Welcome to Uncommon Knowledge. I'm Peter Robinson. Joining me today, economist Thomas Sowell of the Hoover Institution, the author of such classics as Basic Economics and the Vision of the Anointed. By the way, the Vision of the Anointed explains everything. It is a truly great book. And when I call that one a classic, I really do mean it. Author of such classics as the Vision of the Anointed, Dr. Sowell has most recently published Economic Facts and Fallacies, several topics from which we will now be discussing. Men and women, from Economic Facts and Fallacies, I'm quoting you to your self, Tom. "It is widely believed that the rise of American women in high level occupations since the 1960's has been due to antidiscrimination laws and that these in turn have been due to the feminist movement. In reality, the proportion of women in high level occupations was greater during the first decades of the 20th century than in the middle of the 20th century and all of these was before the feminist movement." Explain.

Yes, during the first half of the 20th century. For example in 1908, the percentage of women and who's [inaudible] America was twice what it was in 1950. In various fields, if you look at the women who got PhDs in economics, chemistry, or got law degrees, other postgraduate degrees, those were all higher in the '20s and '30s than they were in the '50s, and there was a very simple reason for it. Women in those days got married later.

In the early years in the century?

In the early years.

Right.

Over time, the age of marriage and the age of beginning to have children began to decline and the classic of my era was the era of the baby boom and then that's when women hit a low in their proportion of the post graduate degrees and in the professions which those degrees would be used. Now around 1956, the age of marriage began rising. And in 1957, the age of having children rose, strangely enough. And as that rise continued, you saw women rising again in these various professions. So that one of the professions they reached in 1972, the same proportion that it had back in 1932. And as the age of marriage kept rising and as the number of children kept falling, women went on to higher and higher levels. Now, the people on the other side say the opposite by the simple experience of looking as if the world began in 1960. They don't, they ignore all the rest of that and they say it's all due to the feminist movement, to any discrimination laws and so forth.

Well, you're right. I'm gonna quote you again. "Among the many factors which influence male-female economic differences, the most elusive is employer discrimination."

Yes, that when you correct for all the various factors such as the number of hours worked, the continuous employment versus taking a few years out to have children and so on, you take all that into account, the differences between men and women become
quite trivial. If you look at the academic world or as far back in 1969, women who were never married and earn higher incomes than men would never marry. They became tenure professor at a higher rate than men who would never marry. And then later on if you look at the general population, if you take the women who are past the childbearing years and they work continuously, their incomes were higher than men who would work continuously and so on. So the difference is that not that the employer is paying them differently, but that they have different characteristics.

>> So, the central variable and explaining economic differences between men and women is not employer discrimination, not the rise of feminism, it's that women—it's child rearing, marriage and child rearing, that's the variable.

>> Yes.

>> As that varies, a woman's arrival or participation rate in higher level occupations varies with that, that's—

>> Absolutely.

>> Okay. Now in principle, you note, family responsibilities could be perfectly evenly divided between fathers and mothers. But that isn't the way it has worked in practice. Quote, I'm quoting you again. "Since economic consequences follow from practices rather than principles, the asymmetrical division of domestic responsibilities produces male-female difference in income." Question, what are the policy implications of that? If we become fixed on eliminating male-female income differences, is it the case that the only choice, the only route for doing that is to involve the government in redesigning the very nature of the family?

>> Well—

>> Or am I draw--Am I leaping to a melodramatic conclusion?

>> No, no. Yeah, and logically that's certainly true. However, not all domestic responsibilities can be shared equally such as having babies, which is not an inconsequential thing since the existence of human race depends on it. But what it means is that women make choices that make a lot of sense for them. For example, the choice of occupations that women tend not to go into occupations in which there's a very high rate of obsolescence. I mean, if you are a computer engineer and you take 5 years out to have a child and have a child up to the age where you put him in daycare. Well, my gosh, the world has changed.

>> The job is gone.

>> Yeah. You have to start way, way back. On the other hand, if you become a librarian, you become a teacher, other occupations like that, then you can take your 5 years off, come back and pick up pretty much where you left off.
Right. Income facts and fallacies, you deal with a number of topics in Economic Facts and Fallacies about fallacies concerning income, income inequality and so forth. Let's take 3, income stagnation, executive pay and social mobility. Income stagnation, you quote disapprovingly this assertion in the Washington Post. "The incomes in most American households have remained stubbornly flat over the past 3 decades." And I see you quote that and then you go on to demolish that, would you demolish it for us please.

