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## The Institutional Processing of Human Resources: A Theory of Social Marginalization

by

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23

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**THE INSTITUTIONAL PROCESSING OF HUMAN RESOURCES:**

**A THEORY OF SOCIAL MARGINALIZATION**

Shifting the focus of scientific study beyond the Culture of Poverty from the behavior of the poor to the behavior of public and private institutions which use, educate and regulate human resources, reveals a structurally inherent interactive process of unequal environmental differentiation and adaptation which tends irreversibly to segregate people into economically peripheral, dependent and counter-productive modes of activity. Moreover, the declining rural community is hypothetically a relatively invisible, but policy-sensitive episode in the marginalization process.

by Harland Padfield and John A. Young

I

### The Current State of Social Theory and Policy

Social science and policy in the last two decades has had two compelling concerns--on the one hand how to explain and reduce the social isolation of minority groups and balance the unequal distribution of benefits flowing from the national mainstream economic system, and on the other hand, how to sort out and deal with human performance characteristics of importance in the national production system. It is the central tenet of this paper that in both of these traditions we are dealing with one phenomenon and that, scientific performance in each pursuit contributes generally to the social and economic forces at the root of inequality.

#### Systematic Biases From The Knowledge Market

Although few scientists would deny that scientific work responds to incentives, many would argue that incentives vary with the individual, that biases are variable and counter balancing and that gaps in knowledge are random. But

. . . if scientific knowledge and professional work is increasingly important for defining and solving public problems, it is also true that highly organized centers of power substantially influence what is defined as problematic, that for which knowledge is sought, and acceptable solutions. Although the public has become more and more dependent on science, science has become increasingly dependent on the resources of a few.

. . . knowledge that develops and the problems that are investigated are those of direct concern to the centers of power. One

of the most powerful institutions that has influenced scientific work and its content has been the modern industrial corporation.

. . . corporations invest in research primarily for production development. Consequently, conditions such as housing, pollution, and general environmental deterioration receive little attention. Organizational goals become the primary determinant of scientific work rather than public need.

The concentration of economic power affecting the development of knowledge could not occur without cooperative development of centralized regulatory power in the public administrative bureaucracy. In short, a relatively few people who are not scientists are in positions to make enormous resource allocations to the conduct of scientific inquiry. One inevitable result has been more stringent and explicit cost/benefit constraints on research and a quantum increase of single purpose mission-oriented research as opposed to curiosity satisfying, diffuse and comprehensive purpose research. These dynamics derive from the rational decision rules and political imperatives by which industrial corporations and government bureaucracies exist.

In terms of effects on the behavioral or social sciences, systematic pressures dictate concerns about humans in certain capacities and not in others. For institutions in the business of using human resources, human characteristics which provide clues to how people will perform in the production process are of direct concern. For complementary institutions under the constraint of tax payers to socialize or invest in human resources, the efficient processing of people to match production requirements becomes inevitably rational. The consequence of these dynamics is an enormous convergence of interest in how to capture the benefits of human resource investments already made by other institutions.

Thus incentives are created to develop and continuously refine the science of identifying, selecting, and improving people appropriately adjusted and cognitively consonant with the mainstream economic and social system, while disincentives are created to develop a system to rehabilitate and retrain people, including linguistic and racial minorities, who are maladjusted and cognitively dissonant with the mainstream system. Processing rather than creating or recycling human resources is thus the primary mission of the educational establishment and the primary purpose to which social science research and knowledge is put.

#### Systematic Biases From The Professional Systems

Response to pressures created by national economic and political institutions are not the only biases in the social sciences affecting cultural minorities. Charles C. Gillispie, a Princeton University history of science professor, comments in a recent review of Robert K. Merton's The Sociology of Science<sup>2</sup> that the main thrust of Merton's analyses is clearly and convincingly that in the scientific community,

. . . two main sets of norms constrain behavior and do so in ways that conflict, the one enjoining selflessness in the advancement of knowledge, and the other ambition for professional reputation, which in science accrues from originality in discovery and from that alone. The analysis exhibits the scientific community to be one wherein the dynamics derive from the competition for honor even as the dynamics of the classical economic community do from the competition for profit. . . .

If selfish desire for recognition and honor are indeed the basis of incentives operating in the scientific community then it is also

rationally inevitable that the knowledge generated by social science will in the main address the issues of central interest to the discipline professionals, elaborating and extending conventional theoretical constructs rather than challenging them, and where work is applied, making these constructs define problems and solutions that are politically and economically acceptable. It is not this generally recognized fact which we wish to elaborate. Rather we wish to address the problem of how the peculiar biases of the social science disciplines have converged to create systematic distortions in our constructs of behavioral and social environmental reality, particularly as they apply to the experiences of subordinant cultural minorities.

