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Poverty as a Public Issue

EDITED, WITH AN INTRODUCTION BY

Ben B. Seligman

Preface by Gunnar Myrdal

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Poverty as a Public Issue

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Preface

A dramatic change in American attitudes toward the social problem is under way. The nation is finally—and rather suddenly—becoming prepared to accept the welfare state. This implies an intellectual as well as a moral catharsis for that majority of Americans who are prosperous and secure. They cannot conceal from themselves any longer that there is in the United States a large "underclass" of poor and destitute people in the urban and rural slums who are largely cut off from the life and aspirations of the nation. They are brought to see the serious and dangerous consequences of poverty amidst plenty, not only for those people who are poverty-stricken, and their children, but for the progress and welfare of the nation as a whole. They are compelled to give up a whole system of irrational conceptions that had been built up in order to protect their indifference. Broad policy measures which a few years ago would have seemed to be radical and unacceptable are now rapidly becoming part of practical policy. The swelling flood of statistical investigations devoted to the poverty problem, conferences, seminars, books and articles, speeches, and policy declarations, give expression to this catharsis at the same time as they spur it on.

There are many other social changes that work in the same direction, and so become integrated in the movement toward the acceptance of the welfare state. The Negro rebellion within the past two years or so is one of them. It brought Congress last year to accept a civil-rights law more radical than anybody could have dreamed it would accept only three years ago. As this is written, the President feels it to be an urgent matter to announce a federal law with teeth in it to protect the Negroes' right to vote, and only last-ditch diehards are talking about a filibuster.

Even more important is the fact that it is now commonly recognized that equal rights are not enough to give real equality to a group that for so long has been treated as comprising second-class citizens. Very much more needs to be done than abolishing segregation and discrimination by legislation—in the fields of housing, employment, education, health, and so on. But Negroes do not make up more than a third or a fourth of those who are poverty-stricken. Moreover, for technical reasons alone, policies in these fields cannot be dealt with as merely Negro problems. Finally, such a segregation of policies cannot meet the Negroes' demand for equal treatment. And so we are back to the general problem of how to abolish poverty in America.

For the Negroes this implies the necessity to feel solidarity with all other disadvantaged groups, which is not an easy demand, because they often meet resentment from exactly those groups who have been their competitors. It means also that Negroes must acquire the wisdom to align themselves with all the progressive forces in the United States. They have, for instance, the greatest interest in supporting all those who strive for changing the American economy into a full-employment economy. As long as many white workers are unemployed or dread the risk of unemployment, all efforts to stamp out discrimination in the labor market cannot have more than rather futile effects.

At the same time, other sections of the population must share the responsibility of developing a solidarity which accommodates the aspirations of the Negro and all other

disadvantaged groups. For socially balanced and secure progress toward a welfare state, the American people require a stronger and more progressive trade-union movement. Ironically, there are wide sections of the business community who are more prepared to accept the welfare state, or significant aspects of it, than some sectors of the labor leadership. They have at last learned from such liberal economists as Alvin Hansen, John Kenneth Galbraith, and others, that anything less is a drag on their own self-interest.

Another important change lies in the rise of the annual increase in Gross National Product from 2.5 per cent in the Eisenhower era to 5 per cent in the Kennedy-Johnson era. This change has been brought about by deliberately conceived policies. However, the growth rate is still not high enough. More than 1 per cent has to be subtracted in comparison with other rich countries with a lower population increase. Reckoned per head, there was almost total economic stagnation during the 1952–1960 period.

We know also that in the latter years the unemployment rate has gone down only from a little above 6 to under 5 per cent—not counting those who are not seeking jobs because they have lost confidence in their ability to get jobs, and those who are "underemployed" in the sense that their productivity and incomes are abnormally low. Because, moreover, the labor force will from now on increase half a time faster than up till now, the United States needs a considerably more rapid economic growth for the years to come in order to make a real dent in unemployment and, indeed, in order not to see the unemployment rate start to rise again.

