



CHAPTER 3

UNEMPLOYMENT AND POVERTY

The Emergence of an "Underclass"

The facts about unemployment and its immediate causes are well known in America, owing to its excellent statistical reporting. President Kennedy, with an increasing sense of urgency, has pointed to the high and rising level of unemployment as a major economic problem, even as "the major domestic challenge in the sixties". Scholarly and popular studies, as well as the press, follow the development of unemployment from month to month with an eagerness that contributes to the whole nation's awareness of this misuse of its productive resources.

Less often observed and commented upon is the tendency of the changes under way to trap an "underclass"* of unemployed and, gradually, unemployable persons and families of the bottom of a society in which, for the majority of people above that level, the increasingly democratic structure of the educational system creates more and more liberty—real liberty—and equality of opportunity, at least over the course of two generations.

America's image of itself was, and is, that of a free and open society where anyone of sound body and soul, and with the necessary drive, can find work (at least when business is on the upturn) and can climb to the highest and most rewarding positions. It was this image, and the considerable degree of reality which actually corresponded to it, that induced millions of poor

* The word "underclass" does not seem to be used in English. In America where, as opinion polls over several decades show, the great majority reckon themselves as "middle class", this is particularly understandable on ideological grounds. Nevertheless, the term will be used in this book as the only one adequate to the reality discussed.

people in Europe to seek their opportunity in America right up to the First World War.

Not that reality ever agreed entirely with it. And over the last few generations a process has been under way which, though in the main opening up more opportunities to more people, has closed some opportunities to some. And now in the end it threatens to split off a true "underclass"—not really an integrated part of the nation at all but a useless and miserable substratum.

To start at the heights, the "self-made man" of great wealth and with supreme command over men and productive resources has been disappearing in America ever since the time when college education became relatively so common that a man without a degree could hardly advance in business. Business itself has tended to become increasingly large-scale and highly organized. This process was well under way over half a century ago. So one element in the American image—symbolized by the boy who sold newspapers or shined shoes but became an industrial, commercial, or financial tycoon, or by the man who fought his way up from log cabin to White House—has had to be written off.

A fundamental cause for this process was a gradual democratization of higher education. In this America had, and still has, the lead in the Western world. The journey to the top could, and still can, be done in two generations, even if not in one man's lifetime.

Moreover, even if the highest economic and social positions were closed to those who started from the bottom, it was still possible to advance in many occupations, and there was an expansion of opportunity in practically every field for a long period. In addition, there was at least plenty of unskilled work to be done and, when business was good, there was always a demand for it. With the Great Depression over, this was still so in the war years and in the early post-war boom.

We have to remind ourselves, however, that to a considerable extent this American image was always something of a myth. Even omitting the highest social and economic positions, which have now been closed to those starting without higher education,

the opportunity to rise in society (or even to maintain a decent and respectable standard of living) and to participate in the nation's general culture and the solution of its problems, was not always, in the old days, as open as all that. Great masses of people were shut off from the freedom inherent in opportunity, were deprived of any possibility of social and economic advancement. This applied to the cotton-farming Negro tenants in the South, the white hillbillies not far south of Washington, D.C., and the migrant workers on the big Californian farms and in the many sweatshops in the cities. Partly overlapping with the last category was the cluster of new immigrants in the city slums. Handicapped in many ways, they often suffered miserably before they came into their own.

Finally, there were the periodic slow-downs in business activity, when a large number of even well integrated workers found themselves unemployed and without an income. The series of such reverses culminated in the Great Depression when sometimes up to 20 per cent or more of the labour force was unemployed.

Abject destitution for millions is thus nothing new in America. The trend has definitely been to decrease the number suffering from it or even running a major risk of doing so. This improvement is due in the main to the rising productivity of the American economy, and also to the fact that educational facilities have been vastly improved and that good school and college education has been placed at the disposal of an ever increasing percentage of the people, more generously than in any other Western country.