Without recapitulating or abstracting the numerous critiques of the "culture of poverty" tradition in anthropology and the lower class culture theory in sociology, we will simply summarize general deficiencies and distortions in these bodies of literature.<sup>3</sup>

Probably the most serious general bias is the tendency to operate with the a priori assumption that culture as a commonly held set of values and beliefs determines rather than rationalizes behavior. The anthropologists' penchant for overemphasizing the unique characteristics and internal dynamics of social subsystems as opposed to their external dynamics in articulation with a larger and more inclusive social system also reinforces a priori assumptions of cultural causation.<sup>4</sup>

Anthropological biases have been further reinforced by sociological studies of the lower class using theoretical constructs which equate urbanization with social deviancy. Again internal social dynamics are

emphasized by explicit theoretical frameworks supported by observations on the behavior of lower class subjects as made by their caretakers in regulatory agencies and mainstream institutions.<sup>5</sup>

The biases of the social sciences derive in large part from the way the disciplines have partitioned social reality--i.e. philosophically defined the behavioral systems in which they specialize. Each discipline and professional community has come to be identified with what each likes to regard as a separate, analytical reality, despite the fact that methodologically all social science must depend upon natural, complex, behavioral systems, none of which--including individual behavior--can be thoroughly understood without all behavioral disciplines including economics. The result of this philosophical discontinuity has been that each discipline rather than being limited to its proper analytical domain has instead been allowed to assume professional proprietary rights over a natural system and in the process come to be allowed to speak authoritatively concerning the complex whole with which it is dealing. Thus enormous blind spots develop which are inevitably filled by conventional (usually culturally conditioned) assumptions the scientists has about "human nature".

Economics, for example, has generated partial explanations regarding the behavior of industrial firms; but leaving the behavior of such "economic institutions" to the interpretation of economists implies, to the public's detriment, that these institutions do not have major political, social, and even psychological functions. This partitioning also implies that other institutions of little concern to economists, such as the family, the school, and the church do not have major economic functions. Similarly,

psychology in its focus on variability in individual behavior of white middle-class Americans tends to be preoccupied with micro situational co-variation and to accept larger environmental systems such as political and criminal justice institutions, public education and welfare, private medicine, organized labor and industry as given, thus ignoring important institutional variation in its effect on different ethnic groups.

Compound bias results when each discipline, oriented from within its own framework of social reality, makes assumptions and pronouncements about social reality based on the biases of other disciplines. Economists, psychologists and sociologists have a tendency to incorporate constructs from anthropology and attribute maladaptive behavior to irrational goals determined by exotic cultural imperatives. If constructs from sociology are used, then behavioral explanations are more likely to be based on assumptions about social deprivation of the family. By adopting a perspective derived from psychology, the problems of cultural minorities are made intelligible primarily in clinical terms, although viable solutions to such problems are more likely to be economic, political, or social in nature.<sup>6</sup> The constructs of economics based on the institutional constraints surrounding mainstream industrial and labor institutions are invalid in describing the inherent rationality of the economic behavior of minority groups who face different kinds of constraints.

The upshot is that scientific understanding of lower class and minority group behavior and public policy toward it has contended with an enormous bias generated by the social science disciplines from the time of their formation. Without taking or joining issue with others who

have written on this,<sup>7</sup> the consequences we wish to summarize at this point are philosophical rather than social. *The complementary sensitivities and insensitivities of the social science disciplines have persistently overemphasized variability among ethnic, class, family, and personality systems, while preconceiving uniformity of institutional environment.* This means that in the scientific consultation to social policy, the blind are leading the blind concerning the differential operation of our basic economic and public institutions as they directly touch upon the lives of their workers, students, cases, clients, patients, inmates and general outcasts. Thus, it would come as no shock to foreign scientific observers of the American system that the "enlightened" social policies of the sixties failed, and that we are now engaged in a compelling re-examination of discredited or partially discredited social scientific tenets.

## II

### The Study of Lower Class Behavior As Goal-Directed and Rational

It is our contention that the partial failures of the massive, publicly funded social programs of the sixties occurred not because they ignored the inherent economic relevance of class and race differences, but because they ignored the differential benefits to class and race inherent in our basic economic institutions and the interrelationship of these institutions with public human resource institutions and agencies through whom compensatory programs by and large were administered.