A rapid and steady economic growth, raising the demand for labor and decreasing unemployment, must necessarily be a first precondition for success in the War on Poverty. But as part of the great intellectual and moral catharsis, it is now becoming generally recognized that much more than economic growth is needed in order to win this war. By education, training, and retraining, the quality of the labor supply must be raised to meet a changed labor demand. At the same time there is need for adjusting the labor demand to fit the labor supply more closely, which is an additional reason for speeding up various types of construction work that are badly needed for their own sake—as well as in the fields of transportation, low-cost housing and city renewal generally.

There must also be a more effective income redistribution in the interest of the aged, the sick, the disabled, and, in particular, the children. It is especially worth remarking at this point that if one-fifth of the nation is counted as poor or at the poverty level—one-quarter of the children are in that situation! Indeed, the whole Social Security system needs to be overhauled. It is still too much like the out-of-date pattern of the times of Bismarck and Lloyd George—when social welfare policy was considered *"eine Arbeiterfrage"*—which, in practice, means that the most needy are often left for discriminatory public and private charity. The United States can very well afford to give every citizen what he needs in health facilities and a pension when he reaches a certain age; this would also mean a tremendous simplification and rationalization of administration.

We are increasingly coming to recognize as part of this great catharsis that not only social security policies but almost all other policies—agricultural policies, taxation policies, housing policies, minimum-wage legislation, and so forth—have followed the perverse tendency to aid the not-so-poor, while leaving a bottom layer of very poor unaided. The War on Poverty will therefore have to be fought on many fronts and will in the end have to imply not only an enlargement but a redirection of all economic and social policies. In financial terms, it will soon amount to very much greater public expenditure than is still generally appreciated. But, the gradual increase of public expenditure will sustain demand and economic growth.

Nobody should expect this "unconditional War on Poverty," which was planned by the late President Kennedy and declared by President Johnson, to be a brief encounter. Even if courageously fought, it will take the best efforts of the nation for many years and even decades. Plans have to

be carefully worked out and gradually set into effect. Hospitals and schools have to be built; doctors, nurses, and teachers have to be trained; and teachers of the teachers. Cities have to be rebuilt. The catharsis will result in new visions, and these visions will come out clearer and stretch farther, the more the efforts are intensified and prove their wholesome results for not only the poor but the whole nation.

To further that catharsis, discussions of the kind represented by the papers in this volume are most appropriate. The more the American public evaluates and analyzes the nature of poverty, the better will it be able to achieve the consensus so necessary to the solution of its social problems.

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Stockholm, March 1965

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Introduction[1]

BEN B. SELIGMAN

Quite recently, a noted economist of liberal persuasion tried to remind me that America had always experienced some measure of poverty and unemployment. Hence, was the implication, we ought to take consolation in the fact that the "numbers"—he meant the statistics on employment and income—revealed how much better off we were today than 30 years ago. I agreed that it was difficult to become indignant over poverty in an affluent society: such a response was more appropriate to the 1930's. The proper feeling now, I replied, was disgust. How else was one to react when a society could push its Gross National Product to $630 billion and at the same time tolerate within its midst abysmally low levels of income for some 30 to 40 million of its inhabitants?

Now, the attitude of my colleague was not smug or complacent. He was merely hopeful that we were in fact solving the problem of poverty. But were we? Except for a handful of social scientists and journalists, most Americans had deluded themselves, as they rushed across turnpikes and freeways, in believing that there were no more poor around, or if there were, these benighted few represented isolated instances that could be treated by the case method, whatever that might be. Such a view had been quite common in the postwar era. In the late 1940's a now eminent sociologist assured me that income-distribution patterns had been so altered that we were rapidly becoming middle class in respect to income figures as well as to aspiration. My offer to test his hypothesis by a visit to some nearby slums was not accepted. Somewhat later I became embroiled in a colloquy in the pages of *Commentary* (Sept. 1951) with William D. Grampp, a fairly conservative economist, who, utilizing some Federal Reserve Board data, had argued that inequality was being eliminated from the American scene. This, it seemed to me, was not only a premature observation, but an evasion of a persistent problem. Moreover, the business decline in 1949, a rather modest one, had accentuated the disproportion as compared to the previous year.

