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Theoretical Explanations of Persistent Black Youth Unemployment

by Rhonda M. Williams

This essay reviews and briefly summarizes three theoretical models used most often to explain two decades of persistently high unemployment among black youth and declining rates of male labor-force participation: neoclassical, Keynesian/neo-Keynesian, and radical perspectives. Based on a review of these models, it offers an alternative approach to explaining and analyzing black youth unemployment.

Neoclassical Model

Competitive neoclassical theory conceptualizes unemployment in the context of a “skills-auction” labor market. Utility-maximizing worker-consumers invest in and sell bundles of skills; profit-maximizing capitalist firms purchase those skills. The skills-auction market “clears” through wage fluctuations that eliminate excess labor supply or demand. If unemployed, surplus workers bid down wages; if firms want more workers than are forthcoming at the prevailing wage, they increase their wage offers. In the competitive model, long-run equilibrium unemployment is a theoretical impossibility.¹

When confronted with high rates of black youth unemployment, economists working within this perspective tend to claim either that conventional figures overstate the problem or that employment problems are a manifestation of the inadequacies of black youth. For example, Martin Feldstein and David Ellwood argue that sustained unemployment (more than twenty-six weeks) affects only a small minority of the youth population. They dismiss the notion that many black youth are discouraged workers who have abandoned the employment search because of a lack of jobs and, instead, note survey data indicating that many unemployed and out-of-school black youth live at home and, thus, do not really need to work.² The “inadequacy” or “culture of poverty” camp argues that black youth either are unwilling to take available low-wage jobs—they suffer from too high a “reservation wage”—or lack the cultural values (including a strong work ethic) necessary for success in the capitalist labor market.³

Are young black people unemployed because of poor work attitudes? This recurrent claim harkens back to the decades-old “culture of poverty thesis”: African-American youth fare poorly in U.S. labor markets because they bear a cultural heritage that does not reproduce the necessary values for success in capitalist societies. Black economists Thomas Sowell and Glenn Loury have loomed large

among economists of the past decade who have revitalized this cultural critique of blacks.⁴ Vigorous critics of this explanatory tradition have rigorously detailed the logical, economic, historical, and philosophical limitations of the “blacks-are-dysfunctional” school of thought.⁵ Nonetheless, the popular media exudes confirmations of the thesis that poor urban blacks are intrinsically “pathological.”⁶

Keynesian and Neo-Keynesian Models

John Maynard Keynes’s conceptualization of unemployment differed substantially from that of both the economists of his day and subsequent generations of neoclassical theorists. Keynes’s peers thought unemployment was caused by the inflexibility of wages. In the first twenty-five pages of his book, *The General Theory of Employment, Interest, and Money*, Keynes indicates that his concern is *neither* the unemployment that results from the imbalances of supply and demand of specialized resources *nor* the unemployment associated with unemployed workers’ inability or unwillingness to underbid currently employed workers.⁷ On the contrary, his concern is unemployment which can only be reduced by an expansion of aggregate demand, regardless of what happens to wages, whether nominal or real. For Keynes, this is the definition of *involuntary unemployment*.⁸

In sharp contrast, neo-Keynesians equate involuntary unemployment with wage rigidity, or market “imperfection.”⁹ Wages are “sticky downward,” markets cannot clear, and unemployment is the result. The neo-Keynesians offer a variety of explanations for wage rigidity: workers’ efforts to preserve relative wages; the reluctance of employers and firms to change wages if they can not be changed again easily without cost; employers’ belief that workers work harder with higher wages (the premise of the ascendant efficiency wage literature); a customary fair wage prevails and employers who seek to reduce wages below this level suffer social sanction.

The Keynesian perspective on black youth unemployment is, thus, one that emphasizes the relationship between aggregate demand and employment. The neo-Keynesian model also allows for the existence of black youth who seek work at the going wage, but in this case, they cannot secure employment because of wage inflexibility. Although the reasoning differs, the two traditions agree that blacks are unemployed because of insufficient labor demand by capitalist firms. Keynesians also believe labor market discrimination reduces black youth employment opportunities.

Marxist Models and Perspectives

Radicals are united in their conclusion that unemployment is part and parcel of the normal functioning of capitalist economies. Because workers are only hired by capitalist firms when the latter expect to profitably produce and sell a commodity, the demand for labor power (workers’ capacity to work) varies with capitalists’ profit expectations. However, because economic growth in capitalist societies often increases the capital intensity of production

(a high capital-labor ratio), a given rate of economic growth need not imply a similar increase in labor demand. Indeed, workers expelled from technologically advanced sectors are desperate and available for employment. Such was the case for African Americans following the last wave of the mechanization of cotton production in the post-World War II years.

The imposition of capitalist property relation—for example, the privatization of communally held lands during colonization—repeatedly expands the global ranks of the “reserve army” of the unemployed. The reserve army both disciplines employed workers and provides a readily available pool of cheap labor from which firms can draw during periods of economic growth. In the post-World War II years, capitalists have regularly deployed domestic (primarily southern) and global reserves in their efforts to thwart unionized U.S. workers seeking to increase wages and improve working conditions.

Like liberals, radicals believe that discrimination is an important factor in explaining the racial youth employment gap. However, liberals view discrimination as antithetical to employers’ interests, since it prevents them from having access to qualified workers. In sharp contrast, Marxists believe discrimination persists because it benefits (white) capitalists and/or racially dominant white workers.

An Alternative Perspective

An alternative perspective within the Marxist tradition is offered by Steven Shulman, William A. Darity, Jr., and Rhonda M. Williams.¹⁰ It challenges the argument that most white workers are unambiguously hurt by racism. Although they concur that capitalists deploy racial “divide-and-conquer” strategies, these economists emphasize that, all else equal, white workers are more likely to be employed than blacks. In other words, African Americans are disproportionately represented within the reserve army of the unemployed.

