

# Poverty in the Affluent Society

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THE United States is the richest nation in the world. The goods and services produced are more than twice those being produced by the Soviet Union. Per capita consumption of goods and services in the United States is about forty times that of an average Indian. We are fairly conversant with the great prosperity of the United States. What is not so well-known, however, is that a large number of Americans live in slums and in a state of poverty. The purpose of this article is to look into the magnitude of poverty in The Affluent Society.

## EXTENT OF POVERTY

The Bureau of Labour Statistics of the United States Government provides a guide to the number of consumer units living in poverty. According to the Bureau, an unattached individual living with an annual income of less than \$1,157 (at 1957 prices) is living in a state of poverty. Similarly, consumer units earning annually less than \$1,638 for two persons, \$2,106 for three, \$2,516 for four, \$2,888 for five, \$3,236 for six and \$3,750 for seven are living in poverty. If data on distribution of income available in *Survey of Current Business* were classified according to this standard of minimum living levels, one would find that 32 million persons or about 19 per cent of the total population of United States were living in poverty in 1957.

These minimum levels may seem quite high when compared with the standard of living in India. This impression is not quite correct because the purchasing power of a dollar in the United States is only slightly more than that of a rupee in India. The comparison is, of course, very rough because the relative purchasing power of the currencies varies widely for different goods and services. Usually, those goods the production of which is capital-intensive are cheap while labour-intensive goods and all services in terms of dollars are dear.

NOTE: I am grateful to Mr Robert Heifitz for his valuable comments on the draft of this article. Responsibility for views expressed here is, however, entirely mine — MSB.

## EDUCATION AND FAMILY SIZE

Who were these 32 million persons living in poverty? 21 million lived in families headed by a person with eight years of schooling or less. 8 million were aged, i. e., above 65 years. 6 million were non-whites. 8 million belonged to families headed by a woman. Thus when any person has one or more of these characteristics, the probability of his belonging to the poorest income group is high.

Why are so many people living in a state of poverty in the United States? There are several reasons, which need to be analyzed in detail.

One important factor responsible for poverty is the size of the consumer unit. Although poor people are scattered evenly among consumer units, their concentration can be observed in the extremes of family size. If extremes of family size are defined as families having one person, then 42.7 per cent of total one-person consumer units and 33.7 per cent of total seven-or-more-persons-consumer units were living in poverty in 1957. The number of all consumer units in the former group was 10.3 million and in the latter 2.6 million. In 1957 the total number of consumer units was 41 million.

## OLD AGE AND POVERTY

The consumer units defined here are unattached individuals and families. The problem of unattached individuals is ticklish because a substantial number of people in this category are in transit and generally change their status in less than a one-year period. A majority of people among unattached individuals are women above the age of 65. The family size of 4 persons had the lowest frequency (11.4 per cent) of the consumer units classified as poor. Consumer units of other sizes had the following frequencies: 3 persons, 12.6 per cent; 5 persons, 14.5 per cent; 2 persons, 17.4 per cent; and 6 persons, 24 per cent.

Another factor responsible for poverty in the United States, or for that matter in any society, is the age structure of the population. If the proportion of old people is large, the chance of the aged being poor is generally high. In the United

States, the impact of poverty on the old is reduced by the concentration of ownership of stocks and bonds in their hands. Even so, about a quarter of the 32 million poor persons were aged 65 years or more. (In 1957, total population in the age group 65 years and above was nearly 15 million.) It is estimated that 38 per cent of men and 79 per cent of women (28 per cent of the latter had no income at all) in this age group were in the poverty class.

## BLACK AND WHITE

The increasing number of children in the working class has also inflated the number in the poverty class. In 1957 they formed about 33 per cent of the poverty class in the United States.

About 25 per cent of the poor lived on rural farms. Although non-white families form about 10 per cent of total families in the Affluent Society, they account for 20 per cent of 32 million persons living in the status of poverty. Of the 43.7 million families in the United States, 4 million were non-white in 1957. The white families under \$2,000 income formed about 12 per cent of total families in this income bracket. The comparable percentage for non-whites was 36.

## WOMEN

By and large families headed by women have relatively small incomes. About 25 per cent of consumer units headed by women were poor in 1957. While 10 per cent of the families had female heads, about 25 per cent of families with an income below \$2,000 each had female heads. While 8 per cent of total families were in the income bracket under \$2,000, about 38 per cent of the families headed by women had incomes of less than \$2,000. Of the unattached individuals with incomes under \$2,000 each, about 66 per cent were women.

Years of schooling and the income level are closely related to each other. About 66 per cent of poor families were headed by persons with 8 years of schooling or less. The low level of education is also associated with other characteristics responsible for low incomes. Low educational level itself is the end-pro-

duct of non-white colour and rural farm residence.

#### OCCUPATION

About 33 per cent of poor consumer units were headed by an unemployed person. Income status is also influenced by the occupation of family heads. While about 13 per cent of all families had an income of less than \$2,500 in 1957, 69 per cent of domestic service workers, 60 per cent of farm labourers and 54 per cent of farmers and farm managers were in the income group under \$2,500. On the other hand, only 4 per cent of professional and technical workers were in this low income group. About 52 per cent of families whose heads were engaged in, agriculture, forestry and fishing had an income of less than \$2,500 in 1957, against a comparable percentage of 5 each in mining and manufacturing.

#### SIGNIFICANT REDUCTION

A redeeming feature of the Affluent Society is that it is dynamic. Its population is highly mobile. Its labour force has a great horizontal and vertical mobility. People are dissatisfied if they get just an annual increment at the end of the year. This dynamism is raising the overall standard of living and, along with it, the poverty line.

The number of poor persons has significantly decreased during the past decade. The proportion of total population below the poverty line has declined from 26 per cent in 1947, to 19 per cent in 1957. The drop was due largely to increase in personal and non-farm incomes. Real per capita disposable income increased from \$1,525 in 1947 to \$1,830 in 1957. In the same period, the median income of non-farm families went up from \$2,500 to \$3,200. These increases in income were made possible by a significant shift of the labour force to more productive industrial groups and occupations, increases in productivity within these groups, and increase in the number of workers per family. These changes, in turn, were made possible by rising levels of education and technical skill, increased capital intensity, technological innovations and improved management.

#### HARD CORE NOT DIMINISHING

Within the poverty group, some change? reduced and others improved

the income level of consumer units, but the latter proved dominant. Changes in family size and age of heads of consumer units tended to lower the income level, while movement from farm to non-farm residence, and from less remunerative to more remunerative professions and industries reduced the number of persons below the poverty line. Professor Galbraith feels that "The hard core of the very poor is declining, but not with great rapidity". All the three kinds of poverty distinguished by Professor Galbraith, namely, generalized poverty, island poverty and case poverty, do not necessarily diminish with economic development. Generalized poverty diminished because of increase in general productivity of labour.

Professor Galbraith argues that the other two kinds of poverty which exist in the United States today are caused, respectively, by (1) inability or unwillingness to move out of low income areas, industrial groups and occupations and (2) mental deficiency, ill health, inability to adapt to the discipline of modern economic life, excessive children, excessive alcohol consumption, inadequate education or combination of several of these handicaps. With the passage of time, some of the handicaps pointed out by Professor Galbraith would tone down and the significance of others would increase. The net result may be a decline in the number of persons below the poverty line. Total removal of poverty from the Affluent Society, however, appears to be a remote possibility.