The debate remained inconclusive. The prosperous years of the fifties, with their burgeoning suburbias, pushed the poor further back into the hills or left them isolated in crowded city slums, while at the same time they were erased from our national consciousness. As we were celebrating a new class with television and tail-fin autos, we forgot that an old poor was living in quiet desperation in the rural slums of Appalachia and in the Negro ghettos of the city. We forgot too that technology was beginning to add to the poor in the coal towns of Pennsylvania. We forgot that silent yet dramatic changes accompanying prosperity in our economy were leaving behind a residue of poverty that might one day call into question the sensibilities of the larger society.

During these years a small number of writers, whose awareness of the realities of income and poverty was perhaps keener than most, kept reminding us that we had by no means solved all the social and economic problems of the day. One of these was Gabriel Kolko, whose *Wealth and Power in America* (1962), a self-conscious but serious work, attempted to demonstrate that the statistics on income

failed to tell all there was to say about poverty. Unfortunately, it was marred by overanxious interpretations of the relevant data, as when Kolko argued that 23 per cent of those earning less than $1000 a year owned a car, as compared to 95 per cent of those earning more than $10,000. Dwight Macdonald later observed in a strikingly perceptive piece in *The New Yorker* (January 19, 1963) that the real point was just the opposite ". . . as any citizen of Iran, Ghana, Yemen or the U.S.S.R. would appreciate—not that the rich have cars but that almost a quarter of the extremely poor do." But Macdonald let another point escape him: in a technological society a car may be no luxury, for to earn something, one frequently needs better transportation than an ancient auto held together with baling wire.

Another difficulty with Kolko's book was his insistence that the distribution of income in the United States had remained substantially the same since 1910, a palpable misstatement of the facts. Further, as Herman P. Miller demonstrated in his book, *Rich Man, Poor Man* (1964), the data for 1910–1937, on which Kolko had relied, were considered so inaccurate that they were deleted by a panel of experts from the official *Historical Statistics of the U. S.* The critical point about income distribution, as Miller notes in his book, is that it has remained virtually unchanged since 1944. Hence, it would seem that income figures per se, while relevant, do not adequately demonstrate the nature of poverty. One needs to examine the quality of life, especially by contrast with the standards and expectations generated in modern society.

This was precisely the task that Michael Harrington set for himself in his *The Other America* (1962), a work that unquestionably helped arouse the recent furor over poverty. Harrington sharply reminds those preoccupied by the wonders of affluence that beneath it all there is a heavy layer of deprivation. The poor, says he, suffer from no temporary aberration but are subjected rather to a persistent and degrading suppression of their living standards and whatever humanity they once possessed. Moreover, America's poor, are strange and estranged, for they are invisible. As I wrote in a review of Harrington's book: "The average traveler on speedy turnpikes does not see the rundown company town where permanently unemployed loiter on street corners and in bars. Suburbanites at shopping centers no longer glimpse the poverty of downtown."

Harrington's great service was to reveal this hidden subculture of American society—one in which values exist that statistics cannot possibly describe. It is a culture that perpetuates itself in an endlessly desperate circle; it is a culture beyond the reach of the welfare state and its inhabitants are lonely, insecure, fatalistic, without pleasure. All this Harrington discovered by visits to flea-bitten employment agencies supplying dishwashers to restaurants; by talking with workers cast adrift by automated industry; by helping the Catholic Workers' group in their remarkable mission on New York's Bowery; by serving as a social worker in St. Louis.

Many of the poor are the unseen work force of the city. These are the employed poor: the restaurant workers, hospital employees, clerks in small shops, janitors, and menial jobholders. Unprotected by most social legislation they are unskilled and poorly educated, and more often than not are brutalized by unscrupulous employers and racketeer unions. They are also the displaced mineworkers kept in idleness forever by John L. Lewis' desperate deals with the coal operators. They are migrant farm workers, "hillbillies" hidden by the foliage of Appalachia. They are small farmers, the last of America's yeomanry. They are Negroes, long-time inhabitants of the poverty subculture, at work, if at all, mainly in the lowest and poorest paying jobs. They are the aged, of whom there are now more than ever before, and whom we merely tolerate and store away in institutions and roominghouses to die.