The New Threat

Nevertheless, there is something threatening in the most recent changes and in the trend for a foreseeable future. The displacement of unskilled and even of much skilled labour has a definiteness that must compel us to stop and think. To take advantage of the expansion of demand for highly educated and trained labour—an expansion that would be even more rapid if the rate of economic growth were higher—the displaced worker must go so

far to meet requirements of education and training that he simply cannot think of jumping the gap, no matter how alert and enterprising he may be. He needs to be helped to do it by society or he will not be able to do it at all.

What is happening is similar to the disappearance more than half a century ago of the "self-made man" from the highest positions as a result of the widening of college education and a parallel rise in the demands for formal education and leadership-training in business, as it became increasingly large-scale, organized, and stratified. This process has continued steadily downwards, first to middle positions, and then to ever lower strata in industry and commerce, until now it is beginning to make unskilled and many skilled workers redundant.

This is a new threat. For when the process has proceeded as far as that, without a parallel change by way of educating and training the *whole* labour force to correspond to the new demands, there is no longer a great space underneath for economic advance and social mobility, as there was when the self-made man disappeared at the top. Those not needed are true "outcasts". They have simply become unemployed, and indeed largely unemployable. It is almost as difficult for them to get and hold a good job as it long ago became for a boot-black to end as president of a great corporation.

This emergence of an American "underclass" of unemployed and largely unemployables comes at a time when almost the last batches of immigrants from Southern and Eastern Europe, and their descendants, have finally become integrated in the American nation: and at a time, too, when people educated and trained to fit the new direction of labour-demand are experiencing a brisk call for their work, and when the standard of living of the majority of well employed Americans—and so the general conception, spread by the mass-communication industry, of what the American way of life is like—has risen high above what a few generations ago was considered comfortable. *In society at large there is more equality of opportunity today than there ever was. But for the bottom layer there is less or none.*

The disappearance of the self-made man was a slight change

in society compared to that now under way, which is closing all good jobs, and will soon be closing all jobs worth having, to people who happen to have been born in regions, localities, or economic and social strata in which education and training for life and work in this new affluent society is the exception. For the larger part of America, social and economic mobility is provided by the educational system. Below this level lies an "underclass". The line that demarcates it tends to become almost a caste-line, for "underclass" children become, or tend to become, as poorly endowed as their parents.

In a situation of high and rising unemployment even the trade unions often become unwillingly instrumental in hardening the line that excludes this substratum of workers from the opportunity of getting jobs. Automation is particularly extensive in sectors of the American economy in which there are effective trade unions, which are therefore forced to press for security for their own members: so the employers are given an incentive to hold off from engaging new workers. Additionally, the unions often feel, in a situation of high unemployment, that their bargaining strength has been weakened, and they must not, they think, dissipate too much of it by making a consistently strong stand for what is in fact the main interest from the point of view of all workers, namely full employment.

They are thus in danger of becoming protective organizations for a number of separate groups of job-holders. All the unions together represent only a minority, perhaps a quarter, of the workers as a whole, and belong, while their members have jobs, to the middle third of the nation. We should not forget, in this connection, that labour protectionism has old traditions in the American trade union movement, particularly in the the A.F. of L. craft unions. To an observer it seems almost a miracle that big units of the movement, particularly the industrial unions in the C.I.O. wing, have found it possible to take such a broadminded and progressive position on national economic issues as they actually have.

The fact that the substratum we have been describing is not very articulate, and is therefore little noticed by these ordinary,

well educated Americans who are busily and happily enjoying both their work and their leisure, does not detract from the gravity of this development. On the contrary, it is fatal for democracy as such, and not merely demoralizing for individual members of this underclass, that they remain so mute and so devoid of initiative, and that they show no sign of organizing themselves to fight for their interests. *For its own health and even preservation an effective, full-fledged democracy needs movements of protest on the part of the underprivileged.*

The Curse of Unemployment

During the Great Depression, studies in America and many other Western countries showed that a very large percentage of the unemployed were on the way to becoming "unemployable". Although almost all these potential unemployables rapidly disappeared when the demand for labour revived during and after the war, we cannot, given the present state of affairs in America, have any confidence that the same would happen again now, even if we could suddenly and substantially lift the curve of economic growth.

