Discrimination and Disparities

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Sowell begins Discrimination and Disparities by demonstrating that observable outcomes aren’t randomly or even equally distributed, because for most outcomes, not only are multiple factors necessary for success, but these must occur simultaneously. He provides many illustrations as evidence. For example, citing numerous studies, he notes that a child’s birth order is a significant determining factor impacting outcomes such as college completion, average earnings, and choice of profession, despite sharing numerous common factors with their siblings such as growing up in the same house, with the same cultural values, parental educational attainment and so on. Sowell comments that the difference-making factor, the one that must be simultaneously present with the others, may be parents’ undivided attention at the beginning of development. To further emphasize the unrealistic expectation of equal outcomes, he remarks that outcomes are not evenly distributed in nature, explaining that over 90% of tornadoes occur in the USA. He explains that this isn’t because the USA has a unique terrain or climate, but rather because “all of the prerequisites for tornadoes do not come together as often in the rest of the world as in the United States” (p. 17).

Having established the nonrandom nature of outcomes, he goes on to carefully distinguish between two types of discrimination. Discrimination I reflects “an ability to discern differences in the qualities of people and things, and choosing accordingly … making fact-based distinctions” (p. 21). Discrimination II reflects “treating people negatively, based on arbitrary assumptions or aversions concerning individuals of a particular race or sex” (p. 21). He notes that because there are costs to acquiring information, a variation of Discrimination I exists, Discrimination Ib. With Discrimination Ib, one makes “decisions based on empirical evidence about the group to which the individual belongs” or in other words “basing individual decisions on group evidence” (p. 23).

Sowell emphasizes that this distinction is important as, “misdiagnosing the basis for discrimination produces more than a difference in words. It can produce policies less likely to achieve their goals, or even
policies that make matters worse” (p. 26). Here he provides the example of how a law prohibiting an employer from conducting background checks on potential employees actually increased, rather than reduced, unemployment for young African American males. Note that the law was based on the assumption that Discrimination II was the cause of the higher unemployment rate for young African American males. Rather, the law increased the cost of acquiring individual information. Given the now higher cost of engaging in Discrimination Ia, employers relied on Discrimination Ib to make hiring decisions, so that the actual outcome of the law was the polar opposite of the desired effect.

Importantly, Sowell doesn't deny the existence of Discrimination II: rather, he discusses the role of competition as the most effective way to minimize it, providing examples from both the South following the Civil War and South Africa under apartheid. In both of these periods, white employers in competitive industries initially didn’t follow segregation laws because to do so would have reduced their profits—a cost of engaging in Discrimination II. They only began to follow segregation laws when fines were imposed for ignoring them. Moreover, Sowell makes the important point that the costs of engaging in Discrimination II can be different in political markets. He explains:

There is no compelling evidence that the white employers violating those laws had different racial views than the white legislators who passed such laws. What was different was that employers who failed to hire black workers whom it was profitable to hire paid a price for Discrimination II, in the form of lost opportunities to make money, while the legislators who passed laws imposing Discrimination II paid no price at all. Indeed, legislators who failed to pass such laws would pay a price politically, in a situation where only whites could vote, and where white workers wanted protection from the competition of black workers (p. 36).

One of the most powerful parts of the book is where Sowell cautions against a misuse of statistical data to reach an automatic conclusion of Discrimination II. Here he provides examples of errors both of omission and commission. The former are the “omission of one crucial fact [which] can turn accurate statistics into traps that lead to conclusions that would be demonstrably false if the full facts were known”
(p. 78). The latter can reflect “lumping together data on things that are fundamentally different” or “using survey research to resolve factual issues that the inherent limitations of survey research make it unable to resolve” (p. 86).

He notes that reported crime statistics often contain errors of omission as do commentaries on income disparities using household income rather than individual income. Findings that minimum wage laws have no negative impact on employment often commit acts of commission as they rely on survey data only from the “survivors,” firms that do not go out of business because of an increased minimum wage. Reality is far different, however, as Sowell, throughout his career has written that minimum wage laws are especially harmful to younger African American males. Indeed in a recent Wall Street Journal interview (2015), he stated that “one of the worst things for blacks is the minimum wage.” With regard to misreported crime statistics he writes:

The omission of data on the proportion of blacks – or any other racial group – engaged in a given violation of the law, as distinguished from the proportion of blacks or others in the population at large, is sufficient to let racial profiling charges prevail politically, despite their inconsistency with either logic or evidence (p. 85).