Of course, there has been improvement since the days of the Great Depression. No one in his right mind would assert that starvation is rampant in America. But as Dwight Macdonald says, the continuation of poverty in the midst of plenty denies the proposition that every citizen has a right

to be part of our society; if that right is denied, "it impoverishes us all." True, nobody starves in an absolute sense, but who can measure the starvation, Macdonald has asked, that places many of the poor in a long vestibule to death?

Macdonald's extraordinary piece was read by many persons who had overlooked the Harrington book or had been frightened off by Kolko's appalling prose. One such reader was Ted Sorensen, special assistant to President John F. Kennedy. According to Washington legend, Sorensen was so moved—or perhaps so astute—that he at once urged his chief to read the *New Yorker* article. Thus was born the War on Poverty, or at least its beginnings. On February 14, 1963, President Kennedy proposed a national youth service akin to the Peace Corps that was working so well overseas. Through the months that followed public discussion and congressional talk revolved about the notion of a Domestic Service Corps. Obviously, this was a limited approach, and aware of the political atmosphere on the Hill, the Kennedy Administration, always concerned with the politically possible, moved with characteristic caution. When Lyndon Johnson was required by an assassin's rifle to take over the reins of power, it seemed doubtful that much would be done. But in March 1964, hearings on a broader bill started in the House of Representatives. Suddenly, "poverty" became fashionable: Adam Clayton Powell, chairman of the House Committee on Education and Labor opened the hearings with a flourish and a press release. The Administration spoke not only of youth, but of the aged, fatherless, Negroes, rural poor, and industrially dispossessed. It proposed to spend a billion dollars in skirmishing along the poverty front.

As is underscored by several of the authors in the symposium that follows, the government's modest proposal represented but a beginning, although perhaps a significant one. Harrington delights in telling the story of his first visit to Sargent Shriver after the latter had been designated chief of the War on Poverty. Shriver asked Harrington what he thought of the assignment. Said Harrington, "It's nickels and dimes in the poverty problem." Shriver stared at him. "Mr.

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Harrington," he replied, "perhaps you've spent a billion dollars before, but this is my first time around." One supposes the point to be well taken, at least for a program whose administrators must face up to the particular problem to which it is addressed for the first time. Yet Harrington's wry response cannot be gainsaid, for public assistance alone accounts for some $5–$6 billion, while OASDI and unemployment insurance require about $18 billion of outlays. One can hardly expect that a billion dollars a year will cure wounds for which band-aid treatment has cost more than twenty times that much.

Some members of the affluent society, especially those who might have experienced rough times in their youth, or those whose parents were poor immigrants, are apt to be somewhat bemused by the recent concern over poverty. No one, they say, legislated a war on poverty for Irish, Italian, or Jewish immigrants at the turn of the century. Faced by a hostile environment that was nevertheless filled with opportunity, these ethnic groups overcame their bewilderment, seized the main chance, and climbed the ladder of success. If there are poor people around us today, then it must be due to defects of character, lack of will, or an unwillingness to undertake risk.

What is not acknowledged, however, is that poverty today has a new shape, a physiognomy substantially different from that which existed 50 or 60 years ago. The older poverty was an accompaniment to the unfolding of industrial expansion. Not much more pleasant than the situation facing today's 30 million dispossessed, it was at least surrounded by a layer of hope. Not only were there burgeoning industries to absorb the newcomer—steel, railroads, textiles, clothing—but the economy's need for sheer muscle power obviated any prospective demand for great skill or education. Job opportunities were plentiful, but even more important, there was a kind of internal ladder of opportunity allowing a young man to climb, for example, all the way from floor-sweeper to skilled machinist in not too many years. In any

case, there were enough such instances to lend a measure of reality to the American promise.