This time, increased labour demand will be directed to a higher extent towards skilled and educated workers, a large percentage of the others being passed over. It is discouraging but probably realistic that the Kennedy administration should have redefined tolerable unemployment as no less high than 4 per cent, part-time unemployment, and "underemployment" at low productivity levels, apparently not included.

There is even a probability that the level of unemployment may be higher still when a boom has to be broken, owing ultimately to the shortage of educated and trained workers, if for no other reason. This will leave a hard core of unemployment uncomfortably high.

Unemployment is a damaging way of life, particularly for the young, and above all when their educational and cultural level is low. Crime, prostitution, and all sorts of shady methods of passing the time will thrive as they did in the slums during the

depression of the thirties: they are beginning to do so already, and the trend is increasing.

The well-meaning proposals put forward by progressive writers for paying greatly increased unemployment benefits, or sometimes even full wages without time limit, to people who have been thrown out of work through no fault of their own have, of course, little chance of being accepted by Congress. But apart from their lack of political realism, such proposals underestimate how unhealthy and destructive it is for anybody, and particularly for young people without much share in the national culture, to go idle and live more or less permanently on doles (this dogma of old-fashioned Puritanism is fully borne out, I believe, by recent social research). Work is not only, and not even mainly, a "disutility" as conceived by the classical economist. It is, if not always a pleasure, the basis for self-respect and a dignified life. There is no real cure for unemployment except employment, which does not mean, of course, that it is unimportant to make it possible for people to live when they have become unemployed.

A Vicious Circle

The essential question for anyone probing into the impact made on society by the formation of this underclass is the character of the selective process that determines whether a man comes above or below the dividing line. The criteria are those of education and training. If old people have failed, and young people are now failing, to get an education up to levels corresponding to national standards on the one hand and the direction of labour-demand on the other, the explanation is usually that they have been living in an environment of poverty and squalor.

It has become customary to describe the situation in underdeveloped countries as one of a vicious circle, of "poverty perpetuating itself". But the same vicious circle operates for an underprivileged class in the richest country of the world.* To

* For an early statement of the theory of circular causation resulting in a cumulative process and of its application to an underprivileged category of people in a rich country, see *An American Dilemma* (Harpers, New York, 1944), "The Theory of the Vicious Circle", pp. 78 ff, and Appendix 3, "A Methodological Note on the Principle of Cumulation".

begin with, unemployment means loss of income: and for those in particular who have become permanently unemployed, or whose employment is casual and in fields uncovered by unemployment compensation, the loss is either total or at least very substantial.

Such people will become disheartened and apathetic. As parents they will be unable to make the necessary contribution to their children's education. They will be prompted, rather, to take them away from school prematurely if any employment offers, however low the wages and however slender the prospect of future security. The home environment of the unemployed, in a word, will conduce little to the education and training of children and young people for good jobs.

The unemployed will be forced to live in slums or, more probably, will always have done so: and whatever the official regulations may be, schools in slum areas will be as bad as those that serve the backwoods farmer. The whole way of life in the crowded slum areas of cities, or in the rural slum districts, will be destructive of the will and ability to advance.

A remarkable tendency in America has been that parallel with, and even prior to, the rise in unemployment slum clearance in the cities has mainly benefited the middle third of the nation, for they alone could afford to pay the rents for the new houses, which have not really been to any great extent "low-cost". Those made homeless have been pressed into other already crowded slum districts or into districts which in this process of change have become slum districts.

This perverted tendency in American housing policy has its parallel in almost all other social policies. Various social security schemes, as well as, to some extent, minimum wage regulations, happen to stop just above the groups of people most of all in need. Voluntary health insurance schemes are far too expensive for the poorest, in other words for just those who show the highest incidence of illness and bad health, both physically and mentally. This in its turn makes it still more difficult for the poor, among whom unemployment is already highest for other reasons, to find work. In the same way agricultural policy in America has

mainly aided the big and progressive farmers, and done little, if anything, for small farmers, small tenants, and agricultural workers. It is true that most of them should be moved right out of agriculture anyhow; but little is done to speed up this process, and still less to prepare the immigrants for something better than finishing up among the unemployed and underemployed in the slums.

