center for Urban Studies of Massachusetts Institute of Technology and Harvard, Working Paper No. 72).

58. R. Rumberger, The Employment Impact of Government Spending (1983) (see Table 5).

59. D. Ellwood & D. Wise, Youth Employment in the Seventies: The Changing Circumstances of Young Adults (1983) (National Bureau of Economic Research, Working Paper No. 1055).

professionals the hardest.[60] The loss of government funding also affects many social service agencies outside of the federal government, such as nonprofit organizations that lose funding and have to lay off people. This is one reason that the rapid growth in the federal deficit should be of long-run concern for those interested in social programs. With a larger and larger percentage of federal funds committed to paying interest to bondholders for the next thirty years, it will be increasingly hard to find funds to expand or continue social programs.[61]

But the effects of high-tech and government employment, important as they are, pale beside the most important structural change in the job market: the rapid transformation of the employment base from manufacturing to services. Manufacturing grew by four million jobs between 1958 and 1968. Fewer than one million were added in the following decade, and between 1978 and 1983, nearly three million manufacturing jobs were lost. By contrast, jobs in service sectors boomed. Health care, legal and business services, real estate and financial sectors, restaurants and eating places—all expanded in terms of total employment. The compound annual growth rate of the health care industry, measured by total receipts, was 12.9% between 1972 and 1983. Legal services increased by 12.1% for the same period.[62]

These changes are reflected in patterns of employment growth. Table II.1 documents some of these changes, listing major growing and declining industries projected to 1990. Services dominate the list of industries adding jobs, particularly eating and drinking places, retail trade, hospitals and health care, and business services. The main job losers are more diverse, with high losses in agricultural and food production, household work, railroads, autos, and building products.

60. Battling to Stem the Black Layoff Tide, N.Y. Times, Sept. 17, 1983, at A6, col. 3.
61. R. Lekachman, supra note 1.
62. Lewin, Boom Times, Yet Criticism, N.Y. Times, Feb. 21, 1984, at D2, col. 1.

TABLE II.1[63]
PROJECTED TOTAL EMPLOYMENT CHANGES AND GROWTH RATES BY INDUSTRY, 1979-1990

| 10 Greatest Job Creators | Annual Projected Growth Rate, percent | Projected Absolute Job Growth (thousands) |
|---|---|---|
| 1. Eating and drinking places | 3.2 | 1979 |
| 2. Retail trade | 1.3 | 1879 |
| 3. Hospitals | 3.9 | 1354 |
| 4. Business services | 2.8 | 1142 |
| 5. Medical services, except hospitals | 4.9 | 939 |
| 6. Wholesale trade | 1.3 | 866 |
| 7. Construction | 1.5 | 844 |
| 8. Nonprofit organizations | 2.2 | 566 |
| 9. Doctors' and dentists' services | 3.2 | 552 |
| 10. Banking | 2.6 | 484 |
| **10 Greatest Job Losers** | **Annual Projected Growth Rate, percent** | **Projected Absolute Job Growth (thousands)** |
| 1. Agricultural products | −1.8 | −181 |
| 2. Dairy and dairy products | −3.3 | −156 |
| 3. Households | −0.8 | −147 |
| 4. Railroad transportation | −1.7 | −97 |
| 5. Meat and livestock products | −1.4 | −75 |
| 6. Motor vehicles | −0.7 | −69 |
| 7. Millwork, plywood, & wood products | −1.2 | −48 |
| 8. Food and grain feeds | −0.7 | −47 |
| 9. Logging | −2.4 | −35 |
| 10. Bakery products | −1.4 | −34 |

Source: Daniel H. Saks, Distressed Workers in the Eighties, 50-51 (Washington: National Planning Association, 1983). Reprinted by permission of the National Planning Association.

Table II.2 also reflects this transition, listing the occupations projected to grow most rapidly, both in absolute numbers and in percentages. The list of percentage increases includes both high- and low-skilled jobs—for instance, computer system analysts and fast food workers. But when projected total employment is examined, the list is dominated by lower paying, less skilled service jobs—janitors, nurses aides, sales clerks, and cashiers. The only occupation that makes the top ten both in projected growth rate and in projected absolute growth is fast food workers.

63. D. Saks, Distressed Workers in the Eighties 50-51 (1983).

TABLE II.2[64]
OCCUPATIONS WITH HIGHEST PROJECTED GROWTH RATES AND ABSOLUTE GROWTH, 1978-1990

| 10 Occupations with Highest Percentage Growth Rate | Projected Growth Rate, percent | Projected Absolute Job Growth (thousands) |
|---|---|---|
| 1. Data processing machine mechanics | 147.6 | 93 |
| 2. Paralegal personnel | 132.4 | 38 |
| 3. Computer system analysts | 107.8 | 199 |
| 4. Computer operators | 87.9 | 148 |
| 5. Office machine & cash register repair | 80.8 | 40 |
| 6. Computer programmers | 73.6 | 150 |
| 7. Aerospace engineers | 70.4 | 41 |
| 8. Fast food preparation and service workers | 68.8 | 492 |
| 9. Employment interviewers | 66.6 | 35 |
| 10. Tax preparers | 64.5 | 18 |

| 10 Occupations with Highest Percentage Absolute Growth Rate | Projected Absolute Job Growth (thousands) |
|---|---|
| 1. Janitors and sextons | 671.2 |
| 2. Nurses aides and orderlies | 594.0 |
| 3. Sales clerks | 590.7 |
| 4. Cashiers | 545.5 |
| 5. Waiters and waitresses | 531.9 |
| 6. Office clerks | 529.8 |
| 7. Professional nurses | 515.8 |
| 8. Fast food preparation and service workers | 491.9 |
| 9. Secretaries | 487.8 |
| 10. Truck drivers | 437.6 |

## III
## EMPLOYMENT OF THE DISADVANTAGED, HOUSEHOLD SHIFTS, AND THE "VANISHING MIDDLE"

These occupational projections underscore what several analysts have noted about the growing service industries—that their jobs tend to be polarized, without much of a middle tier of medium-wage jobs. Thomas Stanback, in an examination of service industries, noted that "for services as a whole . . . there tends to be a heavy concentration of employment in better-than-average and in poorer-than-average jobs. . . in manufacturing and construction, the distributions are more heavily weighted toward medium and above-average jobs."[65]

64. Carey, Occupational Employment Growth Through 1980, Monthly Lab. Rev., Aug. 1981, at 42, 47 (table reproduced here assumes decline in labor force expansion, continued high inflation, etc.; article cited a second table based on other assumptions).
65. T. Stanback, Services: The New Economy (1981).

The alteration in the job composition of the United States economy affects all sectors of the work force, though in different ways. For minority males it creates ever-higher levels of unemployment, as their traditional sources of work dry up. For women (especially whites), the growth in service work has been tied to their growth in labor force participation and employment. But women's increased level of employment has not meant an automatic improvement in their economic situation. The "feminization of poverty" and the sharp increase in women's labor force participation both occurred during the 1970's. As Stallard, Ehrenreich, and Sklar note, "the jobs available to women are part of the [poverty] problem," along with changes in household composition.[66]

The low wages and benefits in those sectors where minorities and women are concentrated help to explain their weak economic positions. This industrial and occupational segregation results from two distinct processes: the disappearance of better jobs for men, and an explosive employment growth for women, though in low-wage jobs that do not offer employment stability.

### *A. Minority Youth Employment Problems*

The statistics describing the employment crisis among minority youth are sobering. The unemployment rate for sixteen to nineteen-year-old blacks was 48.5% in the second quarter of 1983 (48.8% for men, 48.2% for women), and the employment-to-population ratio (those with jobs relative to the civilian noninstitutional population) was an abysmal 18.7%. Black teenagers in metropolitan poverty areas had an unemployment rate of 56.3%.[67] Nonwhite teenagers accounted for 44% of the unemployed, yet they were only 30% of the teenage labor force.[68]

This problem has been building over the last several decades, and cannot be explained by a worsening of the labor market for all teenagers. Nonwhite teenagers have always had higher rates of unemployment, but the gap between them and everyone else grew during the 1970's, when nonwhite teenage unemployment began to climb much more rapidly than all other groups in the labor force.[69] A comparison of black to white teenage unemployment rates demonstrates that both males and females are affected by this problem. If the unemployment rates for both groups were the same, their ratio would be 1.00. For blacks in all age groups, male and female, this ratio has grown throughout the past two decades, indicating that the employment situation of young blacks has become worse relative to their white age and gender counterparts. For example, the ratio for eighteen to nineteen-year-old black males relative to whites increased from 1.86 in 1960 to 2.41 in 1979; for eighteen to nineteen-

66. K. Stallard, B. Ehrenreich & H. Sklar, supra note 3, at 18.
67. United States Department of Labor, Bureau of Labor Statistics, Employment and Earnings (Jan. 1984).
68. Center for Labor and Urban Programs, Young People in the Labor Market, Dec. 1981, at 6 (Queens College, C.U.N.Y.).
69. Id.

year-old females, the black to white ratio grew from 2.13 in 1960 to 2.67 in 1979.[70]

Although debate continues on the reasons for this depression-level unemployment among black teenagers, a rough consensus has emerged on the principal causes. First, substantial levels of youth unemployment, especially among minorities, cannot be fully explained by reference to the personal or human capital resources of minority teens. The sheer lack of jobs is the principal factor. Second, the increasing disparity between black and white youth employment remains a puzzle to most economists. There are a host of factors that contribute to the youth job problem, but it is possible to rule out some as major causes of the black/white differential: demographic factors, the suburbanization of employment, and the attractiveness of criminal opportunities do not seem to contribute significantly to the gap. School enrollment plays a minor part by reducing job-seeking among young blacks. There is confusion and debate on the role of attitudes and aspirations, a body of research in its infancy that is fraught with methodological problems. Furthermore, discrimination is a persistent factor in the black/white gap.

Another important issue is the long-run effect of teenage unemployment. After all, if teenage unemployment is a transitory phenomenon with no adverse longrun consequences, then public policy might properly concentrate on shortrun palliatives. However, several analysts find that teenage unemployment is related to substantial problems later, although there is disagreement on the magnitude of this negative impact.[71]

### *B. Minority Adults and Stagnant Jobs*

Concern over the possible long-term effects of youth unemployment is mirrored in recent attention paid to chronically unemployed adults. In general, the principal factors associated with long-term unemployment are education, occupation and industry of employment, and race.[72] Clark and Summers noted that much youth unemployment is "concentrated among a relatively small, disproportionately black, group who experience long term unemployment."[73] A similar concentration is found among adult minorities. Black men have gained in their share of some occupations, but at the same time their overall labor force participation has fallen: black women, especially single heads of households, remain the group most seriously affected by chronic unemployment. The minority unemployment problem is compounded by the persistence of high unemployment rates in particular geographic areas for a

70. Bureau of Labor Statistics, Handbook of Labor Statistics, 67-70 (1980) (Table 32).

71. For an expanded discussion of minority youth unemployment problems and the accompanying research literature, see J. Jeffries & R. McGahey, supra note 16, at 13-25.

72. R. Freeman, Troubled Workers in the Labor Market (Feb. 1982) (Harvard Institute for Economic Research, Discussion Paper 881); H. Parnes, Unemployment Experiences of Individuals over a Decade (1982) (Upjohn Institute for Employment Research).

73. K. Clark & L. Summers, The Dynamics of Youth Unemployment (Aug. 1978) (National Bureau of Economic Research, Working Paper 274).

decade or more and by the fact that certain regions feature a deadly combination of high unemployment and low wages when work is obtained. Finally, blacks, especially females, are disproportionately concentrated in low earnings occupations that also have high unemployment.

Despite the passage of civil rights legislation and various social programs designed to integrate minorities into the economic mainstream, overall minority economic status remains depressed. Blacks continue to have lower per capita and family incomes than whites; employed black Americans generally receive lower than average wages, and the unemployment rate for black workers is generally twice that of white workers at all points of the business cycle. There are three chief contributors to these continuing disparities between black and white incomes and employment: the disproportionate representation of blacks in lower paying occupations, minority concentration in the lower earnings and status tiers *within* specific occupational groups, and nonwhite attachment to the industrial sectors of the economy that are the most sensitive to cyclical downturns and the least responsive to economic recoveries.

Recent analyses of Current Population Survey data on the growth and racial composition of employment during the 1970's confirm that black employment patterns have not changed significantly, and in many instances have deteriorated.[74] Westcott concluded that "black occupational advancement in the 1970's . . . [was] not particularly impressive . . . . In most cases, black workers [in 1980] were concentrated in the same jobs in which they were employed in 1972."[75] The proportion of black workers in the employed labor force remained at 9.4% between 1972 and 1980. The number of white workers increased by 18% during the same period, with women comprising most of the new workers. Almost half of the total job growth in the economy over this nine-year period occurred in professional, technical, and clerical occupations; blacks in these jobs "were concentrated . . . at the lower end of the professional pay scale."[76]

During the 1970's, the number of blue-collar jobs grew at a slower rate than white-collar jobs and at a slower rate than in previous decades. While comprising almost a third of total employment, blue-collar workers accounted for only one-seventh of the overall increase in jobholders since 1972. The proportion of black men who were blue-collar workers in 1980 declined from the 1972 level. Within the blue-collar occupations black males made some moves out of undesirable operative and nonfarm laborer jobs and into the skilled craft and kindred trades. But compared to their white counterparts, black men were twice as likely to be laborers, and both black males and females were twice as likely to be service workers.