That statement as it's made had some semblance of validity, but the problem is you're talking about households rather than about flesh and blood human beings. One of the real fallacies that runs through a lot of talk about income is confusing statistical categories with actual flesh and blood people. Households are of different sizes. They vary over time. They vary from one group to another. They vary from one income level to another. So for example there are 39 million people in the bottom 20 percent of household and 64 million in the top 20 percent. So you're talking--you're saying, yes, 24 million additional people do tend to have more money. The household thing is really a tip off right there, I think. When I write and see somebody quoting household income, he's trying to make things look bad.

It's as simple as that. Alright.

Yes.

Alright, there's a rule of life.

Yes. For example over a period about 30 years, household income rose by only 6 percent. Over those same years, per capita income rose by 51 percent because the number of people per household was declining all the while.

I see, I see.

And when you're comparing income brackets, the number of working people in the top 20 percent is some multiple of the number of working people in the bottom 20 percent.

I see, I see, I see. So, this notion that society is a layer of cake divided into quintiles is just—it's even quintiles is just wrong.

You can do it by category, but that's not doing it by people.

Right, okay. Executive pay, "One of the most popular--" I'm quoting you, "One of the most popular and fallacious explanations of the very high salaries of corporate executives is greed." Now, why is that a fallacious explanation?
Because you could become the greediest person in the world and it would not raise your income by 1 dime.

I've tried it actually and it hasn't raised my income.

[ Laughter ]

So, what's the analytical point of—correct analytical point of departure for examining executive pay then?

The question is not why they accept this money, but why other people are offering you to [inaudible].

Alright.

And that's the matter of competition. Now, some people argue or see that you have these various boards on the corporation who are very generous and heading out the stockholders' money to the executives and that's why they get these high salaries.

Right.

Now, if you wanted to actually test that against anything you would say, "Alright, there are some corporations which are not owned by thousands of stockholders, owned by 2 or 3 huge financial companies."

Which have highly-paid analysts to monitor exactly what's going on.

Yes.

Alright.

That's where the corporate CEO has got the highest pay of all. These people, you know, they have billions of dollars of their own money at stake and they're not gonna be penny wise and pound foolish, but they try to get someone for the lowest price they--The guy who's gonna protect their billions, they'll throw him a hundred million and consider it's nothing.

Okay. Social mobility, again this is a passage you quote disapprovingly. It comes from the New York Times, so it does--they know how to write in an oracular fashion. It does sound—

As if they just come from interviewing God.

[ Laughter ]

Yeah.

This is what he told them.
It does sound, it does sort of simply sound true. "Merit has replaced," this is talking about social mobility class distinctions and so forth. "Merit has replaced the old system of inherited privilege." We begin with good news. However, it's the New York Times so we're warned with bad news, but merit it turns out is at least partly class based. Parents with money, education, and connections cultivate in their children the habits that the meritocracy rewards. So, even though we've replaced inherited privilege with meritocracy, now we discover that Merritt is inherited. Now, it does sound plausible. What's wrong with that as a matter of analysis?

I can't think of a number of [inaudible] and bimbos who would be likely to the contrary but I won't--they call that rude. First of all, people aren't paid from merit, they're paid for productivity. You know, someone who had all kinds of handicaps to overcome, you know, might have a tremendous amount of merit just to end up as a trained carpenter.

Right.

And somebody who was born with a silver spoon is now sent to the finest schools that money could buy may have no greater merit in becoming a brain surgeon. But that's not-point of the question is whether the brain surgeon's productivity is greater than that of the carpenter. So, merit is really not part of it. But the other thing is that the question is what are you trying to end up with? Are you trying to end up with the best qualified people doing the job or not? I mean, if I have to have a brain surgery and I'm told that the guy who's gonna perform their brain surgery is the world's greatest brain surgeon, but he was born with a silver spoon in his mouth and had every privilege, I might say "No, no, give me somebody, you know, who had to fight his way up and who has just barely made the cutoff."