There is a political factor in this vicious circle, with its cumulative effect. The poor in America are unorganized and largely inarticulate. They exert no pressure corresponding to their numbers and to the severity of their plight. They are the least revolutionary proletariat in the world. As the studies of registration, and of participation in elections, make clear, they are largely responsible for the comparatively low percentage of voters, and this not only in the South, where the Negroes are still largely kept from voting (even if they wanted to), but in the rest of the country as well.

As the poor constitute the big unutilized reserve of potential voters, the platforms worked out by Democrats and Republicans alike before every election always imply a radical departure from policies pursued in the past—usually couched, however, in vague and highly noncommittal terms. But when elections are over, and many of the poor are seen to have still stayed away from the polls, actual policies return to the routine of comparative neglect.

The Minority Groups

Much of the rising unemployment falls upon minority groups, and implies a serious setback in the process of national integration. The largest and still most handicapped minority group in America is that of the Negroes.

From about the beginning of the last war there has been a definite trend towards improved race relations in America, a development which is the more remarkable in that for sixty years up till then there had been no great change in the status of the Negroes. A very important cause, though one among many, for this encouraging trend was undoubtedly the rising level of labour-demand after the Great Depression and from the beginning of the war. An increasing number of Negroes were allowed

to acquire skills, join trade unions, and get seniority and job-protection in new fields that were opening for them.

But the Negroes are still the "last hired and the first fired". Negro unemployment is at present about three times as high as average, which means that close to a fifth of Negro workers are unemployed. Apart from a tiny upper and middle class of professionals and business people (mostly thriving behind the remaining walls of prejudice) and now a considerably increased group of skilled and union-protected workers, the majority of Negroes are much poorer and have had far less education and training than the average white Americans. They are consequently more vulnerable in the present situation, when labour demand is, and must be, turning towards the educated and trained.

They are also directly discriminated against, legally and illegally, when seeking a home. Negro slums are getting increasingly overcrowded and dilapidated for this reason. In the South the whole educational system still mainly segregates Negroes in inferior schools, and there are many other acts of prejudice and discrimination that tend to press them down economically and socially. The trend in these other respects has, as I have said, been towards improvement from the beginning of the Second World War. But the reforms are slow to work themselves out in terms of substantial changes in living conditions.

High and increasing unemployment among Negroes is, on the one hand, an aggravating factor in hampering an improvement in their status. These inferior living conditions, on the other hand (including inadequate education and training), tend to make it harder for them to get and hold the good jobs.

The greatest danger to the gratifying upward trend in race relations in America stems from this vicious circle, operating in a situation of generally high and rising unemployment, when inferior living conditions cause a proportionally much heavier incidence of unemployment among Negroes, while the spread of unemployment in its turn causes a deterioration of living conditions.*

* Some further observations on the problems of the Negroes in present day America are contained in the Appendix

But to the large number of Negro workers—more than 10 per cent of the labour force—who more than any others are hit by unemployment when high and rising, and to the Puerto Ricans, the Mexicans and other minority groups affected in the same way, must be added poor white people throughout the country who will be pressed down into a substratum excluded from the prosperity of the nation at large and the progress of the American way of life, and then held there by the vicious circle.

Poverty

The Bureau of the Census and several of the departments in Washington and of the State administrations, as well as university institutions and other research units, have in recent years done a commendable work in laying bare the facts of American poverty and of the casual relations behind it.

They give a clear and consistent picture of the situation, with no more divergence as between the various computations than is inherent in any process of statistical observation and definition. The following summary condensation of the results of these various studies is derived from *Poverty and Deprivation in the U.S.*, published by the Conference on Economic Progress (Washington, 1962), which has taken them all into consideration and properly accounted for the methods used in arriving at the figures.

