

Poverty (1964)

(Series for Economic Education)



THE NEW POVERTY

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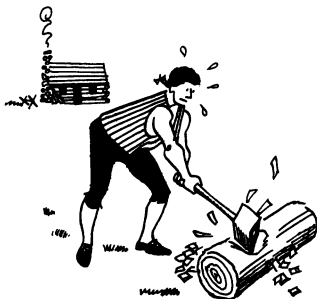
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THE NEW POVERTY

When the country was young, a man's standard of living depended in large measure on his skill, initiative, strength and wisdom. With his "good right arm" he wrested a living for himself and his family from forest, field and stream.



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The attitude prevailed that poverty was "God's judgment against the undeserving." Poor people consoled themselves with the thought that riches would come if only they made themselves more deserving — if only they were able to work harder and develop more wisdom. Although most people were poor and remained so, they had hope. They also had Mother Nature to provide them with fish

and game, free for the taking.

Then the virgin woodland was cut down and in its place sprouted a thicket of smoking factories. Before long a man's standard of living came to depend, not only on his skill, initiative, strength and wisdom, but also on an incredibly intricate mechanism of assembly lines, offices and stores to provide him with the opportunity to work.

Although the American economy made great strides, progress was not steady. A crisis occurred in the 1930s and strong

right arms by the millions were reduced to reaching for doles of thick bread and thin soup. Workers, who had lost the ability to achieve economic security by individual action, sought it collectively through large unions and strong governments. Programs such as Social Security, Unemployment Compensation, relief and public welfare helped many escape the hobnailed heel of want. The continuation of such governmental activities is thought by many to be one reason why we have avoided major depressions and improved the lot of the poor over the last 20 years.

Another reason, perhaps more important, is the technological revolution that was nourished so effectively by World War II. New methods and machines have increased the productivity of American workers tremendously in the space of a few decades. Able to produce more, most of us have been able to buy more and the general standard of living has risen to a level that our grandfathers never even dreamed of.

Living with change

It's ironic, but the technological revolution which opened the door to prosperity for the majority, also slammed that door tight shut in the face of a sizeable minority. The essence of the revolution is *change*—accelerating and pervasive change. Not only has the way we produce goods in our factories undergone sweeping change but so has the way we sell groceries, teach school, heal the sick, and raise crops, to give but a few illustrations.

As the revolution progressed, some workers were not able to keep pace with change. Maybe they were too old or too set in their ways, maybe they ranked low in mentality or had been denied an adequate education. For one reason or another they lacked the inherent flexibility to adjust to the fast changing conditions in the labor market. As a result, the wave of affluence began to sweep by leaving them and their families in eddies of poverty.

The disadvantaged

The "new poverty" of the postwar period usually struck people who were at some disadvantage. Negroes, for example, were especially hard hit. One reason was that they were afflicted by the disadvantage of discrimination, which often denied them the opportunity for a good education and job training.

Another disadvantage is the lack of a male breadwinner. According to the definition used by the President's Council of Economic Advisors (see below), about 50 per cent of broken families are poor compared to 20 per cent of all families. The mother, who suddenly is forced to support her family, probably lacks the skill necessary for a high paying job and she also may encounter some salary discrimination against women.

One out of every two families headed by a person 65 or older, is poor, as defined by income alone. A major disadvantage here is being old at a time when employers seem to put a high premium on youth. To make matters worse, many people, now retired, were at the peak of their earning power during the Depression and probably missed the opportunity to build up a normal nest egg.

Over 45 per cent of all farm families are poor. Among their disadvantages is the rapid increase in agricultural productivity which has made it extremely difficult for the small farm to compete with the large business-like endeavor. Although many poor farmers have given up and gone to the city, many others still continue to eke out an existence on a few barren acres.

About a third of the people who live in the Appalachian highlands are poor. One of their principal disadvantages is the decline in mining employment, which came about as coal users changed to other fuels.

We do not mean to give the impression that all the causes of the new poverty are beyond the control of the individual. Some are; racial discrimination, for instance. But a disadvantage such as inadequate education often is the result of a

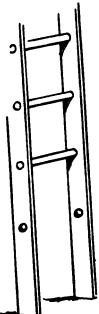
voluntary, if misguided, dropout from school. Many old people may be poor because they squandered large incomes unwisely in younger days. Others may endure poverty because, for many understandable personal reasons, they find it difficult to break deeprooted ties to a depressed town or area.

