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## Economy: 1975

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## Economy: 1975

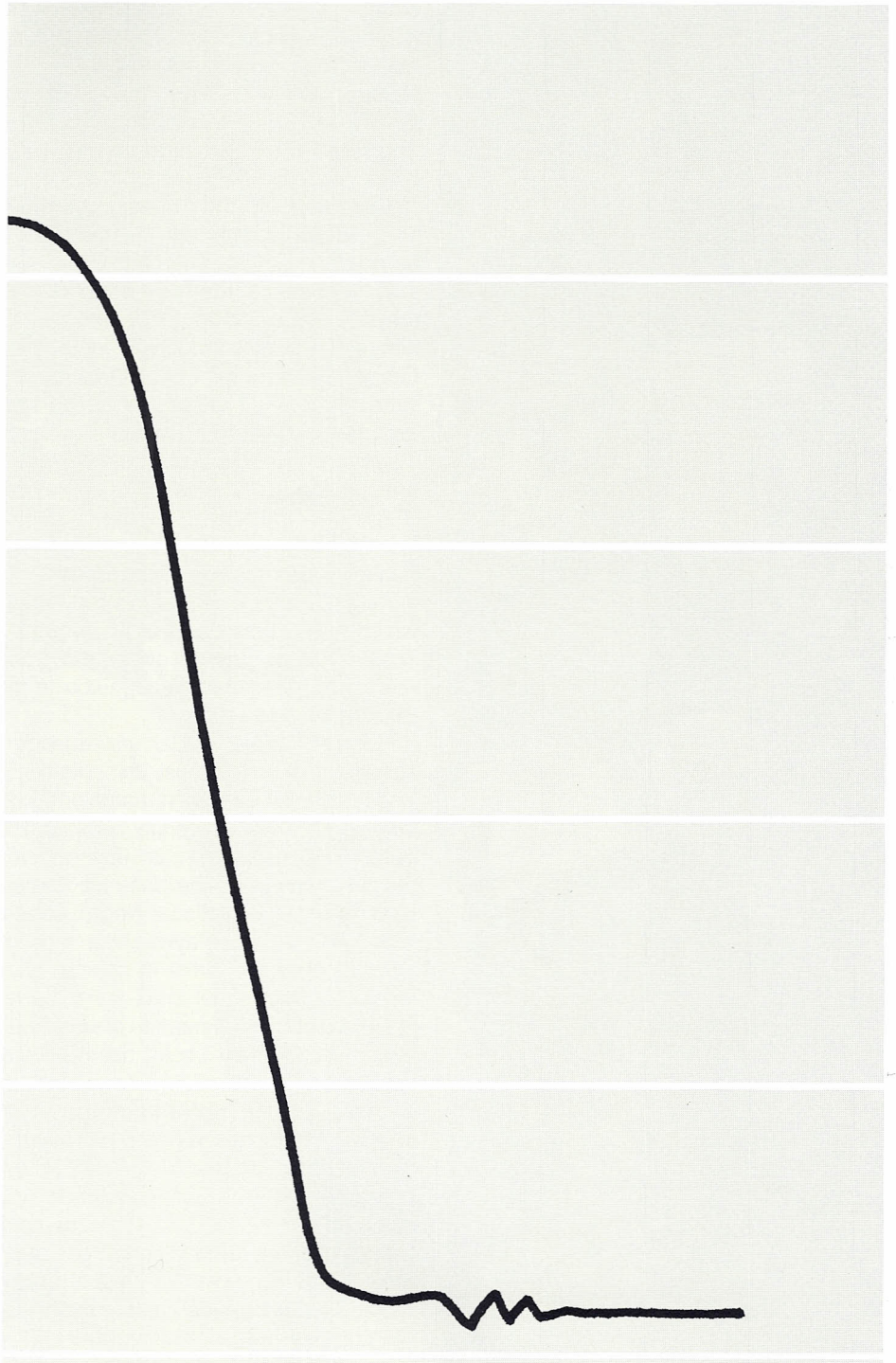
By Herrington J. Bryce

*Herrington Bryce, Ph.D., is an economist and director of research at the Joint Center for Political Studies. The following relates to how he sees the economic situation for Blacks and the poor. The Joint Center is a non-profit organization with a major function of helping minority elected officials, and analyzing public policy affecting Blacks. It is sponsored by Howard University and the Metropolitan Applied Research Center, Ed.*

The economy is grim. This is a reality and to the extent that the nation deals with this reality, a solution may be found; for it is hard to find a solution for a problem while skirting it at the same time. Inflation, recession and even depression have now become household words in the nation. While the majority of Americans have felt the effects of inflation, and will continue to feel more in 1975, one thing is clear: Inflation always affects Blacks and the lower working class much more than it affects the middle class and the rich. But it is more than likely that many Blacks who just had a foot in the middle class in 1974 will fall from their new status as they lose jobs or as their incomes become inadequate to maintain a middle class lifestyle. And many Blacks who had been at the brink of poverty may still go under.