Suppose--I don't know what the New York Times writer had in mind, but suppose I argue. Let's follow the duty of charity and assume that what the New York Times reporter has in mind is a just society. Maybe that's--let's suppose that what they want is a just society, and that is simply not useful in analyzing social mobility.

No.

It's not.

No. Not--depending on what notion of justice you have, if you mean by just as treating everybody alike.

Uhmm.

We can go there. If you mean a society in which everyone has equal probability, not equal opportunities, equal probability of succeeding, I find that virtually inconceivable. There are so many thousands of factors at work that I find it hard--You can imagine how all those factors could work out the same for everybody.
Now, what about equal opportunity?

Equal opportunity, yes. But you see, you can have a society of equal opportunity. One kid's family sits around at dinner time and talks about sports and the other kid's family sits around at dinner time and talks about science, and they do that for 20 years and now they have an equal opportunity to get into Harvard. Who do you think is most likely to make it?

Gotcha. Okay, we return from income facts and fallacies to facts and fallacies--Let me say that again because I need to get it. Facts and fallacies concerning the academy. You deal with students and economic finances, but I'd like to deal first with faculties. First, this kind of overall statement that you make, again, I'm quoting Economic Facts and Fallacies. "Many people think of nonprofit organizations such as colleges and universities as free of selfish motives and therefore dedicated to the well being of others, including society at large." This reminds me of the opening scene in the movie Animal House where the camera pans across the campus and finds the statue of the founder of the campus and goes down to the base where the words are inscribed knowledge is good, good for all of us. "That assumption is seldom subjected to empirical tests nor does it survive such tests very well when it is." Explain.

Well, one of the advantages--Well, one of the things that happens when you have faculty tenure is that the faculty can run university for its own best interest regardless of what that does to students. But one simple thing, the faculty tends to arrange the classes so they will fit into convenient times with them. I mean, and I don't exempt my self when I was teaching in the department with secretaries and when do you wanna have your classes. I would say after the morning rush hour before the evening rush hour. Apparently, I was in allowance so you have all these classes crammed in between 10 AM and 2 PM, and many students are unable to get the classes they need in the sequence they need in order to graduate on time, but the faculty as convenience tramps all that. There was--well, a provost in Stanford was saying of last year that, you know, we have all kinds of empty classrooms most of the time because--And then you--and what that means you have to build more buildings in order to—

In tens of millions of dollars per building.

That's right.

To build the capacity just for between 10 and 2.

That's right. That right.

Right. Now not, however, that you are disdainful of the principle of faculty self governance which you write essential to the operation of an academic institution. But in areas outside their expertise including areas in which there is no such thing as expertise,
professors can simply indulge their personal prejudices at no cost to themselves. What do you mean by expertise at areas in which there is no such thing as expertise?

>> Well, for example, in chemistry there's obviously expertise. There's no way that even on a small college where there's any dean or president can know who ought to be teaching chemistry and what courses, or chemistry, physics, math, economics, et cetera, et cetera. So the only—

>> That's left to the chemistry department.

>> Yeah, and the physics and the math and that--and so on. But due to so called faculty self-governance they also have a decision making power over things in which that--which is just a matter of personal choice, such as ROTC. I don't know why some professional French literature should be authority on whether or not they should be ROTC on campus.

>> Alright, you write about great inflation and faculties, what's the connection?

>> Oh, it's much easier on the professor if he has soft grades. My goodness, no one to complain, no one to take up his time, no one to create an unpleasantness and, you know, it makes the administration happy, it makes the students happy, and the professor doesn't care, it makes him happy.

>> So you give every student an A and nobody even bothers to ask for office hours.

>> That's right. That's right.

>> Alright. Now, here's the peers kind of the question. Your argument here is regards faculty, is that endowments, tenure, the continued giving of us from loyal and largely unquestioning alumni. All of these insulate them from what we might otherwise consider market forces, the market being, the market place for education and the customers would be the tuition paying students, right? Okay. And yet as you yourself say, you yourself make a large point of this. American universities are routinely ranked the best in the world. How can this be?

>> Oh, they are the best in the world of what they do and what they do is research.

>> Okay.

[ Laughter ]

>> You know, when I was—

>> Actually--Oh, go ahead.