There are some writers who insist that the promise indeed has been fulfilled. For such persons the existence of poverty in the United States is a tale told by dyspeptic social scientists who have allowed themselves to be blinded by propaganda and false statistics. They quickly attack those who decry the presence of poverty in an affluent society, offering supposedly sophisticated data and casually concluding that there are too few poor to make the problem really troublesome: in any case, they say, "voluntary co-operation in charity, no less than in economic production, can be and is guided by an invisible hand." Such are the words of Rose D. Friedman who, in a pamphlet on poverty written for the American Enterprise Institute, concludes that only 10 per cent of the populace should be classified as "poor." Mrs. Friedman's sole standard is an income level at which a diet adequate in nutrition is made available to the consumer, a standard defined in money terms at $2200 per annum. Anything above that is "not-poor." She excludes from this caloric criterion any consideration of clothing needs, shelter, or other requirements that make an individual a viable member of society. Thus she asks: how many yards of cloth are basic to decency? How many square feet of space constitute adequate shelter? Evidently, for Mrs. Friedman, it is enough that shelter protect one from the elements: it does not seem to have occurred to her that a tar papered shack in Appalachia achieves that purpose also —after a fashion. The consequence is that efforts to define shelter or clothing standards are deemed by her to be totally subjective and therefore not part of any scientific evaluation of poverty. Worse still, Mrs. Friedman assumes *a priori* that families with adequate nutrition have adequate clothing and housing. As a result, her pure caloric standard reveals poverty to be negligible in the United States today. But such a definition equates poverty with hunger or starvation, and since the latter doesn't exist, *ipso facto* there is no poverty.

The syllogism is attractively simple and totally egregious. The most charitable thing that might be said about such an analysis is that as a clear case of conservative economics, it has as much connection with the realities of poverty as its political counterpart has with the realities of world affairs.

What are some of the economic elements involved in American poverty? As Dr. Willie suggests in his paper, low wages and unemployment are obvious factors. Despite the improved employment numbers to which my economist friend persists in alluding, production jobs in manufacturing industries declined between 1953 and 1964 by 960,000. Of all the major manufacturing sectors, only fabricated metals showed a gain during this period—of 6000 jobs. The recent recovery in some factory jobs by no means has made up the losses sustained since 1953. Clearly, some rather striking and dramatic changes in the manpower profile of the nation were occurring under our very noses, and many of them were being imposed by a new technology. True, total employment has been increasing, but the postwar explosion in population was the "exogenous" factor, as the theoretician has it, that provided the motive power. The expansion of the population was indeed job-creating; together with the larger consumer market which it supplied, the vast growth in output, almost 50 per cent in real dollars between 1953 and 1964, provided the necessary fillip. If there had been no job gain at all in these years, we should be in a perilous condition. Yet one wonders as to its adequacy, for most of the job advance has come in those soft-goods lines that have not yet been caught up in the new technology, and in government and service occupations—beauty shops, hospitals, teaching.

What the data imply is an enormous shift of the *employed* work force out of manufacturing into services. This hardly means that a displaced auto worker becomes a government clerk: obviously he has neither the training nor the inclination for that sort of work. We are now discovering

that his new job, after months of search, is apt to be a poorer one in a repair shop or gasoline station. If the worker persists in looking for something to which he has given the years of his life, he may very well remain unemployed. Meanwhile most of the new entrants into the work force—at the rate of 1.5 million a year—find no jobs or go to work part time at low pay, generally in the service trades.

Consequently, the economy tends to create a "frozen," unusable industrial reserve army with no palpable relation to the affluent, functioning segments of the society. One may estimate the hard-core unemployment attributable to such structural change, that is, stemming from alterations in production functions or capital-labor coefficients, or whatever it is the theoretical economist wishes to call them—changes that are inherent in technology—at approximately 1.3 million persons. But this is merely the visible portion of technology's toll. To these souls one must add, as does Leon Keyserling, a million or more workers who have dropped out of the labor force because they got tired looking for jobs and are therefore not counted in the official censuses, and a million in full-time equivalents for those working part-time.

If we are to search for the causes of much of the poverty we now have we need to go little further than these phenomena. Automation in industry appears to be a powerful contributing factor. Numerical controls operated by computers carve metal pieces with greater precision than a skilled mechanic can; process-control computers guide production from the mixture of a raw-material batch to the finished product ready to be loaded onto a freight car; printing is being converted from a craft into an industry by phototypesetting and computer methods that do all the justifying and hyphenation of copy. In industry after industry, advanced mechanization and automation are substituting machines for men. With increasing automation, control over a machine itself is exercised by a machine, and industrial measurement is done electronically. The outcome is a movement out of the skilled occupations into the semiskilled, accompanied by unemployment of the unskilled, who if lucky, can drift into the odds and ends of the service trades.