74. Westcott, Blacks in the 1970's: Did They Scale the Job Ladder, Monthly Lab. Rev., June 1982, at 29.

75. Id. at 31.

76. Id.

Black men concentrated in these lower level blue-collar occupations, coupled with the overrepresentation of black women in clerical and service occupations, documents the persistent disadvantaged status that blacks occupy in the labor market. In both broad and specialized occupational groupings that comprise the growing white-collar categories, blacks are concentrated in lower paying jobs where earnings gaps have widened or remained constant at best.[77]

The growing representation of black men in occupational groups where total employment is falling is equally disconcerting. The movement of blacks into more skilled blue-collar jobs has not offset their overrepresentation in lower level blue-collar work. Furthermore, it has occurred in a period when blue-collar jobs (principally manufacturing) have been plagued by both cyclical and structural decline. To interpret as progress the movement of blacks into white-collar and more skilled blue-collar jobs ignores the low pay of many white-collar jobs. In addition, black dependence on blue-collar jobs increases their vulnerability to the business cycle, to long-term sectoral declines in manufacturing, and to international competition and capital mobility in manufacturing.

### C. *Occupational and Industrial Segregation and Women*

Women also suffer from occupational and industrial segregation, although they often work in expanding, not declining, industries and occupations. "Women filled nearly two-thirds of the jobs created between 1972 and 1980. . . [but] the new jobs for women were mostly concentrated in 5 percent of all occupational categories and more than 60 percent of all minimum-wage workers are women."[78]

Occupational segregation is a major problem for female workers. Women dominate the lowest paying jobs in the economy, jobs which also tend to be sporadic and dead-end. Table III.1 shows that eight of the ten lowest paying occupations in 1981 were 73 to 97% female. Conversely, in the fifteen highest paying American jobs, women comprised at most 32% of the workers. Even in these higher paying jobs, women earn significantly less than men.

77. J. Jeffries & R. McGahey, supra note 16, at 29-30.
78. McGahey, High Tech, Low Hopes, N.Y. Times, May 15, 1983, at E21, col. 2.

TABLE III.1[79]
15 LOWEST AND HIGHEST PAYING FULL TIME OCCUPATIONS, 1981 (TITLES, USUAL WEEKLY MEDIAN EARNINGS FOR BOTH SEXES, PERCENT FEMALE IN OCCUPATION, RATIO OF FEMALE TO MALE WAGES WHERE KNOWN)

| Lowest Paying (ranked lowest paying as 1) | Earnings | % Female | F/M Wage Ratio |
|---|---|---|---|
| 1. Child care workers, pvt. house | $80 | 97.3 | — |
| 2. Maids and servants, pvt. house | $126 | 91.8 | — |
| 3. Dishwashers | $135 | 30.5 | — |
| 4. Food counter, fountain wkrs. | $141 | 85.0 | — |
| 5. Lodging cleaners | $142 | 94.9 | — |
| 6. Waiter's asst's. (busboys) | $143 | 18.6 | — |
| 7. Waiters | $150 | 85.1 | 72.0 |
| 8. Child care wkrs., non-house | $151 | 86.7 | — |
| 9. Shoemaking machn. operators | $154 | 73.2 | — |
| 10. Sewers and stitchers | $157 | 96.7 | — |
| 11. Clothing ironers and pressers | $164 | 77.0 | — |
| 12. Food serv. wkrs., n.e.c. | $165 | 68.2 | 90.0 |
| 13. Laundry, dry clean. operators, n.e.c. | $166 | 69.8 | — |
| 14. Cashiers | $168 | 85.1 | 92.0 |
| 15. Cooks, non-pvt. household | $171 | 50.9 | 73.4 |

| Highest Paying (ranked highest paying as 1) | Earnings | % Female | F/M Wage Ratio |
|---|---|---|---|
| 1. Aerospace engineers | $614 | 1.2 | — |
| 2. Chemical engineers | $575 | 7.8 | — |
| 3. Electronic engineers | $549 | 3.5 | — |
| 4. Lawyers | $546 | 21.5 | 71.0 |
| 5. Mechanical engineers (tie) | $540 | 2.5 | — |
| 6. Sales mgrs. except retail (tie) | $540 | 13.0 | — |
| 7. Economists | $536 | 27.1 | — |
| 8. Stock and bond sales agents | $535 | 17.1 | — |
| 9. Industrial engineers (tie) | $530 | 12.6 | — |
| 10. Airplane pilots (tie) | $530 | 0.0 | — |
| 11. Engineers, n.e.c. | $527 | 3.1 | — |
| 12. Computer sys. analysts | $519 | 25.1 | 76.9 |
| 13. Civil engineers | $505 | 2.1 | — |
| 14. Physicians | $501 | 11.7 | — |
| 15. School administ., college | $491 | 31.8 | 69.9 |

Women workers are concentrated in the lowest paying industries. Service industries account for seven of the ten lowest paying industries, and women constitute from 41 to 82% of production workers in these fields. In the five top-paying industries, women constitute 5 to 15% of the workforce. It is precisely these low paying jobs and industries that have grown the fastest in the American economy.

Table III.2 shows that in the ten occupations that grew the most between 1972 and 1980, women comprised 51 to 99% of the workers. Most of these jobs are low paying (secretaries, cashiers, cooks). In the higher paying jobs

79. Rytina, Earnings of Men and Women: A Look at Specific Occupations, Monthly Lab. Rev., Apr. 1982, at 25.

that grew most rapidly, women earned substantially less than men and constituted less than 40% of workers. Among workers unemployed during part of 1981, the percent in poverty who worked in manufacturing industries ranged from 3.3 to 14.0%. Among workers in service industries who experienced some unemployment, the percent in poverty ranged from 10.7% to 35.3%.[80] As noted, women are concentrated in the second group.

TABLE III.2 [81]
10 FASTEST GROWING OCCUPATIONS IN ABSOLUTE NUMBERS, 1972-1980
(TITLES, USUAL WEEKLY MEDIAN EARNINGS FOR BOTH SEXES, PERCENT FEMALE IN OCCUPATION, FEMALE TO MALE EARNINGS RATIO WHERE KNOWN)

| Title (largest growth as 1) | Earnings | % Female | F/M Wage Ratio |
|---|---|---|---|
| 1. Secretaries | $229 | 99.3 | — |
| 2. Cashiers | $168 | 85.1 | 92.0 |
| 3. Registered nurses | $331 | 95.8 | — |
| 4. Cooks, non-household | $171 | 50.9 | 73.4 |
| 5. Truck drivers | $314 | 2.1 | — |
| 6. Accountants | $379 | 39.7 | 71.2 |
| 7. Engineers | $540 | 4.7 | 67.8 |
| 8. Computer and periph. mach. operators | $260 | 63.2 | 67.8 |
| 9. Bookkeepers | $227 | 90.6 | 69.4 |
| 10. Computer specialists | $454 | 26.4 | 72.8 |

### D. *The "Vanishing Middle"*

All of these factors—the shift to service industries with their polarized job opportunities, the threat of labor-displacing technology, the decline of government supported employment as a route for economic advance, and the concentration of blacks and women in declining or stagnant industries and occupations—have caused some analysts to worry that American society is becoming increasingly polarized. This is the problem of the "vanishing middle," or "disappearing middle class." Changing income distribution figures illustrate this polarization. Between 1967 and 1982, households with less than 75% of the national median income rose from 35.5% to 37.7% of the population, while households with incomes above 125% of the median rose from

80. Terry, Work Experience, Earnings and Family Income in 1981, Monthly Lab. Rev., Apr. 1983, at 13, 14.

81. Leon, Occupation Winners and Losers: Who They Were During 1972-80, Monthly Lab. Rev., June 1982, at 18; Rytina, supra note 79.

36.3% to 38.6%.[82] Between 1978 and 1983, the percentage of the population whose incomes classified them between low and high budgets for an urban family of four dropped from 55% to 40%; most of the change was downward.[83]

There are a variety of reasons advanced for this shift. Some are attributable to the battering by international competition in manufacturing industries like auto and steel that traditionally have paid middle-class wages. "When General Motors shrinks so that it employs fewer people than McDonald's, that is a recipe for a shift in the distribution of income."[84] The growing number of high-tech and service jobs pay less than the lost manufacturing jobs.

Tied to these changes in the international arena are the problems faced by unions, which tend to raise wages for their workers. According to labor economist James Medoff, union membership by itself tends to raise wages between 10 and 20%. Unions also lobby for a higher minimum wage, which raises the general wage level. The current minimum wage has fallen below 40% of the average wage, from a historical high of 54%, reflecting both the general spread of low paying jobs and the loss of union power.[85] Givebacks by unions and attacks on them by businesses increase this trend.

In addition to labor market changes, the rapid change in household composition is the other major factor contributing to the "vanishing middle". According to sociologist Barbara Ehrenreich, the continued low level of women's earnings reflects a social prejudice that male wages support a family—the "family wage"—while women's wages are only supplements.[86] But more and more men (especially young professionals) spend their income on themselves, and not on family support. Although the "family wage" idea continues to retard women's wages, it has been rapidly eroded in reality. Men's wages are still higher on average than women's, but some male wages are increasingly less able to support a family. In 1981, the government's estimate for a "moderate" standard of living for a family of four was $25,400, at a time when the average industrial wage was $13,270. As Schorr points out, "two people working at the average industrial wage just managed a moderate standard of living—if neither got laid off."[87]

The proliferation of two-earner households, especially among white professionals, also contributes to the "vanishing middle." These families often have fewer children to support and delay their childbearing until later years.[88]

82. Thurow, The Disappearance of the Middle Class, N.Y. Times, Feb. 5, 1984, at F3 (Business) col. 1.

83. S. Rose, Social Stratification in the U.S. 11 (1983).

84. Thurow, supra note 82.

85. Kuttner, The Declining Middle, Atlantic Monthly, July 1983, at 70.

86. B. Ehrenreich, The Hearts of Men: American Dreams and the Flight From Commitment 7-11 (1983).

87. Schorr, Family Wage—Gone, N.Y. Times, Dec. 12, 1983, at A27, col. 2.

88. D. Bloom & J. Trussell, What are the Determinants of Delayed Childbearing and Per-

Especially for professional women, such delay means more participation in the labor market in years when salaries and experience grow very rapidly. (Many other two-earner households, especially among non-professionals, require two incomes just to stay abreast of economic change.)

The opposite of two-earner professional households is the dramatic growth in the number of female-headed households, especially among young minority women. Female-headed households are the fastest growing type of household in the country, as young women have children out of wedlock and older divorced women fall into poverty due to their relative lack of earning power and their need to support children after a divorce. Women whose marriages break up, or who have children without a husband present, are often impoverished because of the male/female wage gap. A California study found that in the first year after a divorce, women's standard of living fell 73% while the ex-husband's rose an average of 42%. Only 2% of single parent households are headed by men, and, according to a 1976 study, 40% of ex-husbands pay no child support. Most of the remaining 60% pay less than $2000 per year, and support payments decline sharply after three years.[89] The major route out of poverty for many women is not an improved labor market position, but remarriage; three-fourths of women who divorce before the age of thirty remarry within three years, and "the only substantial source of improvement in family income for female-headed households usually occurs for those who marry."[90]

These household patterns vary by race. Table III.3 shows the median income and percentages of households in poverty for married couples by race, Hispanic origin, and number of earners in the household. For whites, the critical boost out of poverty is usually provided by the husband's earnings. Married white single-earner families headed by husbands are below the poverty level 9% of the time, contrasted with a poverty rate for married white female single earners of 16.4%. For blacks, the comparable figures are 24.4% when husbands are the sole earner and 23.5% when wives play this role. For Hispanics, the families in which only husbands work live in poverty 28.7% of the time. There are so few Hispanic married households where only the wife works that the numbers are statistically unreliable.

manent Childlessness in the United States? (1983) (National Bureau of Economic Research, Working Paper 1140).

89. K. Stallard, B. Ehrenreich & H. Sklar, supra note 3, at 10.

90. D.H. Saks, Distressed Workers in the Eighties 42 (1983).

TABLE III.3[91]
MEDIAN FAMILY INCOME AND POVERTY STATUS FOR MARRIED-COUPLE FAMILIES BY NUMBER OF EARNERS, RACE AND HISPANIC ORIGIN
MARCH 1983

| | White | | Black | | Hispanic | |
|---|---|---|---|---|---|---|
| Number of earners | Median Income | % in Poverty | Median Income | % in Poverty | Median Income | % in Poverty |
| Husbands only | 23,460 | 9.0 | 14,240 | 24.4 | 13,820 | 28.7 |
| Wives only | 16,220 | 16.4 | 12,450 | 23.5 | n.a. | n.a. |
| Two or more | 32,220 | 3.0 | 26,520 | 6.2 | 24,760 | 9.6 |

All groups raise their household income with the addition of a second wage earner. But median income gaps between white and nonwhite families narrow substantially with a second wage earner, emphasizing the fact that white males have a different and higher paying occupational distribution than minority males. In contrast, "[w]ives, whether white, black, or Hispanic, tend to be concentrated in the same occupational groupings," namely, technical, sales, and administrative support jobs "where they earn similar wages."[92]

This is underscored by a comparison of the weekly earnings for husbands and wives who work full-time. White husbands' median weekly earnings in 1982 were $412, compared to $303 for black husbands and $297 for Hispanics. In other words, usual white male weekly earnings were approximately 1.37 times those of minority males. In contrast, median weekly earnings for white working wives were $246, compared to $231 for black wives and $213 for Hispanics, an approximate ratio of only 1.11 between white working wives and minority working wives.[93] Married couples where husbands were the sole earner (29.6% of all married couples) had a median family income of $22,800 in 1981. Dual earner families where husbands earned more than wives (44.5% of married couples) had a median income of $30,112, while families where wives earned more than their husbands (8.2% of married couples) had a median income of $23,547, virtually the same as households where husbands were the sole earners.[94] Despite much attention to women's new role in the labor force, their earning power does not approximate that of men, especially among whites.