>> When I was at tenure in the faculty, I remember, at UCLA, I used to love these discussions when someone was up, the upper out decision to make, should be made--promoted to tenure or should they be let go and so on. And, you know, you'd go around the room as "Oh, that man is a terrible teacher. He doesn't do this, he doesn't do that."
They go on, I'd listen to all these. And in, they'd vote him tenure. And then conversely, we had a guy who was really an outstanding teacher. When the vote finally came, and I must tell you that I was one of those who voted to let him go, because all the while I was convinced that the students would lose by his going. That was not the decision in my province. My province was to apply the rules set down by the university and by those rules which I heavily weighted to and researched. He sure he couldn't be kept there, and so he's off somewhere else being an excellent teacher to somebody else while the UCLA students have to take potluck.

>> And so, this is a point that did you make that the large research universities tend to be in a certain sense over weighted in reputation when kids are going around looking for undergraduate educations.

>> Yes--
[ Simultaneous Talking ]

>> And this is to say maybe you ought to look at the small liberal arts school. It may not be as famous, it may not have a world ranking, but that's because they're not doing research in particle physics. They may actually have the best physics department for teaching [simultaneous talking].

>> Absolutely.

>> Right.

>> Absolutely. In fact the data show that, that if you look at the colleges whose students go on to receive PhDs the most, you find all kinds of schools you never heard of outdoing Harvard and Yale. Grinnell for example, higher percentage of people there--Harvey Mudd College for years has some multiple--Oh, a majority of its students go on to get PhDs. That's not true at any of the Ivy League schools.

>> Okay, facts and fallacies concerning the academy. We'll talk about faculty. I'd like to turn to students and academic finances. Students, "One of the biggest fallacies," I'm quoting you again, "is that attendance at big name colleges and universities is virtually essential for reaching the top later in life." Kill your self to get into Harvard because that's the golden road to the top at Goldman Sachs or General Electric. But it's not true?

>> Well no. An actual study was done of the CEOs of the top 50 corporations of America. Only four of them had Ivy League degrees, two of them have no degrees at all. [ Laughter ]

>> Somewhat for getting to the top.

>> So an Ivy League degree is only twice as good as no degree. [ Laughter ]
That's one way of looking at it.

Alright, academic finances. By the way, this is quite subversive, this one that I'm about to read here. "Academic institutions often make the argument," and I'm quoting you again, "that their cost for educating a student are greater than the price they charge as tuition, which some take as a sign of the altruism of a nonprofit institution. But, since teaching is one of the joint products of an academic institution along with research and other activities, the meaning of such statement is elusive."

Yes.

This is one of the routine statements of higher education in America. No matter what we charge you for tuition, it's only a small portion of the total cost of giving you an education.

Yes.

You're saying it's untrue or you're saying it's simply an incoherent statement.

It's an incoherent statement. It's like saying, what is the average cost of bacon? There is no average cost of bacon. Bacon is produced jointly with ham, pork chops and pig skin. There is the cost of a pig and any further division is meaningless. I mean, when I worked for AT&T, they have a huge book which we broke down the cost of a telephone and they showed it to me the first thing and I said, "Since there is no such thing as the average cost of a joint product, I will never have a case, you know, with that book."

And the whole time I was there it sat there and gathered dust.

You have one Mr. Congeniality award throughout your life, haven't you, Tom?

Now query, how is it the case that across the academic scene, landscape in this country, tuitions have tended to rise faster than any measure of the cost of living. They have risen faster than inflation. Why is that the case?

Partly it's because the government subsidizes. I remember years ago talking to the president of a small college who said to me that if we were to keep tuition affordable, we would lose millions of dollars in government money every year because the government has the formula, and if the tuition is within your range then you don't get the government help. But if it's above the range, you do. Well heavens. You know, the presidents of colleges can do arithmetic and they know that the way to do it is to raise the tuition to unaffordable levels then the government brings in the millions.

Now, let me try an argument to see how persuasive you find it and that is the rising productivity of labor. So that a faculty--name the position, teacher in English, Chemistry,
Physics as technology has permitted American labor to become more and more and more and more productive even though the English teacher is doing the same thing that he or she did today, that he or she did 20 years ago and 30 years ago and 50 years ago. English is actually a good example here because it's relatively unchanging. You're teaching Shakespeare today as Shakespeare was taught a long time ago. Nevertheless, it's a matter of the marketplace. Institutions have to pay more to hire that labor, that professor precisely because wage rates throughout the opportunity cost. If they're not an English teacher, they could go to work for Intel presumably. So, the rising wage rates in the economy drive up cost in the academy.