Surprisingly enough, or perhaps not so surprisingly, many economists, still subscribing to the archaic notion of Say's Law—to wit, that every supply creates its own demand, contend that unemployment and poverty, especially among youth, would evaporate if only wage rates were reduced. The assumption is that labor would then become more competitive with the machine. The argument is not unrelated to the explicit hostility among many professional economists to minimum-wage laws; such legislation, it is said, has prevented concerns from employing as many workers as they might otherwise have done. One economist, then resident in a great western university, even suggested to me that juvenile delinquency would be solved if only supermarket operators were allowed to pay something like half the statutory minimum!

Aside from the moral obtuseness these arguments reflect, there is no warrant in economic theory or fact for such contentions. To paraphrase Lord Keynes, economists as well as politicians and practical men are enthralled by ancient scribblers. For one thing, a perusal of recent empirical studies, such as the C. A. Pearce, *et al.*, analysis, *Economic Effects of Minimum Wages in New York State*, would reveal no "disemployment" stemming from a minimum wage. To apply archaic theory to policy would simply depress earnings in industries where they are already low. Second, Lord Keynes' teaching stressed the urgency of adequate levels of purchasing power, something that not a few economists appear to have forgotten.

A further argument in the arsenal of the conventional wisdom, again stemming from Say's Law, is the proposition that increasing real wages represents a barrier to economic development. A proper analysis, however, would acknowledge that increases in real wages, given our rules of the economic game, are occasioned by the competition of growing industries for resources. Such an effect was observed almost three-quarters of a century ago by Knut Wicksell,

the famous Swedish economist, who had remarked that expansion must take into account increased real wages. For so long as earnings are sustained by growth or shifts to new techniques there should be no objection by entrepreneurs to improved wage standards. In fact, most discussions of this question—the relation of real wages to capital accumulation—assume perfect competition and a homogeneous production function; under conditions of monopolistic or imperfect competition, the relationship poses even less of a problem. Provision necessarily must be made for a larger amount of "subsistence" goods, that is, for real wages, unless the entire added accumulation is to be applied exclusively to capital purposes. Indeed, this cannot be the situation in an economy in which decisions on savings and investment are made by different persons. Investment without any absorption at all by wages of at least a portion of the capital accumulation can occur only when the saver and investor are identical—as in a command economy with strict central planning.

And, as we have indicated, account must be taken of the level of effective demand. For when prices and wages are sticky, with the latter at low levels, it is possible for each firm to gain individually from low real wages in terms of its own output, but all would soon suffer from the limited market for commodities which such a policy would enforce. If prices and wages are flexible, a condition that ordinary theory deems to be so desirable, and if population were to increase more rapidly than investment, then all that will have been achieved is a pool of unemployed, while the real wage may at best remain unchanged. Maintaining the same rate of investment will not create more employment. When prices are sticky and wages flexible, the situation would be even worse, since both demand and investment would stagnate. Of course, if investment were to grow and the real wage along with it, then the economy might achieve a state of nirvana, but in any case, the possibility of a bleaker prospect cannot be denied. The crux of the situation, consequently, is that real wages must move in consonance with productivity to provide enough demand to absorb the larger output stemming from the investment of capital. Moreover, if population keeps growing, then expansion of production must be even greater simply to absorb the additional bodies entering the labor force. And, to compound the difficulty, additional investment may not contribute much to maintaining the requisite balance because capital-saving is now a significant feature of newly installed equipment. That is, surplus savings unmatched by investment or consumption can develop and upset the delicate balance of the equations. In essence, underconsumption and the conditions of poverty that follow in its wake, so long depreciated in standard economic theory, is an ever-present ghost at the banquet table.

Thus, real wages must keep pace with productivity if a market for goods is to be maintained and capital accumulation is to continue to provide capacity for growth. This is especially necessary if jobs are to be provided under conditions of innovation. The economy might still exhibit a sense of exhilaration, even if real wages were *lagging*, but the truth is that trouble would be in the making. It therefore seems evident, both from the standpoint of theory and fact, that a modern economy requires a high level of real wages rather than a low one. With the latter, conditions are bound to develop such that marketability of goods and capital accumulation would both grind to a halt.

