

# Affirmative action policies are a fraud

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**Temba A. Nolutshungu of the Free Market Foundation argues that affirmative action is one of the biggest frauds perpetrated against South Africans in the post-apartheid era. In this article, he looks at how affirmative action has retarded the progress of the supposed beneficiaries in the US, Malaysia and elsewhere.**



To date, the biggest political fraud perpetrated post-apartheid is the enactment of affirmative action policies, euphemistically referred to as black economic empowerment. A fraud because the proponents of the policy must have been aware of the empirical evidence that affirmative action policies, wherever they have been pursued throughout the world, at best, have been a dismal failure, and, at worst, counterproductive. They do not produce the desired results, they enrich the politically connected elites of the target group, and, ultimately, alienate certain sectors of the population.

A case worth studying is the United States. That country boasts a record of more than 48 years of implementing affirmative action policies that targeted minorities (primarily blacks). Given the tragic history of the enslavement of blacks, and, later on, their being on the receiving end of harsh, racially discriminatory policies, the urgency for something to be done became obvious. President Kennedy, in principle, conceptualised the policy and is recorded as the first to use the term "affirmative action" in 1961. The comprehensive affirmative action policies thereafter developed and enforced by President Johnson were based on the firm commitment and resolve articulated in his words that "This is the next and more profound stage of the battle for civil rights..." "We seek ...not just equality as a right and a theory, but equality as a fact and as a result". Affirmative Action History, an essay by Borgna Brunner and Beth Rowen, is a well-written and succinct account of these policies that cites cases where various Supreme and other court rulings pronounced

verdicts in favour of affirmative action policies when they were challenged at various times. This underscores the fact that the US embarked on these corrective policies seriously and with absolute determination.

There is thus a compelling argument that for lessons on affirmative action with regard to stated objectives, the US is the best case study. In this regard, the focus should be on the results that AA proponents/advocates had emphasised as the ultimate goal, that is, "equality as a fact and as a result."

After more than four decades of affirmative action policies, the economic status of blacks (the targeted beneficiaries) compared to that of other US ethnic groups, is revealing.

Allowing for a fair period of time for the results of affirmative action policies to kick in, the following comes to the fore:

The Money Income in the United States: 2000 report by the US Census Bureau details the following median income data in 1999 (in 2000 dollars): Asian and Specific Pacific Islander \$52, 925; White \$43, 932; Hispanic Origin \$31, 767; Black \$28, 848.

Extending the period for affirmative action to deliver on the desired objectives, the US Census Bureau report (March 2014) provides data for Mean Household Income by Ethnicity as follows: Asian Alone \$90, 752; White Alone \$79, 340; Hispanic or Latino \$54, 644; Black \$49, 629.

These results are resoundingly disappointing indicating that something seems to have gone seriously amiss. It becomes necessary to subject the concept of affirmative action to rigorous scrutiny.

Some questions that need to be addressed are: Why do blacks consistently occupy the lowest rung of the economic ladder in the US? Why do the Asians defiantly occupy the highest level despite not having been targeted beneficiaries of affirmative action? Why are there such glaring economic discrepancies between blacks and other ethnic groups, particularly between blacks and Asians? Is it a matter of destiny?

To answer to these questions and others, it will be useful to juxtapose the historical backgrounds of US Asians with special focus on the Japanese ethnics, with that of blacks in the same country. The Japanese-Americans come from a disadvantaged past. For example, the 1920 Alien Land Law forbade the leasing of land by aliens "ineligible for citizenship" (Asians) as well as ownership. While this law conceivably affected the economic welfare of the targeted group, however, court decisions enabled Japanese-Americans to hang on to land in California, especially in agriculture.

To illustrate the economic status of the Japanese-Americans, it is a documented fact that in 1940 the proportion of Japanese-Americans in professional occupations was less than half that of whites. With the 1941 Pearl Harbour attack (December 7) by the imperial army of Japan, the patriotic loyalties of US Japanese became suspect and this prepared the way in 1942 for President Roosevelt to issue an

executive order giving the army authority to evacuate "any and all persons" from "military areas designated as such by the army" and to provide "accommodations" for them elsewhere. Though the Japanese-Americans were not explicitly targeted, in reality they became the ones who suffered the brunt of the law when it was enforced. Thus, more than 100,000 Japanese men, women and children were shipped from California to Arkansas, "places where nobody had lived before and no one has lived since" to quote Professor Thomas Sowell.

The impact of the internment, among other things, was personal trauma, forced hasty sales of homes, furniture and other belongings, businesses built over a lifetime liquidated within weeks, living in hostels, eating in mess halls, and communal ablution facilities.

With the cessation of the Second World War in 1945, by 1950 the income gap between Japanese-Americans and Whites (who had historically and consistently been the highest income group among all US ethnics) had narrowed. In 1959, Japanese-American males earned 99% of the income of whites. By 1960, Japanese-Americans had a little more representation than whites in professional occupations. In 1969, the average personal income of Japanese-Americans was 11% above the national average and the Japanese-American average family income was 32% above national average.

These achievements by the Japanese-Americans should be judged against the fact that after their internment experiences and having lost most of their belongings, they never received any compensation for such unspeakable acts of injustice. So to what can their achievements over two and a half decades be ascribed?

Referring to the economic progress of blacks in the US before the implementation of affirmative action policies, it may be surprising to see that between 1961 and 1971 black family incomes rose by 55% while that of white families rose by a mere 31%. Between 1960 and 1972 the number of blacks in professional occupations doubled, while that of whites in the same category increased by one fifth. By all accounts this must truly be one of the most glorious chapters in the history of US Blacks.