The precarious status of women in the labor market is further demonstrated by the labor market position of women who maintain families on their own. In March 1983, there were 9.8 million such families, 16% of all families

91. Hayghe, Married Couples: Work and Income Patterns, Monthly Lab. Rev., Dec. 1983, at 26, 28.
92. Id. at 28.
93. Id.
94. United States Department of Commerce, Bureau of the Census, Wives Who Earn More Than Their Husbands 8, 13 (1983).

in the United States. The number of these women in the labor force doubled between 1970 and 1983. Sixty-one and a half percent of these women have children under eighteen in the house; 23.3% of the households have children under six years of age. Women with children suffer much higher unemployment rates, 17.3% compared to 7.2%, than women who maintain families without children. Among mothers of preschoolers, the unemployment rate rises to 23.2%.[95]

The occupational distribution of these women mirrors the situation of other women in the labor market, and illustrates the occupational and industrial segregation we have been discussing. Although some women, in particular white divorcees, have moved into professional jobs, women's jobs remain low-paying: "most women maintaining families have tended to remain in the generally lower paying or lesser skilled jobs within a broad occupation group."[96] White women tend to become household heads *after* a divorce, while black women are less likely to have married in the first place. So although both groups of women end up in dire economic straits, they get there through different routes.

As with two-earner households, the picture among households headed by women is complicated by race. Black and Hispanic women tend to have lower median earnings than comparable white female household heads, although the earnings of white female household heads are still well below those of white males. In addition, black and Hispanic women tend to have more children at younger ages than white women. Blacks and Hispanics are disproportionately represented among women who maintain families, although approximately 70% of women maintaining families in March of 1983 were non-Hispanic whites—approximately 6 million white women.[97]

Table III.4 shows the major occupational groups of women, who maintain families, and Table III.5 shows their median income in 1982 and the percentage of such households below the official poverty line. Of female-headed households, 36.9% were below the line, compared with 7.6% of all married couple families. Raising children exacerbates the poverty problem. The incidence of poverty rises from 37% with one child present to 85% when four or more children rely on the woman for support. Occupational distributions among single women heads of households vary by race: white women who head households are overconcentrated in technical, clerical, and sales jobs while black women are more often found in service jobs like food service, health care, and cleaning work. Hispanic women are more often in services and in blue-collar production jobs, like machine operating and assembly-line work.[98]

95. Johnson and Waldman, Most Women Who Maintain Families Receive Poor Labor Market Returns, 106 Monthly Lab. Rev., Dec. 1983, at 30, 31.

96. Id. at 31.

97. Id. at 32.

98. Id. at 33.

TABLE III.4[99]
MAJOR OCCUPATIONAL GROUPS OF WOMEN MAINTAINING FAMILIES BY RACE AND HISPANIC ORIGIN, MARCH 1983

| Occupation* | White | Black | Hispanic | Total |
|---|---|---|---|---|
| Managerial and Professional | 21.7% | 14.4% | 12.4% | 19.8% |
| Technical, Sales, Administrative, and Clerical | 44.8% | 29.8% | 36.5% | 41.0% |
| Service | 17.8% | 35.9% | 25.0% | 22.2% |
| Operators, Fabricators, and Laborers | 12.3% | 18.1% | 21.2% | 13.9% |

* Percentages within race and Hispanic origin do not add to 100%, due to small numbers of these women in other occupations.

TABLE III.5[100]
ANNUAL MEDIAN INCOME AND POVERTY STATUS OF WOMEN MAINTAINING FAMILES BY RACE AND HISPANIC ORIGIN, 1982

| | White | Black | Hispanic | Total |
|---|---|---|---|---|
| Annual Median Income, 1982 | $13,145 | $7,489 | $7,611 | — |
| Percentage in poverty | 28.9% | 56.1% | 55.5% | 36.9% |

This variation in occupational distribution among white and nonwhite women is an issue to which we will return when considering future policies. For now, we stress that the problem of the "vanishing middle" is intimately connected with the rapid changes in American household composition. While the incidence of female headed households has risen sharply among all racial groups, white females are especially vulnerable to being knocked into poverty if they lose access to the wages of men. This is less true for nonwhite females, but only because minority men generally earn less than white men.[101] The "vanishing middle" also relates to the economics of service industries,

99. Id. at 32.
100. Id. at 33.
101. Minority men are also absent from families more often than white men for other reasons, including higher mortality and incarceration rates. In 1978, the death rate for black males 25 to 34 years old was 2.48 times that of whites. As many as one out of twenty-two black males is estimated to be in jail or prison on any given day, compared to an incarceration rate of about one out of eight hundred for the entire United States population, male and female. Blumstein, On the Racial Disproportionality of U.S. Prison Populations, 73 J. Crim. L. and Criminology 1259, 1260 (1982). There are statistically significant links between the growth of black female headed households and the lack of eligible black males, due to such factors as mortality and imprisonment. Darity & Myers, Changes in Black Family Structure: Implications for Welfare Dependency, 73 Am. Econ. Rev. 59, May 1983, at 59, 61-73.

which have lower, and more polarized, pay scales than traditional manufacturing. Although the loss of higher paying, unionized blue collar production jobs has disproportionately affected white males, it has also harmed nonwhites; layoffs in the auto industry alone accounted for a 1% drop in the national average income for blacks.[102] If the income distribution of the service sector continues to diverge and the recomposition of households continues unchecked, American society will be increasingly polarized. High paying jobs with possibilities for advancement will be held disproportionately by white male professionals, while low paying, dead-end jobs will be held by white females, nonwhites of both genders, and displaced white manufacturing workers.

## IV
## ANTI-DISCRIMINATION POLICIES AND THE CHANGING ECONOMY

What role has discrimination played in producing the "vanishing middle?" What are the prospects for anti-discrimination policy and increased social equality in this environment, both for traditional efforts like affirmative action and for newer approaches like comparable worth or controls on plant closings and industrial relocations? We will sketch some of the difficulties in achieving these various options, for it seems that traditional policies concentrating solely on access and equality of opportunity will not produce more equal results. This failure of traditional policies creates a burden that policy advocates did not have to bear in earlier years, when it was assumed that improved access, especially to education, would also lead to greater social integration and equality.

Discrimination undoubtedly remains pervasive in American society. A 1982 report of the U.S. Commission on Civil Rights compared white males to blacks, Hispanics, and females on a number of economic indicators.[103] The report found that (1) white males and white females had household incomes below the poverty line less often than any other groups; (2) white males and females were more likely to receive appropriate returns from their educations than any other groups; (3) white males were less often involuntary part-time workers than any other group; (4) white males were in marginal jobs less than half as often as any other group;[104] (5) white males received inequitable pay less frequently than any other group.

The report also examined possible reasons, other than discrimination, for these inequalities. Cyclical economic factors were not to blame, as disparities remained large throughout the business cycle. In fact, during the 1970's, dis-

102. L.A. Times, June 2, 1983.

103. United States Commission on Civil Rights, Unemployment and Underemployment among Blacks, Hispanics, and Women (Nov. 1982).

104. Id. at 55, 4011.

parities tended to remain constant or grow across the business cycle.[105] Job movements were also not a major factor. Although some argue that jobs have moved to Sunbelt states and suburban locations, away from where minorities live, when minority workers in those regions and suburbs are compared with whites, "the disparities remained remarkably constant."[106] Although differences in education, age, training, and work experience played some role in diminished labor market outcomes for minorities and women, "[t]hese differences did not account for the group disparities."[107] When controlling for characteristics such as education, age, and skills, the study found that white males had greater returns than minority males or females with the same characteristics.[108] Even though the report hedged its conclusion by stating that the evidence of persistent disparities did not prove discrimination—"a determination of discrimination requires a knowledge of the behaviors, motivations, and patterns that caused the statistical disparities"[109] —the Commission did state a "suspicion" that discrimination continues to harm blacks, Hispanics, and women.[110]

This caution about inferring discrimination on the basis of systematic disparities between workers of seemingly equal education, skills, and training reflects a problem faced by advocates of anti-discrimination policy. Economists are skeptical about governmental tampering with markets through anti-discrimination efforts because they assume markets to be the most efficient allocators of resources. This consensus is especially strong in microeconomic matters such as hiring and wage setting, although a surprising percentage of economists agreed in a poll that "the distribution of income in the United States should be more equal."[111] Most economists believe that market forces act to erode persistent discrimination. If an employer refuses to hire one subgroup of equally skilled and productive workers, that employer will have to pay higher wages for the remaining workers of the same quality. Hence, another employer seeking a competitive advantage could hire equally skilled workers at a lower wage, and out-compete the biased employer.

But the undeniable persistence, and in some cases growth, of inequality over the past decades has made many economists uneasy with this competitive market approach to discrimination and they have put a great deal of ingenuity into understanding how unequal treatment could exist over time in a competitive market system. For example, Lazear showed that removing initial hiring and wage discrimination between blacks and whites does not equalize lifetime

105. Id. at 55-56.

106. Id. at 56.

107. Id.

108. Id.

109. Id. at 57.

110. Id.

111. Kearl, Pope, Whiting & Winner: A Confusion of Economists, Am. Econ. Rev., May 1979, at 30 (poll in which 40% of those consulted generally agreed, 31% agreed with provisions, and 29% disagreed).

earnings differences, if whites have better access to promotional opportunities and raises over time.[112]

Loury showed that equal opportunity (defined as receiving outcomes based solely on an individual's productive characteristics) will lead to equal outcomes only in the absence of racial segregation among communities and other factors. Such segregation can cause intergenerational inequality through unequal access to schooling and socialization. Residential segregation is therefore partially outside the control of individual black households, as it is the result of housing location and zoning decisions and of higher incomes among white households. In Loury's model, government intervention — not formal equal opportunity and access — will lead over time to more equal outcomes.[113]

### *A. Economic Growth and Social Equity—from Complements to Opponents*

Economists have made a variety of other attempts to understand the persistently unequal returns in the American market economy. Most of these approaches assume that eliminating or reducing discrimination is a desired policy goal. To achieve this end, such analyses assume that discrimination is not functional to the operation of the economy, or at least that discrimination could be reduced or eliminated without threatening the economy's productive base. A showing that discrimination is "suboptimal" would comfort economists even more — that is, a showing that a better state could be achieved for all by reducing or eliminating discrimination.

This view characterized much thinking in the 1960's, where a growing economy was seen to be capable of absorbing and integrating those on the outside. This in turn would lead to more efficient use of resources, higher economic growth, and a better life for all. Robust and consistent economic growth was seen as the key to eliminating discrimination, and reductions in discrimination would in turn boost economic growth. In the 1970's, a period of economic stagnation and confusion, total economic growth was still seen as relatively robust. But increasing social equity was seen as a drag on growth, not as an aid to it. In the words of Arthur Okun, increased equity and economic efficiency were the "big tradeoff."[114]

During the 1970's, conflicts arose over access to job training, government employment, admission to professional schools, union pratices, and the overall distribution of economic benefits. Lester Thurow described the stalemate between economic growth and social claims on the economic pie as a "zero-sum society," where no gains could be made without someone else losing.[115]

112. Lazear, The Narrowing of Black-White Wage Differentials is Illusory, 69 Am. Econ. Rev. 553 (1979).

113. Loury, Is Equal Opportunity Enough?, 71 Am. Econ. Assoc. 122 (1981).

114. A. Okun, Equality and Inefficiency: The Big Tradeoff (1975).

115. L. Thurow, The Zero-Sum Society: Distribution and the Possibilities for Economic Change (1980).

The Reagan administration took this seeming stalemate between economic prosperity and social equity to its extreme by viewing programs for increasing social equity as fatal to economic growth, not merely a drag on it. Although the Reaganites preach vitality and power of the private economy, their public pronouncements tend to see economic growth as so extraordinarily fragile that it must be nurtured through favorable tax policy and insulated from claims for increased social equity. Indeed, one of the principal arguments of supply-side economics was that increased inequality would aid economic growth in the short run (hence the rationale for concentrating tax cuts on upper income taxpayers), with the benefits of such growth presumably accruing to others in the long run.

These views of the relationship between social equity and economic prosperity have parallels in the economy. The harmonious linking of growth and equity during the 1960's came at a period of strong economic growth with low inflation and American dominance in the international economy. As the economy sputtered through the "stagflation" period of the 1970's, equity programs were seen as a drag on growth, and eventually (in the "zero-sum" formulation) political claims on the economy were seen to stalemate growth. In the Reagan years, equity and growth have been described as unequal opponents, with growth the loser.

To counter these ideas, advocates of industrial policy look to European social democracy and claim that an increase in social equity is the *precondition* for sustained economic growth in the changed world economy. In coming years the debate will revolve around these competing views of the relationship between social equity programs and economic growth. Reaganites will claim that pursuit of equity kills growth, while the industrial policy and social democratic proponents will claim that equity causes growth. The arguments are now sharply polarized (again reflecting the real situation of the society and economy). The visions of the 1960's saw economic growth as funding greater equity, which would in turn reinforce growth in an ever-increasing spiral of prosperity and social harmony. We are far from that vision of the 1960's, and there seems little prospect of recreating the old consensus.