Unless the inflationary trend is reversed soon, the rise in poverty in the society as a whole, and more so among Blacks, will accelerate. A number of forces contribute to this. They are high unemployment, higher prices of basic commodities, particularly food and fuel, and higher taxes, including Social Security.

The recent decision to include farm



and domestics under unemployment compensation rules and to extend the period one can be covered under unemployment insurance is commendable. But Black teenagers among whom unemployment is extensive are for the most part still not covered.

Today, unemployment for Blacks stands at 13.4 percent whereas, for whites in general, it is 7.5 percent. For Black teenagers, it is 41.1 percent; for white teenagers, 18.4 percent. These figures, which are rising rapidly, do not include several hundred thousand Blacks who are not counted because they are discouraged and have left the labor force.

During the past months, you may have heard about a new short-term job program. While the public service employment program is good in most instances, to be effective it ought to be more massive and made *permanent*. As presently funded, it would probably help just a small percentage of the total unemployed in the country.

There is considerable talk about getting temporary jobs for the poor. The problem here is not that individuals in this category don't want jobs, or are just finding themselves among the unemployed, there are never enough jobs for those who wish them. If this is fundamentally the case, a national commitment to full and permanent employment is needed. If this is not possible, the alternative would be a good and sensible welfare system.

The more widespread unemployment becomes, the more incentive there will be to discriminate against Blacks. An employer may not choose to say he discriminates against you because you're Black, but rather that because you're Black you don't have the skills or the education that he requires. Whatever the justification, the consequences are the same. A disproportionate percentage of Blacks remain unemployed.

### **Black Enterprise**

The number of Black firms in the country has shown some growth in the last couple of years, with a 20 percent increase between 1969 and 1972. One ought not despair too much. But again, the present economic conditions do not promise growth at the past rate; indeed, they promise more trouble and even bankruptcy.

It is clear that minority businesses in the country, these cities are

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consequence of the present inflation. The reasons are that the cost of labor and materials have risen sharply. Another reason is declining sales since customers find it difficult to stretch their dollars. Yet another reason is that these minority firms find it difficult to obtain loans.

During periods of severe money constraints, such as the one the country is experiencing, lenders choose to deal with establishments which pose low risks and have a history of high profits. Because of the economic situation, some large industries too may face problems getting loans. And this would mean, Black businesses, most of which are very small, are likely to have more problems in obtaining help. The decline of the prime rate (the interest rate firms charge their best customers) is a good sign. But it will be a while before this filters down to minority firms. This is so because of the remaining uncertainty about the future of the economy.

The Black and minority business community is also likely to be hurt by the energy crisis and the recession in the automobile industry. Automobile dealers and gasoline service stations (earning about \$950 million per year) combined are major income sources for Black businesses. Although current figures are not available, for example, in the past automobile dealerships and service stations ranked fourth in terms of earnings of firms owned by Spanish-speaking Americans.

### **Cities Run by Black Mayors**

Cities with Black mayors include some of the most important ones in the country — for example, Los Angeles, Cal.; Detroit, Mich.; Atlanta, Ga. and Washington, D.C. These cities are important for a number of reasons. They are centers of industry—Detroit and Gary, Ind., for instance. They are also centers for education—New Brunswick, N.J.; College Park, Md.; Chapel Hill, N.C.; and again, Atlanta—all sites of major universities. A study I completed last year for the Joint Center for Political Studies showed that many of these cities are under severe fiscal strain, with most of them being in the position of having their citizens demand more in goods and services while the tax base (if not declining) was not on the increase. Because of the heavy rate of unemployment, and the inflation that has affected all

likely to find it hard to meet many of their obligations.

To some extent, the public service employment program instituted by the Federal Government will help, but the program is very small and won't reduce unemployment by any significant amount in any of these cities. For example, Kenneth Gibson, mayor of Newark, N.J., just recently announced the necessity to layoff nearly 300 city employees.

There is a limited amount that any mayor can do to relieve high unemployment. Basically unemployment is a problem brought about by national economic conditions. But individual cities are affected. For instance, Detroit has about 20 percent of its residents dependent upon the auto industry. When sales hit the low mark nationally because consumers don't buy new cars, naturally Detroit suffers. With the current economic crisis, it is estimated that nearly 42 percent of the Black labor force in Detroit is unemployed.

My study of cities also showed that cities with Black mayors tended to have a higher rate of poverty than other cities across the country—even more than cities of the same size in the same state. Not only was the poverty rate extremely high, but the depth of poverty was striking. That is to say, it would take more in terms of dollars to have an individual in one of these cities escape poverty than in many other cities. High unemployment drains public funds further by creating the need for public assistance and by reducing public revenues gained through taxation and other fees.

### **Tax Reform Needed**

Clearly, there is a need to restructure the entire tax system, with a tax relief for lower income individuals who are the ones hurt most by inflation. For examples, inflation has hit where it hurts most, in food and fuel bills. Cereal, which is considered "poor people's food" rose by 23.8 percent from January 1974 to January 1975, one of the highest increases in the food sector. The poor, like the affluent, have also been hurt by increases in the Social Security tax. Therefore, a tax relief is in order—at least for the poor—until the economy is revitalized again and inflation is put under control. □