>> That's one way.

>> You wanna buy it?

>> No.

>> That one was pretty good.

>> One of the things that happen is that over time more and more emphasis are put on research. And for example, when I started teaching back in the 1960's, the average teaching load was about 12 semester hours. Today, that's considered back breaking work.

>> That was Cornell when you first—

>> No, no. It was Douglass College at the Rutgers University. And that was common. Now, today it's 6 semester hours. You got to hire twice as many professors to teach the same number of courses. And that may be carried on the books as a teaching expense, is in fact their research expense 'cause the reason you have to do that is because you expect these guys to be writing out these articles and books.

>> Okay. Last comment on the academic--question on academic cost. Senator Obama has proposed a 4,000 dollar a year refundable tax credit--refundable tuition tax credit for every year of college. You like that idea?

>> Not particularly.

>> Alright, on two.

>> I wouldn't be surprised if tuition didn't go up by 4,000 dollars.

>> In the minute that was enacted. Alright.

>> Or soon thereafter.

>> Alright.
Facts and fallacies concerning race. The Black family, I'm quoting you again. "Some of the most basic beliefs and assumptions about the Black family are demonstrably fallacious, including the assumption that current fatherless families so prevalent among contemporary Blacks are 'a legacy of slavery.'" Explain that one.

Because the proportion of Black kids who are raised in two-parent families was higher under slavery and for generations thereafter than today. That percentage was—Oh, go back to 1930 or 40. They weren't—wasn't half the proportion of Blacks being raised by single parents as there is today. Now, slavery was the reason why are these generations closer to slavery and even on the slavery itself. Why were they raising their kids in two-parent families and then not today?

Okay now. Well, let me—Again, let me try an argument on you. And the notion there is that what is the legacy of slavery is somewhat weaker, demonstrably weaker of family bonds. So that yes, the Black family is more intact in past decades than it is today, so was the White family. And as we get these strange social solvents of the 1960's that seemed to weaken family bonds, they weaken bonds among the White families but they devastate family bonds among Blacks precisely because they're weaker in the first place and that is the legacy of slavery. What do you make of that one?

Not much, the—

I'm trying hard here.

Well, I give you E for effort.
[ Laughter ]

It also depends on the level of income, that is you're not gonna be able to—someone who's in a position to go on to college, you know, and has a very good chance of becoming an engineer or something of that sort. A girl like that is not likely to get pregnant and ruin it all, as well as someone who's had a bad time in school, who has very poor prospects in the job market and going on wealthier is not that big a sacrifice as compared to whatever the options happen to be.

Alright.

Similarly with crime by the way.

Right. Well, crime let me set this one up for you, again, quoting from Economic Facts and Fallacies. "Racial discrimination is frequently listed among the prime root causes of riots and other criminality among Blacks, but crime among Black Americans was declining for years prior to the decade of the 1960's with its landmark, civil rights laws, and its war on poverty programs. If it doesn't--if crime is not arising from poverty, what's it arising from? What happens in the 1960's?
They stop punishing criminals. The chance that a criminal would actually go to jail for violent crime or any crime was much reduced in the 1960's. You begin to have all these changes in the law beginning at the supreme court, as which it becomes harder and harder to convict anybody of anything, and the sentences were shorter and there were more leniency in terms of parole and that kind of staff. And of course, wherever you've done that in the world including in Britain for example, you see this huge increase. I mean, Britain was once one of the most law abiding countries in the world. Today, Britain has a higher crime rate than the United States in most categories.

You quote former Senator Edward Brooke, an African-American who grew up in the Black community in Washington, Washington DC during the 1920's and 1930's. This is Edward Brooke. "Large areas of Washington DC," talking about the Black community, "were truly safe. Family stayed together, neighbors helped one another, students were encouraged to study and there were no drugs and no drive-by shootings." Was Edward Brooke's Washington of the '20s and '30s like Tom Sowell's Harlem of the late '40s, early '50s is that when you were—

[Inaudible] the '40s from the early '40s.

