



THE STATE AGAINST BLACKS

WALTER E. WILLIAMS, a good economist who happens to be black, is not one to call names or to impugn motives. So, when he entitles an excellent book *The State Against Blacks* (New York: New Press, McGraw-Hill Book Company, 183 pp., \$14.95), he does not mean to imply that conscious racial discrimination is being practiced. The big point that he makes, with specific chapter and verse, is that most of our government economic policies hurt the poor in general by depriving them of the opportunity of hooking in to what Isabel Paterson called the "long circuit of energy." Insofar as blacks are more heavily represented than whites on the lower income brackets, they suffer more proportionately.

Williams does not deny there is such a thing as racial discrimination. He merely thinks it plays very little part in most economic decisions. Banks don't "red line" certain inner city residential areas because they are heavily populated by blacks and Hispanics. They do so because mortgage foreclosures are a big statistical threat. Merchants in ghetto areas charge their customers higher prices not as a way of acting out their prejudices. They have to charge more because losses from business-related crime are greater in ghetto environments. Insurance premiums for fire and theft are a heavy cost of doing business.

The very fact that there is "block busting" by blacks in neighborhoods once exclusively inhabited by whites

has less relation to color than to economics. What happens is that property owners, regardless of their race, find that they can get more in total rental volume if they split their space into smaller units for disposal to poorer people who will put up with being crowded. The displaced whites move to suburbs where zoning, a political phenomenon, keeps poor people from buying property no matter what percentage of melanin they may have in their skins.

The Impact of Minimum Wages

In a beautifully persuasive chapter called "Minimum Wage, Maximum Folly," Williams demonstrates that minimum wage laws hit inevitably at marginal workers who cannot in the circumstances do enough work in a given hour to make a profit for their employers. The consequence of the minimum wage is that nobody will hire people who haven't yet learned certain skills or absorbed certain disciplinary lessons. It is purely accidental that the worst negative effects of the compulsory minimum wage are borne by non-white teenagers, followed by non-white males in their twenties.

White youths do better than blacks because they happen to be more highly qualified for jobs for reasons that go deep in history. In coming north to unfamiliar surroundings in ghetto districts, black kids may lose two or three years of schooling. The

taxes in inner cities are not sufficient to build the best schools or hire good teachers capable of keeping kids off the streets. Busing doesn't help, for it creates strains that affect classroom discipline and attention.

Good teachers won't put up with "blackboard jungle" conditions. Forced to the streets, black youths discover it is easier to steal or sell drugs than it is to crack the minimum wage barrier. It is as simple as that, but our politicians can't see it. The state, in passing minimum wage legislation, has tried to be "compassionate," but it has only succeeded in forcing the poor of whatever color to seek relief by way of "entitlements" that drain the economic system of savings that might otherwise have been productively employed.

Occupational and business licensing, which raises the cost of entry into a business or profession, is color blind even where its hidden intention may be to exclude blacks from certain fields such as plumbing and work on the railroads. The justification for government regulation is usually stated as a desire to protect the public safety or morals and to keep out unscrupulous practitioners. But the effect of regulation, as something that is often distinct from its intention, is to limit job opportunities.

The poor, who can't raise the money to pass licensing exams or to fight their way into exclusive unions,

are hurt no matter what their ethnic backgrounds may be. If more blacks are affected than whites, it is once again due to the fact that they are more numerous in a low income class category whose ethnic components have been changing ever since the Irish, the Jews and the Italians were complaining about discrimination.

Taxicab Medallions

The taxicab industry gets special attention from Williams as something that, with bank finance, ought to be open to anybody, white or black, who can raise \$5,000 to cover the operation of a single vehicle. Personal business skills needed to become a taxicab owner-operator are minimal. But in many communities the number of cabs that are allowed to operate is severely limited. In New York City a cab driver must have a medallion before he can legally take to the streets. There were 13,566 medallions issued in 1937, sold at \$10 a throw to all drivers operating in the city at the time. During the war 1,794 medallions were returned to the city by owners going into the army or navy. These have never been reissued. So the licensed city cab fleet stands at 11,772.


The number of officially permitted New York taxis may have been right for 1937, but for 1983 it is another story. A cab medallion in New York now commands a market price of \$60,000. New York banks will lend

John Chamberlain's book reviews have been a regular feature of *The Freeman* since 1950. We are doubly grateful to John and to Henry Regnery for now making available John's autobiography, *A Life with the Printed Word*. Copies of this remarkable account of a man and his times—our times—are available at \$12.95 from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

up to \$25,000 for a taxi medallion. With their monopoly position the legitimate cab drivers can afford to turn down trips to ghetto areas. So a gypsy cab industry has grown up to service the poorer districts of Harlem, Bedford-Stuyvesant, Brownsville and the South Bronx. The gypsy cabs are tolerated, and they make money despite the menace of crime in dark streets. But officially prescribed rates, despite the gypsy competition, remain unconscionably high for most cab riders in the greater city.

It follows from their economic circumstances that few blacks can afford \$60,000 for a New York medallion. In Washington, D.C., it is different. There a poor black can set up in business with his own cab if he raises \$25 for a license and \$5,000

for the cab and insurance. Black ownership of cabs in the District of Columbia comes to some 70 per cent. This figure, though it is a rough estimate, is enough to make Williams's point about the need for open entry. Williams applies the same reasoning to his discussion of the trucking industry and to his chapters on plumbers and electricians.

Altogether this is a first-rate book of sound economics that transcends the racial aspects, which are incidental. 

CONCENTRATION, MERGERS, AND PUBLIC POLICY

by Yale Brozen

(Macmillan Publishing Co., Inc., 866 Third Avenue New York, N.Y. 10022), 1982
456 pages ■ \$29.95 cloth

Reviewed by William H. Peterson

"THE Darwinian jungle is not guaranteed to produce a happy ending. Influencing and corrupting governments may be the only thing conglomerates are better at—as is suggested by the IT&T scandals during the Allende Chile takeover and the Nixon Administration The Sherman and Clayton Acts, and most of the antitrust laws have contributed enormously toward improving the degree of competition in our sys-

tem. All who value social reliance on decentralized markets and economic efficiency should applaud this kind of public intervention, which helps to lessen the imperfections of competition."

So writes Nobel Laureate Paul A. Samuelson in his 10th edition of *Economics*, a widely translated college textbook which since 1948 has molded the thinking of literally millions of students, many of them now in high places, around the globe.

The Samuelson evaluation of antitrust is, sadly, conventional wisdom. And with America much in need of guidance and fundamental public policy reform to lead us out of the morass of interventionism, it is refreshing to welcome Yale Brozen's *Concentration, Mergers, and Public Policy*, a carefully researched, even-handed book which deals a body blow to antitrust theory and practice.

One pet antitrust dogma, for example, is concentration. Concentration, also known as oligopoly, reflects fewness of sellers. It also reflects bigness. Fewness and bigness, however, supposedly represent "restraint of trade" and "predatory power," against which government agencies, chiefly the Federal Trade Commission and the Antitrust Division of the Justice Department, have spent a lot of money and energy. And these antitrusters have much to show for it: They have won a host of major antitrust suits, club-