### *B. Anti-Discrimination Policies in a Changed Economic Environment*

The legacy of different approaches to the problem of equity and economic efficiency colors different policy approaches for the coming years. Policies such as affirmative action that were premised on non-inflationary economic growth and the compatibility of growth and equality now confront a dramatically changed environment. Similar tensions face labor unions and are exacerbated by the recent rapid loss of union power. Social policies aimed at new economic problems presented by rapid capital mobility are still groping toward an integration of growth with social equity goals for aiding the disadvantaged. In terms of recognizing the social splits among different groups, the most contemporary proposals — comparable worth and pay equity — have yet to confront the challenge of justifying such policies as compatible with overall economic prosperity.

We briefly discuss issues confronting each of these policies in turn. The discussion is in no way meant to be exhaustive, but we hope to show that the broad and continuing changes in the economy and in society hold differing implications for each strategy, depending on the view taken of the relationship between equity and growth.

### 1. *Affirmative Action*

The policy most urged by current economic shifts is affirmative action. The term came into currency with the passage of the Civil Rights Act of 1964, aimed at alleviating discrimination in employment, education, and housing. Nagel draws a useful distinction between "weak" affirmative action—attention to the racial composition of school districts, broad recruitment for job openings, and attention to cultural or gender biases in civil service tests — and "strong" affirmative action, which goes beyond equality of opportunity,[116] to include the sort of preferential admissions that were challenged in the *Bakke*[117] case, and the preferential job advancement that was at issue in the *Weber* case.[118]

Affirmative action thus encompasses two rather distinct policies. The first we have been calling "equal access." These policies assumed that opening up educational and social institutions would help break down artificial discriminatory barriers, leading to greater social equality. The persistence of gender and race differences in social rewards fueled development of the second policy — what Nagel calls "strong" affirmative action — which employs race or gender-specific criteria in evaluating the effects of policies. To oversimplify many complex issues, this involved a move from equality of formal access to greater equality of result.

The philosophical debates around these issues remain intense, more so in a time of economic instability and social change. Many of the defenders and opponents of "strong" affirmative action (there is at least a normative commitment to the "weak" version in most sectors of American society) advance claims about how "strong" policies affect the interests of particular groups and how they influence the larger economy. What is the empirical status of these claims?

Given the controversy about affirmative action, it is surprising to find a relative dearth of empirical literature on its effects. Partially due to data limitations, and partially because economists are reluctant to infer discrimination from patterns of unequal returns, there is a mixed picture in the few empirical studies that exist. As is all too familiar in economics research, competing

116. Nagel, Caste Struggle, The New Republic, Jan. 23, 1984, at 13, 14.
117. Regents of the Univ. of Cal. v. Bakke, 438 U.S. 265 (1978).
118. Weber v. Kaiser Aluminum & Chem. Corp., 563 F.2d 216 (5th Cir. 1977).

claims are often argued solely in terms of technical issues about choice of statistical technique or the validity of inference from statistical results.

There are two questions to address in examining the effects of affirmative action. The first we might call the "microeconomic" effects of affirmative action: did the policy aid the groups that it was intended to aid? On this score, the balance of a rather sparse literature suggests that affirmative action has been successful. Studies of the program coordinated by the Office of Federal Contract Compliance (OFCC) which required government contractors to take steps toward hiring qualified women and minorities in proportion to their numbers in the labor force, indicate that this program had measurable effects for blacks, Hispanics, and women.[119] The size of the OFCC impact is debated by different analysts.[120] More recent research confirms that the compliance program aided the groups it set out to aid,[121] although it is hard to disentangle the separate effects of different enforcement strategies, macroeconomic changes, and increases in the human capital of women and minorities. In a related study, Ichniowski found that negotiated reforms in steel industry hiring under a consent decree increased the employment of blacks in trade and craft unions, although underutilization of blacks in these positions still persists.[122] Although the precise empirical record is spotty and hard to interpret due to methodological differences among researchers, there is a general consensus in the literature that affirmative action works at the micro level.

The second debate, which is more inconclusive, involves the economy-wide effects of both specific affirmative action programs and more general attempts to eliminate discrimination. Brown argues that some of the observed economic progress of blacks relative to whites during the 1970's is linked to programs like OFCC and Title VII enforcement, although he noted that the effects were stronger for advantaged blacks than for others.[123] Ehrenberg and Schwartz, in their review of public sector labor markets, concluded that substantial race and gender inequities exist in the public sector, but that the differentials are generally less than those in the private sector, as a result of affirmative action pressures.[124]

In contrast to these findings are the claims of conservative economists

119. Pear, Study Says Affirmative Action Rule Expands Hiring of Minorities, N.Y. Times, June 19, 1983, at 16, col. 1.

120. Heckman and Wolpin, Does the Contract Compliance Program Work? 29 Indus. & Lab. Rel. Rev. 544 (1976); Flanagan, Actual Versus Potential Impact of Government Antidiscrimination Programs, 29 Indus. & Lab. Rel. Rev. 486 (1976); Goldstein & Smith, The Estimated Impact of the Antidiscrimination Program Aimed at Federal Contractors, 29 Indus. & Lab. Rel. Rev. 523 (1976).

121. G. Squires, Deindustrialization, Industrial Policy, and the Black Community 56-57 (Oct. 1983) (paper prepared for the Joint Center for Political Studies).

122. C. Ichniowski, Have Angels Done More? The Steel Industry Consent Decree, (1981) (National Bureau of Economic Research, Working Paper No. 674).

123. C. Brown, The Federal Attack on Labor Market Discrimination: The Mouse That Roared? (1981) (National Bureau of Economic Research, Working Paper No. 669).

124. R. Ehrenberg & J. Schwartz, Public Sector Labor Markets (1983) (National Bureau of Economic Research, Working Paper No. 1179).

like Thomas Sowell, who claim that affirmative action programs have harmed minorities by making them dependent on the government and by weakening overall economic growth.[125] Sowell and others use as evidence the fact that black economic and social conditions worsened during the periods of increased affirmative action efforts. This casual empiricism is hard to assess. The same facts are used by program advocates to argue that the policies didn't go far enough. But in any case, "strong" affirmative action programs can no longer rely on an automatic association between aid to individuals and groups, and overall economic growth. The opposing case argued by Sowell and others is also not shown; the simultaneous growth of equity programs and spreading economic distress does not automatically mean that programs hindered economic growth. The debate on the relationship between equity programs and economic prosperity will continue in the coming years, and the politics of this debate will significantly affect the future of affirmative action programs.

### 2. *Unions*

The steel industry consent decree points to a second area of conflict in social equity policies—the effects of labor unions. Unions play a dual role. As regulators of labor supplies to firms, they tend to raise wage levels for their memberships but also exclude some groups from access to employment. In their broader social role they act as advocates for policies such as national health care, increased minimum wages, and better working conditions. These two roles sometimes complement each other, but they can also come into opposition.[126]

This is especially true in the current economic environment, where unions have been battered in the change from manufacturing to services. Unionized steel, auto workers, and machinists have been losing employment and benefits at a staggering rate, leading some unions to adopt such defensive strategies as making concessions to employers on wages, work rules, and two-tier wage structures that protect the wages and jobs of current members at the cost of lower wages and benefits for future workers in those industries. In a period of rapid job loss, unions hold on even tighter to principles of seniority, which in practice means that blacks and women will be laid off faster than older white male workers.

Many of these defensive strategies are understandable. The current climate is one of the worst for unions since the 1930's. Less than one-in-five American workers belongs to a union.[127] Some of this loss is due to the rapid sectoral shifts in the economy, and some of it is tied to older unions' disinterest in organizing service sectors where the most job growth is taking place. (Those sectors are often considered to be harder to organize than manufactur-

125. T. Sowell, Markets and Minorities (1981).
126. Kuttner, Can Labor Lead?, The New Republic, March 12, 1984, at 19.
127. Blumenthal, The Passing of the Passe, The New Republic, Jan. 3, 1984, at 12.

ing, a claim that seems to ignore the original difficulties of organizing primary industries during the 1930's.)

But many new problems for unions are tied to the state of labor law. Through increases in anti-union strategies, packing of the NLRB, and the use of bankruptcy laws, employers now hold the stronger hand in legal struggles against unions. As with many of the social trends we have discussed here, this trend precedes the Reagan administration, although their policies have made things even harder for unions. According to a study of union organizing drives and labor law, about ten thousand unfairly discharged employees (mostly in organizing drives) were reinstated by the Carter NLRB, in a year when about two hundred thousand workers voted in organizing drives. Put another way, at least one out of twenty union supporters was being fired in the late 1970's "for exercising rights supposedly guaranteed by federal law a half-century ago."[128] Ellwood and Fine's study of the impact of right-to-work laws on union organizing shows dramatic drops in organizing with the passage of such laws and continuing moderate declines in later years. Their results are "consistent with a 5 to 10% reduction in unionism" as an immediate result of the passage of right-to-work laws.[129]

This reduction in union power is underscored by the inability of labor unions to get labor law reforms passed by a Democratic Congress in 1978. Since that time, labor's position has been further weakened. Union weaknesses are linked to the "vanishing middle" problem. Economists have estimated that unionism accounts for up to 20% higher wages and has a consistently positive effect on fringe benefits.[130]

In this climate, unions are engaging in a series of defensive battles, as well as launching new organizing drives.[131] But the problems for unions (especially the older industrial and craft organizations) raised by anti-discrimination efforts are formidable. Many unions view such efforts as an attack on a central union principle — seniority and job security. Many minorities and women, on the other hand, criticize these unions as if industrial and craft unions still represented a powerful force that could be of substantial assistance in improving the situation of minority and women workers. But industrial and craft unions are now a weakened and defensive movement, and a narrow-gauge attack on union practices by minority and women's advocates seems out of date to us. Unions, for their part, must recognize the historic antipathy felt by many minorities, females, and younger professionals. It is our broad judgment that union membership will play an important role in future efforts to achieve social equity, not so much through the redistribution of current mem-

128. Weiler, Promises to Keep: Securing Worker's Rights to Self-Organization Under the NLRA, 96 Harv. L. Rev. 1769, 1781 (1983).

129. D. Ellwood & G. Fine, The Impact of Right-To-Work Laws on Union Organizing 23 (1983) (National Bureau of Economic Research, Working Paper No. 1116).

130. R. Freeman & J. Medoff, What Do Unions Do? 61-69 (1984).

131. Kuttner, supra note 126, at 19.

bership and benefits, but through organizing in the now unorganized service sector where minorities and women make up much of the work force.

### 3. *Plant Closing Controls, Retraining, and Economic Development Policy*

One arena where unions and their supporters have been active is the issue of plant closing and capital mobility. This is an area which is just being explored in connection with anti-discrimination policy. For years, private firm decisions about plant location have not been tied to anti-discrimination efforts. Neither have government tax policies designed to create jobs. A 1982 report of the Wisconsin Advisory Committee to the U.S. Commission on Civil Rights found that, although discrimination was supposedly prohibited in projects receiving aid from tax-free industrial revenue bonds (IRBs), minorities and women did not receive a proportionate share of jobs in firms that received this tax aid.[132] In fact, 25% of the firms studied had reasonable cause notices of race or sex discrimination filed against them.

Firms currently use the threat of plant relocation or closing as a bargaining tool with their workers. In a recent example, employees of the Illinois Coil Spring Company, members of the United Auto Workers, gave a series of wage concessions to their employer, who claimed that the concessions were necessary to continue business. The firm then transferred production to another plant during the life of the collective bargaining agreement. The current NLRB, mostly Reagan appointees, held in favor of the company, reversing a decision made under the Carter administration.[133] Many states encourage such behavior by offering tax breaks to firms who expand or relocate in their states in order to create a favorable business climate. Although most empirical research suggests that such tax strategies are not generally effective for creating jobs, much less for improving the employment prospects of the disadvantaged,[134] states continue these policies.

Little has been done to link anti-discrimination policy to plant closing legislation or to state and local development incentives, although these ideas were explored during the 1970's.[135] In light of growing federal budget deficits and general antagonism to expanded federal economic efforts, state and local policies will become more important avenues for the future. One interesting approach is suggested by the "first source" agreement, where private developers receiving tax breaks or public aid pledge to use referrals from public em-

132. Lest people think that IRBs are an esoteric issue, researchers at the Urban Institute estimated that new issues of IRBs amounted to $19.3 billion in 1981, although IRBs are generally not thought to be cost-effective forms of job development. Ledebur & Rassmussen, Let's Try a Federalist Industrial Policy, Challenge, Nov.- Dec. 1983, at 58.

133. Shipp, Union Local Is Warned About Moving of Jobs, N.Y. Times, Feb. 10, 1984, at A 12 col. 2.

134. McGahey, Whatever Happened to Enterprise Zones, N.Y. Affairs, 45 (1983) (Vol. No. 4).

135. G. Squires, supra note 121, at 58.

ployment agencies as a "first source" of new hires.[136] The idea of public agencies bargaining with developers in exchange for concessions to social policy, such as employing the disadvantaged, needs to be explored. States and localities may also be easier to pressure politically, although this cuts both ways—it is also easier for business interests to generate pressure on state and local governments with threats to close or move plants and offices.

Another important arena of public policy is employment and training programs, although these have shrunk dramatically in the past several years. Unions and others have paid attention recently to "dislocated workers"—those workers who have lost their jobs due to rapid sectoral economic shifts and are unlikely to find employment in these industries again. Although the typical image of such a worker is an older white unionized male, many dislocated workers, especially in cities, are minority.[137] The new federal Job Training Partnership Act, the omnibus replacement for CETA, contains a separate title for retraining dislocated workers. While there are many problems with these programs (both their small size and the problem of what jobs will be available in the future), some states are experimenting with using this funding as part of a more aggressive, community-based economic development strategy. Those interested in anti-discrimination policy should pay attention to these efforts, not only to be sure that resources are not diverted from the disadvantaged, but also because such efforts may provide advances during the coming years.[138]

*4. Pay Equity and Comparable Worth*

Another important policy area for unions and state and local governments (often advanced through litigation) is the area of low and inequitable pay for women, or comparable worth. There are at least three definitions of this term. The most similar to traditional ideas of discrimination are cases where women and men do the same job, but the jobs are given different titles and the women are paid less. For example, in a recent comparable worth case in Washington State, female liquor store clerks were found to be paid 20% less than male liquor store clerks.