#### Marginalization vs. Assimilation

In Milton Gordon's classic study Assimilation in American Life (1964)

he defines the "ideal type" or complete state of assimilation by describing a hypothetical example of a host country with the fictitious name of Sylvania where race, religion, and previous national extraction are the same and cultural behavior is relatively uniform "except for social class divisions" and where the groups and institutions are differentiated "only on a social class basis." He introduces another hypothetical group called the Mundovians into this country by immigration who by the second generation are no longer distinguishable racially, culturally, or structurally from the rest of the Sylvanian population. In Gordon's words, becoming assimilated in Sylvanian society means the Mundovians have: changed their cultural patterns to those of the Sylvanians; entered fully into their societal network; intermarried and interbred fully with them; developed a Sylvanian ethnicity; no longer encounter discrimination or prejudice; and are not in political conflict with them.<sup>8</sup>

Events have made it all too apparent that Gordon's assimilation model does not hold for a number of minority cultures in the United States. An oversimplified antithesis to Gordon's model which would account for non-assimilation might go something like this: Several centuries and 10 to 20 generations since the Indians, Africans, and Mexicans encountered the "Sylvanians," a preponderant majority have neither entered the Sylvanian mainstream cultural system nor have they been able to maintain their original cultural system. Thus, the overly simplistic assimilation model  $A + B = A$  gave way to the cultural pluralistic model  $A + B = AB$ ,  $AB + C = ABC$ , etc. as exemplified in Moynihan and Glazer's book, Beyond the Melting Pot.<sup>9</sup> However, the disquieting persistence of intergenerational poverty among ethnic and class minorities

indicates that the cultural pluralistic model distorts reality as well.

Therefore, instead of attempting to develop models of assimilation or cultural pluralism we propose a model of social marginalization:

$A + B = Ab$ ,  $Ab + C = Abc$ , etc. which suggests movement from a geographically separate and culturally distinctive position to restricted or limited participation in the mainstream economic and social system.

Although culture pluralism may be a valid model for the past, increasing institutional regulation of the position of ethnic and class minorities suggests that the social marginalization model is more useful for the present. Much of the socialization of such minorities to impart a normative orientation within the structure of public institutions is useless or has negative benefit. And as a result of the economic differentiation associated with these experiences, increasing numbers of minority people find themselves in cultural enclaves living out their lives and socializing their children--neither in their own native culture nor in mainstream American culture, but in what can more accurately be termed the culture of marginality.<sup>10</sup>

#### Effective Economic Environments and the Administration of Benefits

In a recent demographic study of "Institutions in Modern Society," Octavio Romano concluded that on any given day 40 to 45 percent of California's total population is subject to some form of public institutional regulation.<sup>11</sup> The four service systems referred to by Romano include schools, social welfare, law enforcement, and hospitals. All are involved in socialization, enculturation, or as economists say "human resource investment." Not only do all citizens of modern

affluent societies experience publicly administered socialization in the early stages of their lives, most continue to experience it in some form virtually all their lives. Considering public broadcasting, public manpower training, and other forms of occupational training in industry, our society is saturated with human resource investment.

Why heavy investment in public education and other public services in and of itself does not eliminate systematic economic disparity and social inequality requires a closer examination of the key institutional systems involved in the investment, processing, and management of human resources. These include public education, the labor market, criminal justice, public health, and social welfare. All health, education, and manpower programs in this country are predicated, at least in part, on the doctrine of operation of a free, competitive human resource market--as opposed to a highly regulated, discriminatory market--and the naive assumption that our social system is subject more to the force of inertia than to the force of change. Repeatedly, educational psychologists and economists alike treat the educational system as a human investment institution falsely assumed to operate according to egalitarian principles. Perhaps the educational system was egalitarian at a point in history when the administration of educational benefits occurred as a natural by-product of the welfare-rationing function of other social and economic institutions, i.e. only the wealthier people could afford to educate their children. But after the national educational system was transformed as a matter of public policy into a truly universal institution, the disparate investment function which it was performing de facto to maintain class distinctions could be protected only with the concurrent development of a human

resource processing function--i.e. testing, grading, and sorting in order to provide certification for human resources appropriate for use in the mainstream economy.

In this conceptual framework the study of educational "problem populations" becomes less interesting than the study of how the public educational system administers its investment function and how the evolution of this function interacts with changes in other economic institutions. This would more than likely bring the problem of school failures into focus as the result of responses in the educational system to the exogenous imperative to ration economic opportunity.