Historically, capital was substituted for labor because of the latter's relative scarcity. This, at least, was the experience of the nineteenth century. Theoretically, the availability of surplus labor ought to have exerted some restraining influences on such substitutions, for when labor competes for jobs, especially in a fluid labor market, the "capitalist" presumably has less impetus to mechanize. In effect, labor competes against machines. However, given an advanced technology, such competition can occur only between machines and *usable* labor.

Meanwhile, the Wicksell effect, operating through the real wage, tends over the long run to absorb a portion of capital accumulation in that sector of the economy employing the usable work force. In order to maintain a predetermined ratio of profit to capital accumulation, it would be necessary for the "capitalist" to mechanize even further, which in turn would make some of the skilled redundant. This all-important ratio, of profit to capital accumulation, may be maintained by resorting to capital-saving investment; in fact, this is often preferable, since such a process makes the application of accumulation to investment more extensive, thereby yielding an even greater volume of profit. But what all this suggests is that the "coefficients" implicit in the production function are not invariable. They shift with alterations in the underlying technology and do affect the ratio of capital to labor.

This seems to be the crux of the problem today: the surplus labor pool that is being accumulated is less and less usable with existing techniques and cannot really compete with machines. One cannot dip into the pool, since the relevant labor force must have certain skills and education. As E. Gilpatrick has argued, *the more mechanized an industry*, the more fixed the specific labor skills required per unit of capital or per unit of output and the less can one skill be substituted for another. Moreover, because specialized training and education are increasingly necessary to perform existing jobs, the less likely are skills to be transferred from one job to another. The worker who reads with difficulty is virtually unemployable once laid off. Further, in the absence of use, skills deteriorate, creating a continuing barrier between the displaced and the employed. The consequence is that the pool of unskilled becomes a stagnant one; untapped by society because it has no function, it becomes a conglomerate collection of economically and socially useless persons. Here, perhaps, is an economic explanation of the persistent unemployment and poverty of our time.

The contributions that follow stem from a seminar on poverty conducted at the Institute for Policy Studies in Washington, D.C. from January to June, 1964. Virtually all of the papers were first presented at these sessions. When they had been gathered and edited for publication, it was realized that some lacunae still remained; it was therefore decided to supplement the delivered papers by soliciting additional articles to fill the gaps. The latter are those by Zona F. Hostetler ("Poverty and the Law"); S. M. Miller and M. Rein ("The War on Poverty") and Harold Wolozin ("Poverty and the Criteria for Public Expenditures"). In addition, the article on Appalachia by Page and Huyck, which first appeared elsewhere, has been added.

A word on the "seminarians": the object of the seminar was to reach persons involved in local as well as federal activities relating to the poverty issue. While individuals in the President's Task Force on Poverty were too preoccupied with guiding a bill through Congress and establishing the necessary administrative structures to be able to attend, the seminar did attract individuals from such operating agencies as the Washington Action for Youth, the United Planning Organization, and the District of Columbia Department of Recreation. In addition, there were representatives from the Department of Health, Education, and Welfare, the Department of Labor, the Housing and Home Finance Agency, and the Department of Commerce. Several private research organizations also participated. Representatives from a number of labor unions and universities completed the roster.

The "seminarians" were impressed by Dr. Herman P. Miller's analysis of changes in the concept of poverty from the mid-nineteenth century to the present, and by the contrast between New Deal and contemporary approaches to the "impoverished." Nevertheless, issue was taken with some of the cultural and economic implications of Miller's remarks. The point in question was the extent to which the possession of material goods defines poverty. It was argued that a telephone or radio or TV were not luxuries, but often represented functional necessities, especially for elderly people who are physically isolated. Notions of subsistence have changed and will continue to be modified, and thus the category of material goods without which a person may be considered deprived, will necessarily broaden.