Alternately referred to as “neo-Marxists” or “classical Marxists,” these thinkers accord centrality to capital accumulation’s consequences for workers. Capitalist competition produces *both* unemployment *and* a wage hierarchy. Workers seeking to secure a living wage are in competition with one another to avoid unemployment and secure a viable living standard. In the United States (and many other capitalist societies), the legacies of colonization, slavery, and white supremacy collaborate to ensure that much of this job competition occurs along gender-

mediated racial lines. White solidarity—the formal (unions) and informal (family, kinship, and community networks) channels whites use to influence employment decisions—enhances white employment probabilities. Employers periodically accommodate white power because there are costs associated with ending discrimination. These costs include lost productivity due to changing white wage/employment expectation; the costs associated with disrupted teamwork and the changing of recruitment, hiring, and training practices; and the potential costs of a more racially united work force.

Evidence from the 1980s suggests that employment discrimination against African Americans is increasing. Shulman discovered a recent and substantial shift in the cyclical behavior of racial employment differentials; in the 1950s and 1960s, black employment displayed greater cyclical variability than white employment.¹¹ In other words, blacks suffered greater relative employment losses during recessions, but enjoyed greater relative gains during periods of economic growth. After 1970, however, blacks’ postrecession recovery gains declined with each passing upswing. In the 1982–84 recovery, black men and women actually suffered relative employment losses. The examination by Williams of 1980–85 employment changes in twelve manufacturing industries echoes Shulman’s findings at the microlevel.¹² Williams discovered that black employment declined considerably faster than white employment in five of the seven sectors showing dramatic employment losses. In four of the five sectors which showed *increased* overall employment, black employment declined.

Keynesians believe labor market discrimination reduces black youth employment opportunities.

The neo-Marxist/classical Marxist analysis thus challenges those radicals who insist that white workers are simply acting against their own best interest. Indeed, their work suggests that radicals must critically assess the historical evolution of racialized working class formation in the United States.¹³ The neo-Marxian challenge is not one which unambiguously calls for substituting the primacy of race-based struggles over class-based alliances. Rather, it calls upon radicals to reassess the ideological, political, and economic saliency of white supremacy and ethnic conflict in advanced capitalist societies.

Notes

¹This section explores only the competitive model. The third section addresses models of imperfect competition.

²Martin Feldstein and David Ellwood, "Teenage Unemployment: What is the Problem?" in *The Youth Labor Market Problem*, edited by Richard Freeman and David Wise (Chicago: University of Chicago Press, 1982).

³Formally speaking, "reservation wage" is the lowest wage at which an individual will accept a job offer.

⁴Glenn C. Loury, "Internally Directed Action for Black Community Development: The Next Frontier for the 'Movement,'" *The Review of Black Political Economy* (Summer/Fall 1984); Thomas Sowell, *The Economics and Politics of Race* (New York: William Morrow, 1983); and *Civil Rights: Rhetoric or Reality?* (New York: William Morrow, 1984).

⁵William A. Darity, Jr., and Rhonda M. Williams, "Peddlers Forever?: Culture, Competition, and Discrimination," *American Economic Review* 75, No. 2 (1985); Rhonda M. Williams, "Culture as Human Capital: Methodological and Policy Implications," *Praxis International* 7, No. 2 (1987); Robert Gooding-Williams, "Black Neo-Conservatism: A Critical Introduction," *Praxis International* 7, No. 2 (1987); and, Lorenzo Simpson, "Values, Respect, and Recognition: On Race and Culture in the Neo-Conservative Debate," *Praxis International* 7, No. 2 (1987).

⁶Recall the 1986 Bill Moyers special, "The Vanishing Black Family: Crisis in Black America" (25 January 1986).

⁷John M. Keynes, *The General Theory of Employment, Interest, and Money*, Reprint (New York: Harcourt, Brace and World, 1964 [1936]).

⁸William A. Darity, Jr., and Bobbie L. Horn, "Involuntary Unemployment Reconsidered," *Southern Economic Journal* 49, No. 1 (1983); and, "Involuntary Unemployment Independent of the Labor Market," *Journal of Post Keynesian Economics* 10, No. 2 (1987-88).

⁹William A. Darity, Jr., "Efficiency Wage Theory: Critical Reflections on the Neo-Keynesian Theory of Unemployment and Discrimination," in *New Approaches to Economic and Social Analyses of Discrimination*, edited by Richard Cornwall and Phanindra Wunnara (New York: Praeger, 1991).

¹⁰William A. Darity, Jr., "What's Left of the Economic Theory of Discrimination?," in *The Question of Discrimination: Racial Inequality in the U.S. Labor Market*, edited by William A. Darity and Steven Shulman (Wesleyan University Press, 1989); Steven Shulman, "Competition and Racial Discrimination: The Employment Effects of Reagan's Labor Market Policies," *Review of Radical Political Economics* 16, No. 4 (1984); Rhonda M. Williams, "Capital, Competition, and Discrimination: A Reconsideration of Racial Earnings Inequality," *Review of Radical Political Economics* 19, No. 2 (1987); "Beyond 'Bad Luck': The Racial Dimensions of Deindustrialization," (Washington, D.C.: Joint Center for Political Studies, 1990); and, "Competition, Discrimination, and Differential Wage Rates: On the Continued Relevance of Marxian Theory to the Analysis of Earnings and Employment Inequality," in Cornwall and Wunnara, *New Approaches*.

¹¹Shulman, "Competition and Racial Discrimination."

¹²Williams, "Beyond 'Bad Luck.'"

¹³Herbert Hill, "Black Labor and Affirmative Action: An Historical Perspective," in Shulman and Darity, *The Question of Discrimination*.

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