A second broader definition relates to the occupational segregation of women. Claiming that the crowding of women into a small number of occupations reduces their earnings, comparable worth strategists want to adjust wages for those crowding effects and assert that if women had access to a full range of jobs offered by an employer, their wages in selected occupations would not be depressed. Rather than integrate existing jobs, comparable worth advocates want to classify and compare all jobs offered by a single em-

136. C. Van Horn, D. Ford, and R. Beauregard, A Final Report on the Targeted Jobs Demonstration Program (1983).

137. McGahey, Industrial Policy: Minority Economic Interest and American Political Response, 13 The Review of Black Political Economy 81, 84 (1984).

138. H. Stanback, Economic Policy for Endemic Poverty (Dec. 1983) (paper presented at the National Economic Association meeting, San Francisco (cited by permission)).

ployer, and reduce pay differentials accordingly. The advocates of this strategy claim that it is possible to compare different occupations by "objective" measures and thereby ascertain the true value of the job.

This issue overlaps the third and broadest sense of comparable worth—the comparison of jobs throughout the economy.[139] The benchmark in most comparable worth studies is almost always male wages. This approach allows comparisons of clerk stenographers with laborers such as those in a Minnesota study which found that both jobs were roughly comparable in demands, but that clerk stenographers (99.7% of whom were women) earned monthly wages about 77% of those of laborers (all of whom were men).[140] There is no empirical reason that such comparisons cannot be done between jobs in different firms and industries.

The first version of comparable worth—equal pay for the same but mislabeled jobs—fits with traditional anti-discrimination notions of fair play. The second version—compensation for crowding effects within a single enterprise or occupation—was previously dealt with by demands that women be integrated into male-dominated occupational ladders with higher pay, such as construction crafts, professional/executive positions, or coal mining. But the very limited gains from those integrative policies have fueled the desire to equate different jobs and to raise women's pay to that of men's without integrating occupational categories. Comparable worth as a strategy rejects previous attempts to integrate higher paying, male-dominated occupations. The trend has been from a demand for female access to higher paying male jobs to a demand that females remaining in traditional occupations receive pay comparable to that of men, both within a single enterprise and across the economy.

In the third version, comparable worth is potentially an economy-wide strategy that goes to the heart of the social equity issue. Many advocates of comparable worth are well aware of the demographic changes in households, and they feel that women can no longer rely on access to higher male wages for their own income security or that of their children. Comparable worth offers a number of advantages to union organizers who are trying to organize low-paid female dominated occupations, and unions are also in a good position to implement strategies such as comparable worth through collective bargaining procedures.[141]

But there is an intellectual conundrum at the heart of the comparable worth strategy. Economists since Adam Smith have tried to figure out why different jobs are paid different wages. Through the late nineteenth century, theories concentrated on the labor theory of value, which tried to understand

139. R. Johannesson, D. Pierson & K. Koziara, Comparable Worth: The Measurement Dilemma (Dec. 1982) (paper presented at the Annual Meeting of the Industrial Relations Research Association, N.Y.).

140. T. Lewin, A New Push to Raise Women's Pay, N.Y. Times, Jan. 3, 1984, Sec. 3.

141. Service Employees International Union, Pay Equity Issues (1982) (paper prepared for the University of Connecticut's Summer Institute for Union Women).

wages as compensation for intensity of effort and difficulty of work, with some multiplier for skilled labor. Theorists as diverse as Adam Smith, John Stuart Mill, and Karl Marx wrestled with the problem of wage differentials in this framework. In the late nineteenth century, for both intellectual and political reasons, the labor theory of value fell into disarray, to be gradually replaced by the so-called marginalist theory of wages. This theory tied wages to the demand of consumers for the output of any particular firm. In this theory, there were no fixed objective rewards for quantities of effort or skills. Wages were determined by the conditions of the market.

Modified by human capital approaches that explain varying returns to varying skills, this theory is generally accepted today as a market determination of wages and is often used to challenge advocates of comparable worth. Those advocates in turn point to the fact that many wages are not determined in a free play of market forces, claiming that the supply and demand theory of wage determination is outmoded. (One contradictory aspect of comparable worth, however, is its attempt to legislate what supply and demand theory claims the market does naturally, reward equal skills and education equally.) While we do not claim an ability to settle a problem that has vexed labor economists for over two hundred years, we do want to note that so-called "objective" measures of work tasks do not really answer the problem of how wage differentials occur. Or at the very least, they do so only by abstracting from demand conditions in the economy.

One solution for this has been to contain comparable worth studies within a single enterprise (one firm or a state government) as these employers often have used some sort of job classification scheme that helps rank their pay and benefit scales. Indeed, many of the tools now used by comparable worth advocates were originally developed by managers trying to rationalize and control their internal labor market practices.[142] We do not see any reason in principle why job evaluation schemes based on supposedly objective measures of skills, responsibilities, and physical and mental effort cannot be compared across the economy in diverse firms and enterprises. Many such schemes, although problematic, are already in use by state job planners, such as the Dictionary of Occupational Titles.[143] We suspect that some of the advocates of comparable worth fully realize this possibility of an economy-wide policy.

In any case, the theoretical problems have not delayed rapid pursuit of comparable worth policies. Unions seem best positioned to pursue such strategies, since the question of how to justify comparison schemes can be dealt with in collective bargaining. (As one union organizer told us, "once you've established it as an issue, you can bargain over anything.") Further, compara-

142. D. Jaussaud, Can Job Evaluation Systems Help Determine the Comparable Worth of Male-Female Occupations? (Dec. 1983) (paper presented read at the American Economics Association meeting, San Francisco).

143. National Research Council, Work, Jobs and Occupations: A Critical Review of the Dictionary of Occupational Titles (1980).

ble worth approaches that focus on equalizing payments for equal skills and education have a strong normative appeal to many Americans.[144]

A compatible social strategy for comparable worth advocates might be the European approach of solidarity wages, where lower paid workers have their wages raised at an accelerated rate, thereby closing the wage gap without harming higher paid workers. Some such policy will be needed. A comparable worth strategy that merely foresees taking wages and benefits away from higher paid workers may lead to intense social conflict and will limit the gains that such a strategy can achieve. Comparable worth is also sure to be attacked on the grounds that it increases economic inefficiency, precisely because it rejects the market-based model of wage determination. Comparable worth is the most potentially far-reaching policy for advancing social equity in the coming years. Its success will depend on how the gains are financed. Static zero-sum schemes where increased earnings for some are taken from other hard-pressed groups should be avoided. Defensible claims must be made that the strategy at worst does not retard economic growth, and at best fosters and accelerates it.

## V
## Growth, Equity, and Anti-Discrimination Policy in the Future

By concentrating on the rapid changes in the American economy and society, we have tried to suggest that different approaches to the problems of discrimination and equality must achieve a new perspective on a volatile situation. In particular, we have stressed the changing debate concerning equity policies and overall economic prosperity. This currently one-sided debate is dominated by claims that increases in social equity come at the expense of economic growth and efficiency. This was the view of many liberals during the 1970's, although they felt that growth could be sustained sufficiently to finance equity programs. But the policies of the Reagan administration and the increase in international economic competition have transformed this notion into a claim that equity policies destroy economic growth.

To some extent, this new position reflects the real situation in the world economy. No one country or economic theory has a clear and convincing vision of how to restore long-term economic growth, especially of a non-inflationary character. In any case, growth *per se* provides no guarantee that social inequality will be reduced. The strongest case that might be argued against the Reagan approach is the claim that social equity must *precede* and be a principal *cause* of future economic growth, not merely an afterthought or deduction. This is the case put forward by some of the thinkers who endorse an American "industrial policy." They point to the European social democracies, which during the 1970's, experienced greater economic growth than the

144. R. Steinberg, A Want of Harmony: Perspectives on Wage Discrimination and Comparable Worth, Comparable Worth and Wage Discrimination (H. Remick ed. 1984).

United States while maintaining higher levels of equity programs.[145] However, these European models have become clouded during the recent worldwide slump and social welfare cutbacks.[146]

Although it is fashionable to discuss the rollback of the welfare state, the future debate must revolve around what kind of government involvement we will have in the economy, not whether we will have it. The rhetorical posturing of the Reagan administration aside, there is likely to be a continuation of the historical trajectory of the last fifty years—an expansion of government involvement in the economy. Consider that in the Carter administration's last year, federal spending was 21% of gross national product; under Reagan in 1983, it rose to 23% of GNP. The Reagan administration's "industrial policy" is one increasingly dominated by military spending and selective cuts in domestic programs. Seventy percent of the four-year increase in federal research and development expenditures is going to the military, with distressing implications for the structure of new technologies and higher education. Fiscal year 1985 military spending requested by the Reagan administration would increase 13% in real terms. Despite a rhetorical commitment to free trade, the Reagan administration has instituted more bilateral trade agreements than any previous presidency.[147] The budget deficit for 1983 and the one forecast by the administration for 1984 (a forecast almost everyone else feels is artificially low) would average 5.4% of GNP, higher than federal deficits at the height of the Great Depression.[148]

The cuts in domestic programs have been very selective. Safety-net expenditures in real dollars have been rising 4.1% between 1981 and 1984, while income-tested benefits (like food stamps and AFDC) fell by 11% and grants-in-aid to state and local governments fell by 37%.[149] The combined effects of the Reagan program have steered more wealth to the upper portions of the income distribution, and toward the south and southwest regionally.[150]

Overall disposable family income for 1984 is projected to be 2% less than its 1979 peak, with a significant growth in inequality. The poorest 20% of families will have lost an average of 9.4% of their incomes, while incomes among the richest 20% will have fallen only 0.5%. Much of this change is due to cuts in social programs and the Reagan revisions of the tax structure.[151] A political paradox confronts advocates of social equity policy. Although Americans voice greater support for social equality than they do for programs that smack of economic planning, such as government-owned industries or

145. I. Magaziner & R. Reich, Minding America's Business: The Decline and Rise of the American Economy (1982).

146. Kuttner, Trials of Two Welfare States, Atlantic Monthly, Nov. 1983, at 14.

147. Reich, An Industrial Policy of the Right, 73 The Public Interest 3, 15 (Fall 1983).

148. Silk, Growing Budget Deficits, N.Y. Times, March 5, 1984, at 1, col. 3.

149. J. Pechman, Setting National Priorities: The 1982 Budget 13 (J. Pechman ed. 1982).

150. N. Glickman, Economic Policy and the Cities: In Search of Reagan's *Real* Urban Policy (paper presented at the Regional Science Association meeting, Chicago).

151. F. Levy & R. Michel, The Way We'll Be in 1984: Recent Changes in the Level and Distribution of Disposable Income 33-46 (Nov. 1983) (Urban Institute discussion paper).

planned foreign trade policy, policies aimed at industrial planning may have better legislative prospect than policies aimed at improving social equity.[152]

The other political problem facing anti-discrimination policies is that Americans are very strongly opposed to race or ethnic-specific policies of distribution. One of the hoped for results of the civil rights victories of the 1960's is that most Americans now condemn all race-based policies. One of the unanticipated consequences is that Americans feel that most barriers to mobility have been eliminated in American society.[153] Although racial discrimination differs from a policy based on ethnic rewards, many Americans tend to lump the two together, and then feel that government actions based on race are as inappropriate as actions based on ethnicity.[154] Those who want to develop race conscious anti-discrimination policies in the future are fighting strong and deep currents in American political culture.

Thus two major barriers face new attempts to develop anti-discrimination policies. First, there is a reluctance to create policies that seem like centralized planning or income redistribution. And second, there is a strong reservoir of American opinion against policies that reward any group on the basis of race or other factors. (One asset drawn from this reservoir is comparable worth's attractiveness to women who see men paid higher wages for no reason except that they are men.)

But a larger issue seems critical to us for advocates of future equity policies: there is no clearly articulated or plausible vision that links increased social equity to long-term economic prosperity. Some embryonic attempts to develop such economic policies include the "wage-led growth" program of Bowles, Gordon, and Weisskopf;[155] and the industrial policy visions of Reich.[156] This argument will grow in coming years. We mention it here to reemphasize the overarching problem of the relationship between social equity and economic prosperity when considering any single anti-discrimination effort.

The lack of a convincing growth/equity framework creates problems for advocates of any single equity strategy. The current dynamics of the American economy and society are such that no easy equation can be made between the employment difficulties of older black males, minority teens, white working women in declining industries, white women professionals, and older white male unionized production workers — other than that they are all suffering. Without a more comprehensive vision that unites our understanding of these disparate forms of suffering, and makes a convincing case tying

152. In one study, more Americans (13 percent) endorsed an "end to capitalism" as a cure for unemployment than advocated placing an upper limit on income. K. Scholzman & S. Verba, Injury to Insult: Unemployment, Class and Political Response 213 (1979).

153. R. Coleman & L. Rainwater, Social Standing in America 295 (1978).

154. McGahey, supra note 137.

155. S. Bowles, D.M. Gordon, and T. Weisskopf, Beyond the Waste Land: A Democratic Alternative to Economic Decline 280 (1983).

156. Reich, supra note 147.

growth to equity, anti-discrimination policies will necessarily remain on the defensive.