The significance of Dr. Miller's statistics on the numbers of families with incomes of $3000 or less who actually owned cars, houses and other forms of tangible property was also questioned. Long-term mortgages and the "buying-on-time" craze may involve considerable debt, yet hardly represents full ownership. One would need data, it was said, on overdue payments, reclaimed items, and equity as opposed to market values in order to arrive at a more reasonable estimate of what the poor do and do not "own." Further, a number of the participants were disturbed by efforts to arrive at any economic or statistical measure of poverty. The problem, if one is to accept that term at all, is spiritual and cultural, and one for which the larger society and its basic, persistent values are largely to blame. Similarly, participants cautioned against being too critical of the consumption habits of the poor, for in too many respects they simply emulate the behavior of the middle classes. While the latter have enough income to take care of subsistence and health needs, as well as frivolous items, the poor do not have enough for either, much less for both types of expenditure.

There was concern over Dr. Miller's comments on the permanency of poverty. Was there any evidence other than impressions that the immigrants of fifty years ago had aspiration and hope in addition to their economic poverty, while the present poor lack aspiration and tend to pass on their impoverished economic and spiritual state from one generation to another? It was finally agreed that in dealing with such evasive variables as group characteristics, changing economic and social conditions, aspiration levels, and generational or endemic poverty, there was much room for conjecture and that the amount of "hard" data was limited.

Thus the discussion continued in rather lively fashion. One seminarian, head of a major local social-welfare program, confessed to being tired of the debate over modifying or extending public-assistance programs. In his view, this approach was no longer appropriate. Present conditions, said he, required the creation of new ways for people to work, to be and feel useful, and to receive a legitimate return for their work. Others replied that it was precisely the shortage of suitable jobs, the inadequate wage scales of many, and continuing automation that required maintenance of public-assistance programs, and indeed, required the abandonment of the notion that a person deserves a livable income only in return for work. The suggestion that people be employed to build hospitals, schools, and highways, said some of the participants, reminded them of New Deal WPA and PWA efforts, and did not hold much promise of a dramatic break from contemporary methods of production and employment.

Obviously, some clarification was needed at this point: the speaker's attack on public-assistance programs was not to minimize their function, but to highlight the ways in which these are administered and have served to demean recipients rather than to help them out of their dependent position. Most of the participants agreed. In particular, it was noted that some of the compromises written into social security and welfare legislation were due largely to the ingrained American reluctance to give away anything "for nothing." If America is sorely in need of new job opportunities and training techniques, it is equally in need of revised notions about work.

While acknowledging that the idea of "work" needed redefining, others were concerned that the lot of those who are now employed be improved. In addition to the many unskilled workers not yet covered by minimum-wage requirements, there are an unknown number of workers who may never earn much more than the minimum wage. Studies of wage rate movements are deceptive, it was said, and inconclusive, for they reveal little on the lifetime earning levels of different groups of people. Recent evidence suggested that people who start out in low-paying jobs tend to remain at comparable job levels and not to move in the proverbial "rags-to-riches" direction. There was some question as to whether further increases and extended coverage of minimum-wage levels would do much to relieve poverty: what would be the effects on investment, on employment, on family living standards, and prices?

When Dr. Means presented his thesis on the aggregate demand solution, some fear was expressed that inflationary forces might stimulate rapid price increases even if there were no necessary economic causes. Dr. Means replied that effective government action, and especially pressure on the business community, would prevent that sort of "irrational" inflation. Nevertheless, some participants thought that Dr. Means had underestimated the extent to which price increases in consumer goods and services would get out of hand in case aggregate demand should suddenly increase by 5 to 6 per cent.

Exception was also taken to Dr. Means's argument that new jobs would be created largely by upgrading those now employed and bringing in new, unskilled or untrained workers. It was argued that if past experience were any guide, then the tendency would be to supplement the existing labor supply with capital and technological improvements, rather than to increase the overall number of employed. If such factor substitution continued, as it has in the past decade, then it would be difficult to see how further increases in aggregate demand would enhance job opportunities. Means remained convinced that new laborers would be drawn into a plant even if pressures to increase wages of existing workers had to be met.

Had Dr. Means overlooked the problem of a time lag between a sudden increase in disposable income and the availability of additional services or consumer products, it was asked? Wasn't he too optimistic about preventing sudden inflation? Similarly, if 35 to 40 per cent of Means's projected demand increases were to go into the service industries, inflationary pressures would be very high, and increased job opportunities would not be nearly so great as Dr. Means had hoped.

Another participant wondered if Dr. Means had not made too many free-market assumptions. After the deliber-

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