If poverty be defined as having to live on an annual income of under \$4,000 for multiple-person families and \$2,000 for unattached individuals, 38 million Americans, or more than one-fifth of the nation, were poor in 1960. In deprivation (defined as above poverty but short of the requirements for what in America is now considered a modestly comfortable standard of living—from \$4,000 to \$6,000 for families and from \$2,000 to \$3,000 for unattached individuals) were more than 39 million people, or again more than one-fifth of the nation. Utter destitution—the situation of people with less than half the poverty income—was the destiny of more than $12\frac{1}{2}$ million Americans, or nearly 7 per cent of the population of the United States.

The proportion of people in these various categories of deprivation, poverty, and destitution has been decreasing since the depression years, first rapidly and then slowly. The slow-down has become particularly marked during the last decade; the proportion of the destitute with incomes under half the poverty level actually increasing a little. Income distribution did follow a tendency towards gradual equalization until the last decade, but then the relative economic stagnation began to reflect itself in a new tendency to increasing economic inequality.

Poverty is greater in the South. It is more than twice as common among the non-white as among the white population all over the country. More than three times as many non-whites as whites have less than half the income taken to demarcate the poverty line.

Poverty is also greatest in agriculture, afflicting the small farmers, the small tenants and the hired workers who make up the majority of rural people. About two-thirds of the latter group earned less than \$1,000 a year in 1960.

Poverty is particularly prevalent among families whose head is female, whether they have lost a husband and father or never had one. People over sixty-five years of age are also particularly poor. Of families with a head of sixty-five or over, close to two-thirds lived in poverty and nearly one-third were destitute, in the sense given above. Indeed, one-tenth of such families had to live on less than \$1,000 a year, and this means utter destitution. Even worse off were elderly persons living alone. Four-fifths of them lived in poverty, and nearly half were destitute. The median income of families with heads aged sixty-five and over was under \$3,000, and that of unattached individuals only a little over \$1,000. This age group is now increasing almost twice as fast as it was ten years ago.

Low income is closely related to the amount of schooling people have had. Among families whose heads had had less than eight years of elementary education almost two-thirds lived in poverty, with incomes under \$4,000. More than one-third had under \$2,000. Among unattached individuals the incidence of poverty was even heavier. The less well-educated families and

unattached individuals accounted for far more than half of those living in poverty. The correlation between health deficiencies and low incomes is similar.

More than 40 per cent of the families whose heads were unemployed lived in poverty. They constituted a fourth of the total population so living. The other three-fourths had occupations for which we have invented the new term "underemployed" when analysing the development problems in underdeveloped countries, in order to characterize people who have been stuck in localities and jobs at a low level of productivity and, consequently, of earnings.

To the underemployed in this sense belongs the larger part of the agricultural population, the progressive and prosperous elements of which, mainly large-scale farm operators, are in a minority. In the cities they have low-paid jobs, often of a casual nature.

Increased Inequality in the Midst of General Equality

It is perfectly possible for the majority of Americans to live, together with practically everyone they have primary contact with, in a situation of full and even overfull employment, with brisk demand and competition for their labour, while they read in the newspapers that there is large and growing unemployment beneath them. That this can be so is the result of unemployment being to a large extent structural in character.

With increasing distress at the bottom of American society, ever greater social mobility, liberty and equality of opportunity, and a generally rising economic and cultural level, may be perfectly possible in majority America. More and more individuals and families may move further away from the neighbourhood of the dividing line. Social welfare policies have been specially framed, as I said previously, to give greater security for that middle group in the nation. And it might even be possible for some individual from below the poverty line to pass successfully above it—the false corollary being that America is still the free and open society of its cherished image and well established ideals.

But as less and less work is required of the type that people in the urban and rural slums can offer, they will be increasingly isolated and exposed to unemployment, underemployment and plain exploitation. There is an ugly smell rising from the basement of the stately American mansion.

CHALLENGE TO AFFLUENCE BY GUNNAR MYRDAL