## CONCLUSION

### *Tensions in Current Policy and the Truncation of Public Policy Debate*

Economics is often termed the "dismal science." While we are doubtful about its being a science, we do feel rather dismal in this article. The economic environment is changing rapidly in ways that are undercutting traditional anti-discrimination policies and political coalitions supporting those policies. Although short-term economic growth has been restored, there is little confidence among most economists that the economy can get onto a long-term, non-inflationary growth path. And even in times of previous economic growth (for instance, the 1960's) economic inequality among minorities and women remained pronounced. It is all too possible to project a future scenario of increasing productivity and higher cyclical economic growth combined with increasing social and economic inequality.

Precisely because the current national and global economic environment is in such rapid flux, policies based on old definitions of problems may not be germane to the future. We have speculated that a major political clash may emerge over the relationship between economic growth and social equity. Some will argue that equity will cripple or destroy economic growth, and others, such as the proponents of industrial policy or those who adopt models from European social democracy, argue that increased equity is necessary for social peace and may well be the factor that will drive economic growth.

This argument provides a useful framework for assessing future anti-discrimination strategies. Policies that ignore the relationship to economic growth or that attempt to redistribute portions of a fixed or shrinking pie will have an uphill and probably unsuccessful struggle in the United States. Americans are averse to direct redistribution of income even when it does not appear to harm overall economic well being. The question of whether it is possible in our fractured economy and society to devise and enact specific equity policies that also enhance broader political coalitions for social equity will be played out in the future. As this article indicates, we do not feel that the economic and social problems faced by race and gender groups are necessarily the same, and thus they cannot be met by any single policy strategy.

One example will illustrate the tensions between various policies. In 1981, the San Jose, California, municipal government settled an employees' strike, and included a provision in the agreement that would raise the pay of "undervalued" female-dominated jobs on the basis of a comparable worth study. Other United States mayors reacted negatively to this settlement. One mayor stated that:

> [A]ny time a city gets hung up on an abstract study that makes

> arbitrary comparisons of jobs but does not take into account the impact on society and its ability to pay, that's dealing in potential anarchy and inviting bankruptcy and the collapse of local government. . . . I wouldn't want to put the fiscal status of the city or the labor scales of the city up for judgment on the basis of some damn study . . . . If a painter makes more than a secretary, then let more women be painters. Equal opportunity and affirmative action is how you do that.[157]

This rejection of comparable worth in favor of "equal opportunity and affirmative action" was expressed by Coleman Young, the mayor of Detroit and a leading black political figure. Although black politicians and advocates of comparable worth are not fated to be enemies, neither group can overlook the very real tensions generated by differing approaches to anti-discrimination efforts.

It is also vital to stress how the climate of discussion has shifted in the past ten years, with advocates of social equity programs being shut out of mainstream debate. Two examples show this shift. The Houston conference on women's issues in 1977, sponsored in part by the Carter administration, involved a variety of groups connected to mainstream politics and called for what amounted to be a European social democratic agenda. It is hard to imagine a similar set of policy recommendations from either national party in coming years.

Another example is a bill introduced in the United States Senate by Walter Mondale in 1974. Entitled the National Economic Protecion Act, it would have instituted a fairly strong federal plant closing policy, again modeled on European social democratic strategies. Workers would receive prior notice of plant closings, be paid for relocation or retraining, and receive extended health benefits and so on. If employers violated the Act, they could lose tax and depreciation benefits accruing from the closing, and be fined for the increased costs of lost wages and unemployment benefits. Although such legislation continues to be introduced in Congress, chances of passage seem increasingly remote.

These two examples underscore the current dominance of a conservative vision that sees social equity as harmful to future economic prosperity. Without a convincing overall counter argument, specific equity policies will be on the defensive, and these individual policies will have only limited success until the general political debate begins to turn. We hope that conferences such as this can stimulate cross-fertilization of different policy strategies to reinvigorate attempts to deal with the broader problems of economic change and social inequality.

157. Bunzel, To Each According to Her Worth, 67 The Public Interest 77, 84 (Spring 1982).

# RESPONSE

LUCY GORHAM*: I'd like to compliment both John Jeffries and Rick McGahey on an excellent article. Not only have they clearly outlined the major issues involved in the effects of economic change on anti-discrimination policy, but they have hit on the crucial issue: we need to link equity with a strategy for economic growth.

My comments aren't so much a response to the specifics of the article as they are an attempt to develop realistic policy approaches. I would also like to discuss one recent development which provides an important opportunity to tie these ideas together and move forward: the issue of programs for dislocated workers.

Rick and John talked about the transition of the economy from manufacturing to services, which has been a key factor in shaping the quality and quantity of available jobs. It is important to understand that the huge growth of services, especially business services, is integrally tied to what is happening to manufacturing. In response to a slowdown in the growth of international markets and a decline in the rate of profit, corporations both here and abroad have searched for new ways to keep profits up. The net decline in the rate of profit over the past decade is an empirical fact acknowledged by economists of all stripes.

One major strategy has been the suburbanization of industry. First within the United States, industry moved from central cities to the suburbs, and now internationally it is moving from developed countries to offshore locations. While this is an oversimplification of the complexity of this process, in general this decentralization of manufacturing has created the need for a vastly expanded system of communications, information, finance, insurance, and transportation services.

The impact on cities has not been uniform. Some cities, such as New York, Boston, and Los Angeles, have made a relatively successful transition to a service base. But as John and Rick point out in their article, these cities are also experiencing a polarization of the labor market into low-wage and high-wage jobs, with relatively fewer jobs in the middle, and with women and minorities concentrated at the bottom. At the other extreme are cities such as Buffalo and Youngstown, which are struggling to stay afloat as their manufacturing base declines. In the middle are cities such as San Jose, which are still sites of manufacturing and, to a lesser extent, business service centers.

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Less easy to characterize is the effect of these changes on rural economies where poverty is also concentrated. Thus, in planning a strategy for tying economic development to affirmative action, it is important to understand changes in specific local economies and their implications for the present and future shape of urban labor markets. Knowledge of local economies is also fundamental in determining who is getting what jobs and what are the possibilities for developing new industries and a more innovative economic development strategy. An understanding of the dynamics of local economies is necessary to developing more good jobs, an essential component for any plan for economic equality. Finally, it is important because the loss of manufacturing jobs and the increase in low-wage, dead-end service jobs are products of the same process. Dislocated workers and workers seeking better employment opportunities have a mutual interest in finding approaches which seek not to stop economic transformation but to control its speed and direction to maximize its positive effects.

One danger is that many proposals to address the problem of dislocated workers may create a two tier system in which dislocated workers receive income maintenance, relocation assistance, and specialized job training and counseling, whereas disadvantaged workers are again left on the outside. Why are dislocated workers receiving so much attention? There are several reasons, which unfortunately do not include the fact that many of these workers are women and minorities. The first is that union collective bargaining contracts have enabled these workers to push through reforms such as plant closing legislation. Also, organized labor has made this issue a major focus of its lobbying. Another reason is that the public in general, and the media in particular, have been sympathetic to the idea that workers have a right to demand consideration from their employers while, as John and Rick have pointed out, they have less sympathy for anti-discrimination programs which they feel they may be paying for themselves. Finally, the majority of people can see themselves in the position of a dislocated worker more easily than in that of a disadvantaged worker.

The broader issue of whether the economy is providing adequate employment opportunities has thus been raised in a compelling way. The problem of dislocated workers has again emphasized the need to transform the employment security system and to tie it to local economic development efforts. We should view this as an opportunity to raise the larger issue of economic opportunity and job quality and to develop a common agenda with labor on this issue, as well as on other issues such as (1) labor law reform, which is an important factor in our ability to upgrade low wage jobs; (2) the use of new technology to upgrade jobs; and (3) controlling capital mobility. If we can place affirmative action in the broader context of economic justice for all members of society, then I believe there is reason to hope.

# RESPONSE: PRIVATE INVESTMENT AS AN EQUITY ISSUE

GREGORY D. SQUIRES*

In recent years we have been hit with a barrage of economic development policies. We have had supply side policies, monetarist policies, and many industrial policies — most of which argue that we have to somehow generate economic growth, and that the only way we are going to generate economic growth is by offering financial incentives to private entrepreneurs. It is assumed that issues of equity cannot be resolved until somehow we can get the private economy moving again. The most important message we are getting in the article presented today by John Jeffries and Richard McGahey is that we simply have to get to the point where equity issues deserve equal billing with growth in our economic policy debates.

Future discrimination policy must be cognizant of changes in the socioeconomic structure of the American economy, as Jeffries and McGahey suggest, but there is a critical change that the authors address only tangentially at best: increasing capital mobility and the related social costs that accompany it. We must keep in mind that a decision to close a plant, to remove a plant, to relocate or open up a new plant, is fundamentally an investment decision. Equity advocates have to begin to look at private investment decisions as the focus of the debate.

An issue related to private investment decisions is the question of the extent to which we will permit economic policy to be dictated by market forces. Lester Thurow argued that investment decisions are too important to be left to the private market alone, and I agree. The dominant ideology in this country tells us that anything that the market provides for is efficient. Unfortunately, we never go beyond that to ask what it is that the private market produces efficiently, in whose interest it is producing, who is paying the costs, and who is making the decision.

Thomas Bender argued in a recent issue of the unfortunately now defunct *Democracy* magazine that conventional political wisdom tells us we must accept the consequences of market forces, regardless of the human costs. In other words, Bender says that we have by definition removed equity from public policy decision-making. We have removed equity from the political process by considering it legitimate to look only at the consequences of market decisions. We are not supposed to look at market-based decision themselves. Maybe we will look at the consequences and come up with an unemployment

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compensation system or some other kind of band-aid, but it is simply impractical for us to try to intervene directly in the market process. Bender is correct when he says that this is a classic example of what C. Wright Mills called "crackpot realism."

So if dealing with equity demands interfering with market forces, which I claim it does, it is a given that we have to address market-based investment decisions if we are to address equity issues. Randy Barber, who is a consultant for labor unions on pension issues, has argued that if labor is to effectively promote the economic power of workers, it must become directly involved in an area which has always been defined as a management or corporate prerogative: the process of making investment decisions. Otherwise, companies will be able to undermine any gains workers make by simply moving away or replacing them. Jeffries and McGahey argue that in American society equity policies that do not contain proposals for growth or that look at redistribution in terms of race or sex are going to encounter heavy ideological backlash, that these kinds of policies simply are not going to be accepted. One could argue that challenging private investment practices and management prerogatives is going to run into even stronger barriers than the authors had in mind.

While that may be true, there are some important successful precedents in our recent history for confronting market forces and intervening directly in what have traditionally been considered management prerogatives. There could be no more explicit intervention in the private marketplace than the Wagner Act of the thirties, in which we simply said unions have a right to exist. In the sixties, we passed civil rights legislation which said that there are certain kinds of decisions that private management can no longer make. In the seventies, we had a host of environmental and occupational safety legislation which stripped away a few more of the prerogatives that management had long seen as its own private domain. In the future, investment decisions themselves must be subject to the same kind of public scrutiny, and in some cases perhaps even regulation.

Jeffries and McGahey argue that comparable worth is potentially the most far-reaching policy for advancing social equity in coming years. If this is true, it is precisely because the comparable worth advocates are saying that we do not really care what the market says, that there are more important criteria to use in deciding what people should be paid for their labors.

Yet, if new approaches to equity are necessitated by the changing socioeconomic structure of American society, it remains critical for us to understand how close we are coming to losing some of the traditional tools that we have long had to fight discrimination. We are losing them for reasons that have nothing to do with changing socioeconomic structures but have far more to do with the prevailing political climate.

For example, the Labor Department is considering regulations that would place far fewer equal opportunity requirements on government contractors. The Justice Department has intervened against voluntary affirmative action plans in the Detroit and New Orleans Police Departments and has intervened against voluntary school desegregation plans in St. Louis and Seattle. The Administration has endorsed tax exemptions for discriminatory private schools, and it has endorsed a very narrow interpretation of Title IX. The Justice Department's failure to argue for a broader interpretation of Title IX may have contributed to the decision we got in the *Grove City*[1] case.

We have seen the budgets and the staffs of most civil rights agencies cut dramatically. We have seen a Justice Department that has refused to utilize the effects test in fair housing cases.

Jeffries and McGahey have pointed to a U.S. Commission on Civil Rights report called Unemployment and Underemployment Among Blacks, Hispanics and Women. In it, the Commission was hesitant to assume discrimination from statistical disparities. The reasons Jeffries and McGahey suggested for this was economists' skepticism of government interference in the marketplace.

In fact, the Commission's reluctance to conclude discrimination from statistical disparities was 99% because of its fear of additional pressure from Congress. Every time that the Commission does find disparities, somebody in Congress accuses it of incorrectly assuming that they are due to discrimination. It is this kind of political pressure that the Commission was responding to in its overly cautious statements regarding discrimination. So there are some traditional tools which have been used successfully in the past, and which we are in danger of losing that have nothing to do with the changing economy of the American society.

But Jeffries and McGahey are correct in saying that we need new tools that take cognizance of some of the economic changes that have occurred. I fully endorse their notion that anti-discrimination policies ought to be tied to plant closing regulations. There have been a few cases in which minorities were adversely affected by a company's relocation of work, and the employees were able to successfully litigate and obtain at least some relief to compensate for these discriminatory actions.