As for the misuse of household income statistics, he provides an example demonstrating that if per capita income is rising at the same time that the average number of persons per household is declining, average household income will be falling. This leads him to conclude:

Clearly, omitting individual income statistics, and using household income statistics, instead, is less useful to someone seeking the truth about economic differences among human beings. But household income statistics can be very useful for someone promoting political or ideological crusades, based on statistics that exaggerate income disparities among people (p. 81).

The most concerning matter from the misuse of data to support a political agenda is that it inhibits a policy response that would actually begin to alleviate the problem. Sowell includes quotes from criminal justice professors and law enforcement professionals who are reluctant to speak about the true root causes of disparities for fear of being falsely
accused of racism. Sadly, this reluctance to speak out generates further negative consequences.

Among the other consequences is that many law enforcement officials also see this as a politically unwinnable battle, and simply back off from vigorous law enforcement, the results of which could ruin their careers and their lives. The net result of the police backing off is often a rise in crime and of which law-abiding residents in black communities are the principal victims (pp. 85-86).

Upon reading this chapter, I was reminded of a quote from Voltaire: “It is dangerous to be right in matters on which the established authorities are wrong.”

The overarching theme of Sowell’s book is to caution against succumbing to what he refers to as “the invincible fallacy,” the automatic assumption that Discrimination II must be the root cause of unequal outcomes. He reminds us that:

Morally neutral factors such as crop failures, birth order, geographic settings, technological advances or demographic and cultural differences are among the many reasons why economic and social outcomes so often fail to fit the preconception of equal or comparable results. Yet morally neutral factors seem to attract far less attention than other casual factors which stir moral outrage, such as discrimination or exploitation. But our emotional responses tell us nothing about the causal weight of different factors, however much those emotional responses may shape political crusades or government policies. But which causal factors predominate at a given place or time is ultimately an empirical question (p. 103).

He further emphasizes that while identifying the root cause is critical to creating policy, government solutions may still be inferior to market-based incentives.

As a categorical institution, government can deal with things that we categorically do not want, such as murder, or which we categorically do want, such as protection from military attacks by foreign countries. But decisions and actions requiring more finely
detailed knowledge for making nuanced incremental adjustments, are far often better handled by decision making processes with more intimate knowledge and involvement – and especially more compelling feedback from the actual consequences of the decisions made (p. 119).

Interestingly, although written before Democratic candidates began entering the 2020 Presidential race, he speaks to an issue supported by several Democratic candidates – reparations for slavery. Sowell makes an economic argument against reparations, noting that “we cannot treat incomes as if they were just numbers that we can change to suit our wishes, without considering how that will change behavior and the economic consequences that follow from behavior” (p. 113). Beyond the distorted economic incentives, he further cautions against reparations by suggesting:

After territorial irredentism has led nations to slaughter each other’s people over land that might have little or no value in itself, simply because it once belonged in a different political jurisdiction, at a time beyond any living person’s memory, what is to be expected from instilling the idea of social irredentism, growing out of historic wrongs done to other people? Such wrongs abound in times and places around the world – inflicted on, and perpetuated by, people of every race, creed and color. But what can any society today hope to gain by having newborn babies in that society enter the world as heirs to prepackaged grievances against other babies born into the same society on the same day? (p. 115)

He ends the book with a call to action:

To admit that we can do nothing about what happened among the dead is not to give up the struggle for a better world, but to concentrate our efforts where they have at least some hope of making things better for the living. (p. 127)

We as Christian economists are uniquely qualified to take up this cause. As economists our training provides tools with which to craft efficient policy, utilizing the power of markets, while minimizing negative and unintended consequences. As Christians we are called to base these policies on a moral foundation.
While reading this book, I was reminded of the work of both Milton Friedman and Walter Williams. Friedman, in *Free to Choose*, written with his wife Rose, also speaks out against the trend toward a policy goal of equality of outcome. Williams, in *Race and Economics*, also emphasizes the cost of information in decision-making, incorporating what Sowell calls Discrimination Ib into his interpretation of discrimination. Both Friedman and Williams emphasize the role of a competitive market in reducing the amount of true discrimination (what Sowell calls Discrimination II) given that a competitive market imposes costs on the discriminator.

In summary, Thomas Sowell is a gifted writer and economist, and his book holds additional value for Christian economists. As Christian economists, in order to craft policy to reduce inequalities we must be aware of the true, rather than assumed or hypothesized, root causes. As Thomas Sowell sheds light on these causes, *Discrimination and Disparities* is an informative and worthwhile read.

**References**