Bearing in mind that affirmative action/racial quota hiring, known as "goals and timetables", was implemented in 1971, this means that black socio-economic advancement in the US occurred before the advent of affirmative action policies. After a long history of slavery, abject poverty and untold atrocities and miseries, remarkably, blacks had achieved a lot in a short period of time. They were poised to achieve even greater heights on the economic ladder.

It is deplorable, therefore, that the socioeconomic fortunes of blacks now seem to have shifted into reverse or neutral gear, their status either becoming worse or stagnant without any real progress as compared to other ethnics. According to the US Census Bureau, in 2004 black households had the lowest median annual income of \$30, 134 of all identified ethnic groups. The median annual income of Hispanic households was \$34, 241 and that of Asian households \$57, 518.

Now, lest proponents of affirmative action policies defensively say that the US experience is one that is peculiar to the circumstances of that country, it has to be

pointed out that in Malaysia the experience has been the same with preferential affirmative action policies implemented there on behalf of the indigenous Malays. Referred to as "bumiputeras", the government targeted them as beneficiaries of these policy measures. There were strong restrictions on land ownership by non-Malays with the Chinese being the most severely disadvantageously targeted of the so-called non-indigenous population sectors. Among other things, these preferential measures extended to free education for Malays while the Chinese had to pay for their own private schooling.

Professor Thomas Sowell records in his two books *Migrations and Cultures* and *Race and Culture*, that the total effect and agenda of these policies was, among others, the expulsion from Malaysia of Singapore where there was a significant concentration of Chinese. Today, Singapore boasts one of the highest per capita incomes in the world and is the second most economically free country in the world (*Economic Freedom of the World, 2014 Annual Report*).

It should not surprise anyone that when a government relieves able-bodied people of their individual, personal responsibility to attend to their socio-economic goals, they become dependent on government and the sense and spirit of self-reliance is negated while their self-respect and self-esteem become eroded. An entitlement culture of being owed takes root which translates into reliance on government's interventionist racially preferential (which means discriminatory) policies and state welfare measures. Many governments approve of this because (a) it means a captive constituency and (b) it makes government feel paternalistically good because, supposedly, it is redressing the historically wronged and "caring" for the needy. Meanwhile, all of this comes at the expense of the economically productive and taxpaying people.

Despite its many glaring shortcomings, however, the most serious indictment against affirmative action policies, particularly in South Africa, is that they stoke the dying embers of racism and racial tensions. If you have mandatory, racially preferential public policy, you revert to the apartheid situation of defining people according to race. When racial policies are motivated by economic opportunity considerations, it elevates racial awareness and pushes racially preferential policy agendas to the fore. Given this scenario, the politically connected organise themselves into powerful lobbies for the reinforcement of such laws because they know that, if they play their cards right, they will be the ones to benefit materially from such policies. No wonder then that affirmative action policies have delivered mainly to that handful of individuals who are politically well-connected to the ruling party.

Instead of affirmative action, other policy considerations exist that would contribute effectively to the socio-economic upliftment of the greatest number of the indigent and expedite their involvement in the wealth-creation process of the country.

The Free Market Foundation has suggested specific proposals, as well as Professor Themba Sono in his book *From Poverty to Property* and Hernando de Soto's book, *The Mystery of Capital*. Without recourse to racially oriented policies, there are policies that can be implemented without negatively impacting the integrity of

the economy. In fact, such policies would boost economic growth and the economic self-empowerment of all individuals.

1. Give shares of state-owned enterprises to the poor on a strict non-racial, means-tested basis. This is feasible. It was done in the Czech Republic. Most counter-arguments seem to reflect the veiled view that the poor will squander the money. The counter argument to this is that poverty is not synonymous with gullibility. Gullible people are also found among the greatest achievers and the wealthiest. Another criticism that emerges is that this should not be extended to whites but this is unashamedly based on the insatiable thirst for retribution. A point to remember is that whites are numerically negligible and therefore blacks would benefit by far the most.

2. The government must expedite and simplify the process of converting tenancy private house occupation so that as many people as possible convert from a tenancy house occupancy situation to full, freehold, legally titled ownership of homes. The logic of this is that the fact of ownership motivates people to maintain and improve their property. Value is added to it. Bricklayers, carpenters, plumbers, painters, and various other artisans are employed in the process. This economic activity is at once conducive to job-creation as well as wealth creation.

3. Open up the labour market and do away with onerous policies that discourage new employment

4. The government should desist from and have a moratorium on passing any more laws. During this time focus should be on identifying the unnecessary, artificial legislative impediments to enterprises. The problem is that onerous policies have cost implications, ultimately for the overall economy. When the costs of going into or operating a business are lowered, the consequence is a proliferation of businesses and more people are employed. This proposal should start with identifying racially preferential policies with the express purpose of expunging them from the statute books.

My view is that if just these policies were implemented, they would nullify the virtual pandering on the part of policymakers and narrow-minded pressure groups to the raw sentiments of subliminal racism. This would unleash the spirit of enterprise and truly realise Mandela's vision in the shortest period of time.

I repeat "affirmative action is politically unnecessary, economically irrational and morally unjust".

Martin Luther King's words still speak to me: "I have a dream that my four little children will one day live in a nation where they will not be judged by the colour of their skin, but by the content of their character."

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