The quicksand effect

As the post-World War II period progressed, people who sank in the quagmire of poverty found it increasingly hard to get out. The technological revolution was eliminating many of the manual jobs that once were the first rung on the ladder

up to comfortable, middle class living. Those unskilled tasks that remained rated low wages and low prestige. Thus, it became harder and harder to escape poverty.

The poor felt trapped by forces they didn't understand. No longer did they believe affluence was obtainable if only they worked harder and developed more wisdom. They tended to become discouraged and demoralized; they lost the hope which had made low living standards more bearable for their forefathers. Without hope, many were unable to take the first difficult steps of self-improvement that led out of their particular poverty pocket.



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As time went on and the majority of the nation enjoyed its postwar prosperity the poor became increasingly isolated from the mainstream of American life. They led shadowy lives in the slums so near but yet so far from the city's business heartland. They huddled in tarpaper shacks over the hill and out of sight from the turnpike that took happy suburban

families to their mountain vacations. As Michael Harrington said in his book, "The Other America," poverty existed in an "invisible land."

How much poverty?

There is no way in the world to say with certainty that one family is poor and another is not. Poverty is both relative and subjective. It depends on many things including family size, age, assets held, climate, consumer price levels, the opportunity to grow food and so on. A retired couple owning a small farm in the South might feel well-to-do on an income that would mean extreme privation for a Philadelphia family with five small children.

The period in history makes a difference, too, because we are constantly upgrading our definitions of poverty. People who are considered poor today might have qualified as almost-affluent 50 or 100 years ago.

Poverty means something quite different in other parts of the world. By American income standards 75 per cent of all families in England might be classified as poor. Indeed, many nations in Africa and Asia would be delighted if they could raise their *average* standard of living to that of our poorest people.

Acknowledging the difficulties involved, the President's Council of Economic Advisors has made an attempt to define poverty in terms of monetary income. As a rule of thumb, the Council considers a family poor if it has a before-tax annual income of \$3,000 or less, at the 1962 price level. An individual living alone would be poor with \$1,500 or less.

Using these admittedly imprecise standards, about one-fifth of our population, or between 33 and 35 million people, is poor today. With adjustment for changes in the cost of living, about a third of the nation was poor in 1950.

Out of the shadows

Harrington's "The Other America" was published in 1962. Since then the new poverty, if not the poor themselves, has

become highly visible and, with the help of the mass media, virtually impossible to forget.

A number of factors combined in the last year or two to draw the nation's attention to its poverty. Harrington's book played a part in the awakening and so did other books, articles and speeches. In addition:

- Underdeveloped nations in Africa and Asia have recently received increasing publicity because of their birth pains and the heightening controversy over our foreign aid programs. Possibly better knowledge of poverty abroad has caused us to notice it more at home.
- Poor people are becoming a more important political force as traditionally poor minority groups begin to flex their voting muscles. In addition, reapportionment should give urban slum dwellers more political representation, at least in state legislatures.
- Because of its prevalence among Negroes, poverty is bound up with the civil rights issue. The spotlight on the latter undoubtedly has helped illuminate the former and vice versa.



POVERTY MEANS A WASTE OF POTENTIALLY PRODUCTIVE HUMAN RESOURCES.

- As the nation has grown more sophisticated in the matters of business and finance, the economic costs of poverty became more widely known. Not only does poverty mean a waste of potentially productive human resources but it places a heavy monetary burden on our various governments. As a nation, we have long since

decided that we can't let people starve, so society undertakes to provide some sort of basic subsistence for our poor people. Furthermore, the country as a whole must pay huge sums to combat the unusually high rates of crime, disease and delinquency that poverty breeds.