It is important to relate anti-discrimination policies to current economic development policies. Jeffries and McGahey suggest, for example, that when a city, state or federal government issues a tax break or some kind of financial assistance, the program should include specific affirmative action guarantees. There is no reason to provide public financial support for private economic development without assurances that the intended economic development will result or the subsidy will be returned. One of the advantages that equity advocates have today is that the so-called growth policies have not generated the economic growth that was intended, despite the range of tax cuts and other financial incentives offered in recent years. Instead of jobs and economic development, we have gotten merger mania and golden parachutes.

1. Grove City College v. Bell, 104 S. Ct. 1211 (1984).

The question is how long this growth ideology will hold sway over not only the Reagan administration but also significant portions of the American public. There is some reason to believe that it may not last for very long. Let me offer one anecdote as evidence. Concern has been expressed in recent years over the fact that declining economic opportunities for blacks has resulted in an increasing and disproportionate share of blacks joining the so-called volunteer army. In response to this concern, the current Administration recently said in a budget statement that "the fact that many blacks volunteer is a tribute to their patriotism." I won't for a moment argue that blacks don't have the same level of patriotism as anybody else. I think it is true, even though they probably have less to be patriotic about. But if this is the best that the growth advocates can offer in response to one of the social consequences of their policies, they are grasping at straws.

I do share Jeffries and McGahey's hope, though possibly not their optimism, that advocates of equity issues will no longer continue to be shut out of the mainstream of economic debate.

# RESPONSE: EQUITY, GROWTH AND TECHNOLOGY: THE HISTORICAL EXAMPLE OF WOMEN'S WORK

AMY DRU STANLEY*

This article will draw on, but recast, the terms of debate over socioeconomic change and anti-discrimination policy formulated by John Jeffries and Richard McGahey. By emphasizing somewhat different lines of inquiry, I will develop an alternative perspective on the crisis of job and income distribution. In particular, I will consider the technological dimension of the changing economy. How does technology affect the crucial issue we are examining: the relationship between social "equity" and economic "growth"? How has U.S. firms' use of high-tech resources, such as microelectronics, satellite communications, and automated factory and office equipment, contributed to gender and racial discrimination in the workplace? Since I am not a technologist, or a lawyer, economist or policy maker, but a historian, I will address these questions by looking at the past as well as the present. Historically, the problem of technological change—that is, the impact of technology on the nature and organization of work—has shown that the relationship between equity and prosperity hinges principally on the dynamics of growth and the nature of the labor process.

Jeffries and McGahey, however, direct our attention to a different set of concerns: the interrelation of social stratification, occupational segmentation and household recomposition. According to this analytical framework, the causes of social and economic polarization—the problem of the "vanishing middle"—are twofold: first, the concentration of women and minorities in low-wage, low-skill, and dead-end jobs; second, the collapse of the family-wage system and the increasing prevalence of female-headed households. The authors attribute intensifying labor market dualism to three economic factors, all of relatively recent origin: the expansion of high-tech; the decline of government employment; and, what they deem the primary factor, the transformation of the economy from manufacturing to services.

This analysis suggests that it is not "overt discrimination" but structural change—principally the dual process of sectoral shift and household recomposition—that accounts for the gaping job and income polarities which render traditional anti-discrimination policy obsolete. Jeffries and McGahey establish convincingly that in an era of widening class dualism along lines of gender

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and race, the challenge for anti-discrimination programs is not simply to guarantee equal access to the labor market, but to counter that dualism directly. Their article demonstrates the inefficacy of anti-discrimination strategies based on theories of equal opportunity, human capital and free market competition.

Such a line of reasoning and the programs they adumbrate point unquestionably to the need for government intervention in the economy. Yet the conclusion must be stated even more explicitly: today, anti-discrimination policy entails regulating the market; otherwise, economic growth guided by the free play of market forces will end in the impoverishment of growing sectors of the population. This idea is implicit in the linking of anti-discrimination to such policies as comparable worth, plant closing controls, labor law reform, retraining and economic development. The trick, according to Jeffries and McGahey, is to package this plan so as to make it palatable, to create a growth/equity framework so compelling that it can justify in the name of "growth," state intervention in the interest of "equity."

The first question that arises from this argument has to do with its language, the idiom of contemporary debate over political economy and social life as articulated in the media and in academic journals. Terms such as "growth" and "equity" must be dissected to discover the relationships and processes they becloud as well as the values and assumptions they leave unstated. What does "growth" signify? Does it imply a "trickle-down" theory of wealth distribution? Is U.S. global supremacy a necessary correlate—the presumption that political and even military intervention are mandated by economic penetration of other nations? What is the connection between "growth" and work, wages, profit, productivity and exploitation? The meaning of "equity" is no less abstract, its social and political premises equally obscure. How is "equity" measured? Is it consonant with the elements of "growth": capital accumulation, higher productivity, and international competition for new markets and cheap labor? Is the essential concern equity before the law; equitable labor markets; equity in the material world of goods and income; or equity in the more impalpable realm of status, power, and autonomy? Having noted the problematic evasions and ambiguities in these terms, I will nonetheless adopt the language in which the argument has been cast, for to elaborate a more precise language or to resolve the conceptual questions raised by these terms is beyond the scope of this article.

Jeffries and McGahey's analysis is least persuasive where it assumes that recent sectoral and household shifts are at the root of job and income dualism. This is not simply an academic quibble, for how we define a problem determines our response. At issue are two separate questions of interpretation. One is structural: establishing the social and economic relations that generate racial and gender inequality at a single point in time; the other is historical: identifying changes and continuities across time.

What is the effect of focusing on sectoral shift and changing households? On the one hand, such a tack might well buttress industrial policy and pay equity, as these authors intend. But on the other, it might easily rebound to inspire the opposite political consequences, to fuel the reactionary claims of the New Right: the defense of home, hearth and sacred motherhood.[1] If household changes are deemed responsible for wage gaps and poverty, one solution is obvious: remove women from the paid work force and return them to the home. But Jeffries and McGahey neither anticipate this argument, nor does their anti-discrimination plan include measures specifically designed to support women's freedom to work outside the home. Childcare programs are entirely absent from their analysis. This is a glaring omission, for the availability of decent, affordable childcare is a precondition not only for gender, but also for class and racial equality.[2]

Even more importantly, the preoccupation with sectoral and household shifts conceals the contradictory dynamics of contemporary "growth." What is never explored by Jeffries and McGahey is the central paradox that "growth" is predicated on the exploitation of productive resources: air, land, water and livestock; science and technology; and, most significantly for the immediate discussion, human labor. As the sociologist Harry Braverman has put it, "growth" has brought with it the "degradation of labor"—the systematic fragmentation and de-skilling of work, the reduction of human labor to a factor in the production process, the devaluation of labor itself.[3]

It is here that the relation of technology to the labor process becomes critical, for it is precisely the opposition between "growth" and the value of human labor that the "high-tech revolution" illuminates. According to current economic wisdom, high-tech is the key to higher productivity and national revitalization. To corporate leaders, politicians and the media, it signals progress, guaranteed prosperity, a way to offset both foreign competition and intractable workers. It has become almost synonymous with "growth" itself.[4] Meanwhile, in factories and offices, United States firms are deploying high-tech to splinter, restructure and simplify work. From the production of goods to the processing of information, management is engaged in a deliberate effort to control and de-skill work through the use of computerized technologies—robots, microprocessors and the like—designed to cut costs and maximize pro-

1. On the ideology of the New Right, see Eisenstein, Antifeminism in the Politics and Election of 1980, 7 Feminist Studies 187 (1981); L. Gordon & A. Hunter, Sex, Family and the New Right: Anti-Feminism as a Political Force, Radical America, Nov. 1977-Feb. 1978, at 9.

2. See K. Stallard, B. Ehrenreich & H. Sklar, Poverty in the American Dream 21-22 (1983). For a "democratic" economic program that does contemplate childcare, see S. Bowles, D. Gordon & T. Weisskopf, Beyond the Wasteland 270, 370 (1983).

3. See H. Braverman, Labor and Monopoly Capital (1974). Braverman writes that it is the tendency of capitalist development to displace labor, as the subjective element of the production process, and subordinate it as an objective element; to reduce the worker to the level of an instrument; to treat the workers themselves as machines. Id. at 171-73.

4. America Rushes to High Tech for Growth, Bus. Wk., March 28, 1982, section 12; Morner, Why Word-Processor Companies are the Talk of Wall Street, Fortune, Dec. 31, 1979, at 76; Office 'Miracles' that Electronics is Bringing, U.S. News & World Rep., Sept. 18, 1978, at 76.

ductivity by displacing human labor.[5] Consider the rationale for automation put forth by a General Electric vice-president at a dishwasher plant where computer-controlled equipment does the assembly and where warning bells sound if workers move too close to the automated machinery:

> 'By using machines for repetitive tasks we eliminate the error from human fatigue. Our main thesis was that without the advances workers would ultimately lose jobs, and that if we did a good job of automating we would gain market share. Companies are not going to survive in the marketplace without this kind of equipment. . . . The future demands it.'[6]

Behind such business strategies lies a calculus of the profit to be realized by substituting technology for the labor of hand and brain.

Yet the negative effects of high-tech are not intrinsic to the technology—no more than household shifts are to blame for income disparities, or service and "women's" work are inherently worth less than blue collar labor. Rather, the negative effects follow from the fact that high-tech has been applied in the workplace as both an agent of "growth" and an element of managerial control. Since the eighteenth century, labor-saving technologies from the steam engine to the computer have simply accelerated the process whereby employers have expanded productivity and their own prerogatives in the workplace by fragmenting and de-skilling work.[7] High-tech is but the most sophisticated incarnation of the ideal of "scientific management" given classic statement by Frederick Winslow Taylor in 1911: "the substitution of a science for the individual judgment of the workman, . . . gathering together all of the traditional knowledge which in the past has been possessed by the workmen . . . classify-

5. M. Duncan, Microelectronics: Five Areas of Subordination, in Science, Technology and the Labour Process 173 (L. Levidow & B. Young ed. 1981); Glenn & Feldberg, Proletarianizing Clerical Work: Technology and Organizational Control in the Office, in Case Studies on the Labor Process 51 (A. Zimbalist ed. 1979); Noble, Social Choice in Machine Design: The Case of Automatically Controlled Machine Tools, Case Studies on the Labor Process at 18; Levin & Rumberger, The Future Impact of Technology on Work Skills (especially 5-8) (unpublished paper presented at World Future Society Conference, Working Now and in the Future, Washington, D.C., Aug. 11-12, 1983); Race Against Time: Automation of the Office (unpublished report distributed by Working Women 1980); Job Forecasting: Hearings before the Subcomm. on Investigations and Oversight of the House Comm. on Science and Technology, 98th Cong., lst Sess. 61 (1983) (statement of Harley Shaiken, research associate, MIT); Serrin, Electronic Office Conjuring Wonders, Loneliness and Tedium, N.Y. Times, March 28, 1984, at A16; Bennett, Bank of America to Cut 220 Units, 6,000 of Staff, N.Y. Times, Dec. 8, 1983, at D1; Serrin, Computers Divide A.T.&T. and Its Workers, N.Y. Times, Nov. 18, 1983, at A1.

6. Broad, Factories Reach into the Future, N.Y. Times, March 13, 1984, at C5.

7. See D. Montgomery, Workers' Control in America (1979) for analysis of managerial efforts to control and de-skill work, especially 1-47, 113-38. See generally, A. Dawley, Class and Community 73-96 (1976); J. Rule, The Experience of Labor in Eighteenth-Century English Industry (1981); H. Braverman, supra note 3; A. Ure, The Philosophy of Manufactures (1835); C. Babbage, On the Economy of Machinery and Manufactures (London, 1832); Glenn & Feldberg, Proletarianizing Clerical Work, supra note 5; D. Noble, Present Tense Technology, pts. 1-3, Democracy, Spring 1983, at 8, Summer 1983, at 70, Fall 1983, at 71.

ing, tabulating and reducing this knowledge to rules, laws and formulae."[8]

In computer systems, managers have found innovative ways to tabulate, classify and expropriate shopfloor knowledge, to divide the labor of mind and body, and to regulate and monitor production, thereby vesting authority over work in those who control such systems. At present, a scientific and professional elite, composed primarily of white men, oversees the design and use of high-tech. And in factories and offices, a corps of the unskilled and underemployed perform mindless, dead-end, low-wage work. Not surprisingly, it is disproportionately women and minorities who bear the brunt of factory and office automation. As clericals, clerks, operatives and assembly-line workers, their jobs are the first to be restructured or eliminated.[9]

When the axis of investigation is shifted, then, from macroeconomics and household demographics to technology and the work process, a rather different explanation for contemporary social and economic crisis emerges. It is not sectoral and household shifts, but the transformation of work, the dilution of skill and the degradation of labor which figure as the decisive factors generating job and income stratification. As long as status and income remain tied to occupations, gender and racial inequality will be found to originate in the workplace—in the nature and social relations of the labor process.

Such a perspective, in turn, calls into question the explanatory value of the idea of a "changing economy." It forces us to ask whether the tension between growth and the value of labor is peculiar to current structural transformation or is instead endemic to the play of market forces and simply more extreme at times of heightened economic, social, and technological change. Braverman's work, as well as that of a host of other contemporary students of the labor process, supports the latter conclusion.[10] And more than a century ago, the political economist Henry George identified the conflict between

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8. F. Taylor, The Principles of Scientific Management 114, 36 (1916).

9. Wider Opportunities for Women, Bridging the Skills Gap 10-13 (1983); Hacker, Mathematization of Engineering: Limits on Women and the Field, in Machina Ex Dea 38 (J. Rothschild ed. 1983); Feldberg & Glenn, Technology and Work Degradation: Effects of Office Automation on Women Clerical Workers, in Machina Ex Dea 59 (J. Rothschild ed. 1983); Duncan, supra note 5; D. Noble, Forces of Production: A Social History of Industrial Automation (1984); High Tech Jobs, Global Electronics Information Newsletter, March 1983, at 1.