Alright, the '40s, alright. But I've heard you talk about Harlem.

Yes, yes. Yeah, I used to sleep out on the fire escape at Harlem. At midnight, I use to, if I was awake at midnight, I would go walking out to the nearest newsstand to get the morning paper to find out what the baseball scores were. I'm sure people don't do that today.

Harlem felt safe.

Yes.

And what about the schools?

The schools were a lot better. People expected me to meet the same standards the kids on Park Avenue met. Now, that was undoubtedly unjust. But, as between that injustice and spending the rest of your life paying back for a poor education to begin with, I'll go with that injustice.

Alright. So, what has happened in Black America? Part of what's going on is that crime seizes to be punished. You've already mentioned that. What else is going on? Let me—Excuse me. Let me put the question the other way around. What can be done if anything, what can be done to restore to Harlem today or to those same Black neighborhoods, much of these, much of those, of the geography is still the same, what can be done to make those neighborhoods in Harlem the way they were for you growing up in the '40s or the way they would for Edward Brooke in the '20s and '30s? How can Black America be restored?
Mainly, by fighting against all kinds of entrenched special interest who will not give up or budging in its foot, starting with the teachers [inaudible]. You need to be able to fire teachers who aren't teaching. You need to be able to have competing schools nowadays because it will take you forever to be able to fire the teachers. So, you'll give them an incentive to start teaching again instead of playing games in the schools. And the schools as in the colleges, it is a lot easier not to teach. I mean, I'm always amazed at all the activities and projects they have with the schools, you know, all the while and I'm looking at the international comparison. The American students are way down at or near the bottom in these international tests. Why are we spending so much time, you know, hugging trees and doing other stuff like that when our kids can't read?

So if you had to choose one point, one place to begin the restoration of Black America, it would be with education?

Yes, alright.

Tom, let me end--We've been talking about Economic Facts and Fallacies, let me end with just a couple of open-ended question to see what's on the mind of Tom Sowell these days. Over the last 5 years, the Bush administration has spent 18 billion dollars on aids in Africa. And during President Bush's trip to Africa, which is concluding as you and I speak today, rock star and aids activist, Bob Geldof praise Bush as having done more for Africa than any other American President. How does all that strike you?

I'd have to see what the consequences were. Nothing is easier than giving out money, you get very little resistance. The question is, what is the bottom line result? Has aids gone down as a result of all these?

Okay. Barack Obama has a serious chance. Polls indicate at the moment an actual likelihood of becoming the first African-American president. What does that say to you about the United States?

Well, it makes it hard for the people to keep blaming everything on racism. On the other hand, I think at the time when Iran may get nuclear weapons which may be passed on to terrorists, it is incredible that we should even be playing sort of demographic roulette and saying, "Wouldn't it be nice to have the first Black president or the first woman president or whatever?" We need whoever can do that job best because the future of the country depends on it.

Interviewing you a couple of years ago, Fred Barnes asked if you felt pessimistic about the future. You responded very simply and with distressing speed, yes. Would you like to amend or expand upon that answer?

Yes, I feel more pessimistic now than I did then.

Oh, Tom. Why? What's happened in the last 2 or 3 years to make you more pessimistic about the future?
Well, we can start with Barack Obama, Hilary Clinton, and John McCain.

You've talked about Barack Obama, what's wrong with Hilary Clinton?

Oh my, how many days do we have?

Take the top 2 or 3 characteristics.

Oh my. I know at least cynical person. The whole thing, everything that happened during the Clinton administration, you can see that time and time again. McCain, he's better than they are which is—

Is that [inaudible]? That's the stoutest praise you can raise.

That's the highest praise that I can manage.

Alright, last question. You write, "No book can cover all the other nonsense the politicians speak in an election year." Would you care to name one piece of nonsense that you didn't get the chance to cover in Economic Facts and Fallacies that you consider especially dangerous or annoying.

The notion that we cannot afford in terms of medical care is 300 million Americans paying directly. We can somehow afford sending the same money through the government and paying for a government bureaucracy on top of all the other cost of medical care.

Dr. Thomas Sowell, thank you very much. For Uncommon Knowledge, I'm Peter Robinson at the Hoover Institution, thanks for joining us.