- Some of the recent concern over poverty could have been caused by a developing guilty conscience on the part of the affluent majority. In the latter 1950s, critics intensified their complaints about American materialism, as epitomized by the automobile tail fins and other goodies. As in prior periods, this criticism didn't seem to diminish the national desire for material possessions, but it might have sharpened our concern for the less fortunate.
- Finally, the nature of the new poverty seems to have attracted widespread attention to itself, once it was illuminated. Thinking citizens have become alarmed at its pernicious effect. Many children growing up in the demoralized environment of our rural and urban slums, soon abandon hope as their parents did before them. This makes it extremely difficult for young people to do what is necessary to escape—to stay in school, for instance. Thus generation after generation may be doomed to live out their lives in poverty. Although the physical health and sartorial appearance of the poor has improved steadily, their mental attitude seems to deteriorate with each turn of this vicious, self-generating cycle. As a result, the poor fifth tends to become a greater danger to the comfortable four-fifths of the nation. Already the bitter fruits of the new poverty are alarming Government officials and private citizens alike. Juvenile delinquency, crimes of violence, riots and other disorders, often linked with poverty are on the increase. More important is the way the poor might wield their increasing political power. Are they likely to continue to support an economic and political system that they feel gives them little chance, or will they fall for the siren songs of those who would destroy democracy?

For reasons such as these, the new poverty has attracted the attention and concern of the nation. In the space of a few years it has become a major economic, social and political issue. Most people now admit something should be done to combat poverty and all its dangerous side affects. They agree with the great physician, Moses Ben Maimon, who said in the Twelfth Century-A.D.:

“Anticipate charity by preventing poverty; assist the reduced fellowman, either by a considerable gift, or a sum of money, or by teaching him a trade, or by putting him in the way of business, so that he may earn an honest livelihood, and not be forced to the dreadful alternative of holding out his hand for charity.”

Action — but what action?

Some analysts hold that governmental “interference” has slowed the expansion of the private economy. Reduce this

interference, they say, and the economy will grow faster, thereby creating more jobs for the poor.

On the opposite side of the fence, it is claimed that the new poverty is such a complex problem that only a strong central government can cope with it. This group splits when it comes to specific action, however. One school believes that the Federal Government should spend more or cut taxes in



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order to increase the overall demand for goods and services. This extra demand, in turn, is supposed to create new jobs for unemployed workers.

The other school says that the real problem is that modern technology has eliminated forever many of the jobs for which poor people can qualify. These analysts call for more specific governmental action, aimed directly at the causes of poverty. They believe Government should help unemployed workers qualify for the jobs that are available. Included in this category are beefed-up training and retraining programs, better nationwide information on job opportunities, allowances for workers willing to move to other areas, an efficient system for trading-in used housing and anti-discrimination laws. Although sometimes thought to be necessary palliatives rather than lasting cures, such programs as unemployment compensation and aid to depressed areas generally are considered specific actions.

Then there are those who advocate both government action to increase overall demand and specific programs as well.

There is no free lunch

Desirable as it might be to eradicate poverty once and forever, all the proposals commonly put forth involve heavy costs and serious risks. And, as we indicated earlier, so does doing nothing at all.

If the nation decides that reducing governmental "interference" is the best course of action, the risk is that the private economy may not respond as hoped. In fact, many experts believe that sharply reduced governmental spending could cause the nation to crumble into a depression like the one in the early 1930s.

Federal Government spending, abetted by Federal Reserve action to keep credit cheap, probably could pump up overall demand enough to create a job for almost every worker, no matter how unskilled or inflexible. Massive federal purchases of munitions in World War II required the services of virtually everybody including "the lame, the halt, and the

blind." The risk, of course, is that such an infusion of demand today would leave a legacy of inflation as it did after



THE RISK, OF COURSE, IS THAT LARGE INFUSIONS OF DEMAND WOULD LEAVE A LEGACY OF INFLATION.

World War II. Inflation can dislocate the entire economy, hurting poor people in particular, because they have relatively little bargaining strength in regard to wages.

Specific governmental programs, if well-conceived and executed, might strike effectively at the causes of the New Poverty.

Their cost, however, could be a reduction of individual freedom and private initiative. Some European nations, which have all but eliminated poverty, have found that their programs are not very effective if participation is voluntary. As the Harvard Business Review points out "... some freedoms may be more important in the long run than freedom from want on the part of every individual ..."

Conclusion

It goes without saying that a prosperous, growing economy is essential to the reduction of poverty. It is clear, too, that in some areas specific measures can be helpful. Indeed, the nation is already committed to full employment policies and numerous anti-poverty programs. The next steps, if any, depend on the careful balancing of goals and risks by an informed electorate and its representatives.

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