10. "[I]n the capitalist mode of production," writes Braverman,

> new methods and new machinery are incorporated within a management effort to dissolve the labor process as a process conducted by the worker and reconstitute it as a process conducted by management . . . .
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> . . . The unity of thought and action, conception and execution, hand and mind, which capitalism threatened from its beginnings, is attacked by a systematic dissolution employing all the resources of science . . . .

H. Braverman, supra note 3, at 170-1. See also Case Studies, supra note 5 (particularly Noble, supra note 5); A. Dawley, supra note 7; D. Noble, America by Design: Science, Technology, and the Rise of Corporate Capitalism 259-86 (1977); R. Edwards, Contested Terrain (1979); C. Palloix, The Labour Process: From Fordism to Neo-Fordism, in The Labor Process & Class Strategies (1976); C.W. Mills, White Collar 54-60, 224-38 (1956); Duncan, supra note 5; Noble, supra note 7.

growth and equity—what George called "this association of poverty with progress"—as the "great enigma of the times," the riddle put to civilization by the "Sphinx of Fate." Where material progress is most advanced, he wrote, "where population is densest, wealth greatest, and the machinery of production and exchange most highly developed—we find the deepest poverty, the sharpest struggle for existence, and the most of enforced idleness."[11] This same paradox continues to bedevil social scientists and policy makers today. They have simply updated it, described its modern manifestations and given it a new name—the "vanishing middle," the "wasteland," the "growth/equity" tradeoff.[12] But the problem dates from the origins of the market economy.

Finally, the shift in perspective from macroeconomics and household demographics to technology and the work process clarifies the difficulty of the project Jeffries and McGahey have set forth, that of reconstructing a coherent and convincing "growth/equity" framework for anti-discrimination policy. However politically instrumental such a vision might be, it nevertheless conflicts with the historical record.

By way of example, let us turn to the history of women's confrontation with technology in the workplace.[13] Since the origin of the republic, the dual imperatives of "growth" and a patriarchal social order[14] have combined to associate women's wage work with labor-displacing technologies (from power looms to word processors) and to segregate women's paid labor from men's. As a consequence, "women's work" has been consistently stigmatized as unskilled and the worth of women's labor devalued.[15]

As early as the 1780's, the founding fathers of the American factory set the terms for women's wage work: the "proper sphere" of American women

11. H. George, Progress and Poverty 6, 10 (1979).

12. S. Bowles, et al., supra note 2, at 11-15, 263-73; B. Bluestone & B. Harrison, The Deindustrialization of America (1982).

13. Women also encountered innovative technologies as unpaid workers in the home, a subject that cannot be explored here. See R. Cowan, More Work for Mother (1983); Rothschild, Technology, Housework, and Women's Liberation: A Theoretical Analysis, in Machina Ex Dea, supra note 9, 79 (discussions of the dual-edged effects of household technologies on women's autonomy in the home).

14. Hartmann, Capitalism, Patriarchy, and Job Segregation by Sex, in The Signs Reader 193 (E. Abel ed. 1983). I am employing Hartmann's definition of patriarchy: "a set of social relations which has a material base and in which there are hierarchial relations between men and solidarity among them, which enable them to control women. Patriarchy is thus the system of male oppression of women. Patriarchy is only one form, a male dominant one, of a sex-gender system." Id. at 194 n.1.

Hartmann further argues: "Job segregation by sex is the primary mechanism in capitalist society that maintains the superiority of men over women, because it enforces lower wages for women in the labor market. Thus, the hierarchical domestic division of labor is perpetuated by the labor market, and vice versa. This process is the present outcome of the continuing interaction of two interlocking systems, capitalism and patriarchy." Id. at 195.

15. See id. at 215-20; J. Matthei, An Economic History of Women in America: Women's Work, the Sexual Division of Labor, and the Development of Capitalism (1982) (especially 187-232); A. Kessler-Harris, Out to Work (1982); E. Abbott, Women in Industry, A Study in American Economic History (1924).

was the "factory."[16] Indeed, the beauty of the factory system, observed the Philadelphia merchant Tench Coxe, who drafted Alexander Hamilton's Congressional Report on Manufactures,[17] was that it eliminated the expense of human labor, relying instead on wind, water, machinery, horses, and the labor of women and the poor who owned nothing but their labor. Coxe observed that without diverting male farmers and artisans from their callings, "machines ingeniously constructed" would enable "a few hundreds of women and children [to perform] the work of 12,000 carders, spinners and winders . . . to weave the most complicated manufactures."[18]

By 1830, women constituted 90% of the work force of the New England textile mills.[19] Jobs were strictly sex-segregated; men occupied supervisory and skilled positions while women worked as machine tenders. Wage rates corresponded to these gender divisions. In 1836, for instance, the daily wage of women operatives at the Lowell mills did not exceed eighty cents; but men's wages reached as high as two dollars a day.[20]

Throughout the nineteenth century, the introduction of machinery hastened both the fragmentation of work and the exploitation of women workers—that is, the creation of de-skilled task work for women and the substitution of low-wage female labor for a skilled male work force. In 1850, the invention of the sewing machine enabled employers to assemble a female work force in shoe factories and to reduce the wages of female garment workers. In the 1880's, new cigar-making machinery spelled the demise of skilled, male cigar production as employers hired a reduced work force of low-wage female operatives.[21] At the turn of the twentieth century, the invention of the typewriter combined with scientific management and the expansion of clerical jobs to transform office work from a skilled male occupation to a de-skilled female occupation.[22]

The current high-tech revolution has dramatically reinforced the occupational segregation of women. In 1980, men held 88% of all managerial and technical positions in high-tech manufacture, while women constituted 73%

16. Pennsylvania Packet, Aug. 10, 1787, at 2 (letter from a Manufacturer). W. Barton, 2 "Essay on the Promotion of American Manufacturers," No. III, at 258. See generally 1-3 The American Museum (1787); A. Kessler-Harris, supra note 15.

17. J. Cooke, Tench Coxe and the Early Republic 181-89 (1978).

18. T. Coxe, An Address to an Assembly of the Friends of American Manufactures 10 (1787). See also id. at 8, 12, 13, 23; T. Coxe, Inquiry into the Principles on which a Commercial System for the United States of America Should be Founded 19, 21, 22 (1787).

19. A. Kessler-Harris, supra note 15, at 48. See also id. at 24-29, 68.

20. T. Dublin, Women at Work 66 (1979).

21. See Hartmann, supra note 14, at 216-18. See also A. Kessler-Harris, supra note 15, at 48, 65-66, 78, 142-46; A. Dawley, supra note 7, at 76-78. By 1865, according to Kessler-Harris, the labor press complained about "a persistent effort on the part of capitalists and employers to introduce females into its various departments of labor heretofore filled by the opposite sex." A. Kessler-Harris, supra note 15, at 69.

22. See generally M. Davies, Woman's Place is at the Typewriter (1982); A. Kessler-Harris, supra note 15, at 148-49.

of the operative and clerical work force.[23] Women comprised only 26% of computer specialists, 9.7% of electrical and electronic technicians, and 3.5% of electrical and electronic engineers.[24] Yet women once stood at the cutting edge of computer development, and played a central role in one of the most tragic feats of the century. In 1944-1945, a hundred young women with college degrees programmed the first operational computer, which was used to perform calculations for the atomic bomb. But as computer programming was reclassified from clerical to professional work, it was transformed into a predominantly male occupation.[25]

Nor have women gained from the automation of clerical and service work. Jobs in which women are clustered or which they have only recently entered—most notably in banking, insurance and public utilities—are those most likely to be displaced by technology.[26] Furthermore, according to a recent study of a Wall Street law firm, office automation may be leading to "technological discrimination" as middle-class white women control higher-paying, more autonomous secretarial work, and minority and working-class women work in low-wage, low-status, factory-like word processing pools.[27] Finally, employers are using the flexibility of high-tech to counter organizing efforts among women, to institute part-time work, to decentralize production, and to threaten relocation in response to demands for pay equity, childcare, and control over automation.[28] The conflict between women workers, who have joined District 925 of the Service Employees International Union, and the Equitable Life Assurance Society in Syracuse, New York, is a case in point.[29] In response to the union drive, which was precipitated in large mea-

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23. Global Electronics Information Newsletter, supra note 9, at 2.

24. Rytina, Earnings of Men and Women: A Look at Specific Occupations, Monthly Lab. Rev., April 1982, at 26.

25. Kraft, The Industrialization of Computer Programming: From Programming to "Software Production," in Case Studies, supra note 5, at 1, 4-5.

26. See generally D. Werneke, Microelectronics and Office Jobs (1983) (especially pages 52 and 53 and chapters 1-5); Race Against Time, supra note 5; Glenn & Feldberg, supra note 5; Feldberg & Glenn, supra note 9; Hacker, Sex Stratification, Technology and Organizational Change: A Longitudinal Case Study of A.T.&T., 26 Soc. Problems 539 (1979).

27. Murphree, Brave New Office: The Changing World of the Legal Secretary, in My Troubles Are Going to Have Trouble with Me: Everyday Trials and Triumphs of Women Workers 140-59 (K. Sacks & D. Remy eds. 1984).

28. C. Costello, On the Front: Class, Gender and Conflict in the Insurance Workplace (1984) (dissertation, Univ. of Wis., Madison). Gregory, Technological Change in the Office Workplace and Implications for Organizing, in Labor and Technology 83 (D. Kennedy ed. 1982); D. Chamot, The Electronic Sweatshop: The Use and Misuse of Work Stations in the Home (unpublished paper presented to A National Executive Forum: Office Work Stations in the Home, National Academy of Science, Washington, D.C., Nov. 9-10, 1983); Power, Now We Can Move Office Work Offshore to Enhance Output, Wall St. J., June 9, 1983, at 32, col. 3; P. Mattera, High-Tech Cottage Industry: Home Computer Sweatshops, Nation, April 2, 1983, at 390.

29. Serrin, Computers in the Office Change Labor Relations, N.Y. Times, May 22, 1984, at B2, col. 1; Milkman, Pink-Collar Unions: Breakthrough at 'The Equitable,' Nation, Dec. 3, 1983, at 564. See Costello, supra note 26, for the use of computerized homework as an antidote to unionization among female clerical emloyees at an insurance firm in Wisconsin. [Since this

sure by the computerization and rationalization of office work, Equitable threatened to close the Syracuse office and to transfer the work elsewhere.

How does this excursion into the history of women workers' encounter with technology bear upon contemporary anti-discrimination policy? First, it suggests that for the past two hundred years the harnessing of technology to "growth" has served simply to reproduce gender inequality in the workplace. Second, it underscores the urgency of developing anti-discrimination policies that can serve as a countervailing force to the market determination of "growth." Third, it shows why technological issues must inform the debate over discrimination. Neither technology nor "growth" is inevitable.

The argument is not that we smash our word processors and take up quill pens. But I do contend that "equity"-oriented state intervention in the marketplace must extend to the regulation of technology, incorporating equitable and democratic controls over high-tech into a comprehensive anti-discrimination program. Specific measures, modelled after "new technology agreements" in several European countries, might include: a shorter work week, community access to computer systems, bans on high-tech homework (as the AFL-CIO has proposed), state laws regulating the design and use of high-tech, innovative contract language, control of workplace technologies, and adequate and subsidized retraining.[30]

The alternative to binding technological concerns into anti-discrimination policy is to accept accelerating disfiguration of work. It is such a future that is prefigured by the automated General Electric dishwasher plant:

> [T]he myriad new technologies . . . are all tied together by an electronic nervous system. At the top of the hierarchy is the control room computer, monitored by a technician in a second-story booth that overlooks the entire plant. . . . This network of computer power . . . allows inventory control . . . and checking of every automated operation in the factory . . . . At the very ends of the nervous system are the robots . . . that supply the brute force of the factory. Automated arms and grippers unflinchingly do most of the assembly — twenty-one steps for the dishwasher tub and thirteen for

paper was presented, a collective bargaining agreement has been reached between District 925 and the Equitable. Among the key terms of the contract which was ratified on Nov. 8, 1984, are provisions limiting and regulating the use of video display terminals to reduce health hazards. W. Serrin, "Upstate Office Workers Gain a Landmark Pact," N.Y. Times, Nov. 10, 1984, at 26.].

30. Trade unions have already begun to elaborate alternative technological policy; see for example provisions included in: Rebuilding America Workers' Technology Bill of Rights, adopted by the 1982 International Association of Machinists New Technology Conference, 27 The Machinist 12, Dec. 1982; Computer Homework Ban, Policy Resolutions of the Fifteenth Constitutional Convention of the AFL-CIO, 35-6 (Oct. 1983). See Chamot, supra note 26 (appendix). Cf. Noble, supra note 7, pts. 2-3 (critical discussion of the tenets of both European new technology agreements and their American counterparts).

the door.[31]

Such a workplace most resembles Jeremy Bentham's description of the model prison.[32] It takes little imagination to visualize the gender and race of those above in the control room and those below who tend the machinery. It is an image which testifies to the danger of leaving the direction of high-tech to the unrestrained play of the market—that is, to the forces of "growth."

31. Broad, supra note 6. See also, J. Holusha, G.M. "Factory of the Future" will Run with Robots, N.Y. Times, Oct. 20, 1984, at 31, 33.

32. J. Bentham, 4 Plan of the Panopticon 172-3 (1843). See also M. Foucault, Discipline and Punish 201 (1977).