In the development of manpower policies, emphasis similar to that in the educational system has been placed on altering the behavior and occupational competencies of the unemployed ostensibly to increase their chances of becoming selected in the labor market. The simplistic notion is that labor markets are keyed primarily to screen the labor pool for the most productive competencies independently of noneconomic factors. The one major federal manpower program which demonstrated conclusively that labor markets don't operate this way was the urban ghetto-oriented NAB/JOBS program launched amid urban unrest in 1968. Direct employment of "unqualified" people in industry was subsidized thus effectively altering the discriminatory function of the labor market. Between 300,000 to a half million ghetto unemployed were exposed to industry with 2/3 becoming converted in the process. Despite its relative success, the program was ended by economic recession and union pressure less than two years after it began.<sup>12</sup> Yet with few exceptions, research on manpower problems continues to focus on the behavior of the unemployed as opposed

to the more interesting inquiry into the dynamics of job rationing in industrial labor markets and public regulatory agencies. The latter theoretical focus puts the behavior of the hard core unemployed hypothetically into place as a resilient adaptation to an economic environment with disincentives to personal investment as profound as those to business investment in a global depression.<sup>13</sup>

In the private as well as the public sector, the institutional rationing of benefits is increasingly decisive in economic success. The dairy industry, for example, evolved from a community of producers of milk competing for profit on the open market to a complex quasi-public association producing milk for a government subsidized market and lobbying for price supports in an effort to capture the benefit of public policy. Thus a contribution by the dairy industry to a political candidate in a key position to control the federal regulatory agencies becomes as much an investment as the building of a new creamery.

Clearly a broader understanding of investment is necessary. Investment should be considered as diverting present income to increase future skills and capacities to capture administered benefits or income. Thus public investments in education and private investments in regulatory agencies both maintain economic disparity and social inequality by supporting the differential administration of benefits by public institutions. In this broader, political-economic framework, labor markets and formal educational systems fall into realistic perspective.

Labor markets must be seen as complex systems that function as importantly in the rationing of economic benefits as in the production process. Rationing mechanisms are operating in the recruitment of labor

in which industry and other economically organized groups--especially unions and the professional associations--continually invest to maintain or increase their own (as opposed to the public's) economic well being.<sup>14</sup> These rationing mechanisms are linked directly with public education where economic credentials are administered more or less consistently with the differential preferences for cultural and racial characteristics established by the users and organizers of labor. The learning process in school involves the mapping of these preferences and self-selection in response to incentives and disincentives established by school administrators and teachers to correspond to the preferred characteristics.<sup>15</sup> Therefore in this, its wider context, *formal education is primarily a system for the development and administration of differential credentials by means of which economic opportunity and social statuses can be rationed by the labor market.*

#### The Family as an Economic Institution

When economists discuss the woes of a business community, the economic environment in terms of incentives/disincentives is generally recognized as an independent set of variables and the policies and practices of the industry in question as a dependent set. When the health of an economic sector or a major industrial corporation is at stake, restructuring the economic environment is invariably called for. Operating within the deductive framework of economic theory, the industrial corporation is assumed to be a rational system with specific goals and a core technology--including formal organization, behavioral codes, and a corporate rationale--for the achievement of these goals. Given the overwhelming importance of production goals and core technologies,

new kinds of opportunities and constraints tend to compel decisions opposing changes that will disrupt the internal organization of the core technology.<sup>16</sup> Whether this technology is used to achieve maximum profit in the production of gasoline, automobiles, munitions, opium poppies, or USDA subsidized crops makes little difference to the rational pursuit of the goal.

To see macro-economic theory for what it is--namely, behavioral theory, it is necessary to recognize public policy as the effective environment, the industrial corporation as the adaptive unit and core technology as the adaptive strategy. The economists are the counseling consultants to public policy, and macro-economic policy changes are simply intended to create a system of incentives according to good behaviorist principles otherwise known as "sound business principles." Thus, the woes of industry are regarded by policy makers as the result of an "unsound business climate," or a lack of proper incentives in the business environment, e.g. the price of gasoline is too low to stimulate greater production and refining of oil.

But when it comes to family units operating in the context of the same economic system, policy makers fall into the trap of attempting to control and cajole, often arbitrarily asking for controls and sacrifices that run counter to rational self-interest. The public is asked to buy this kind of approach on a purely normative as opposed to a pragmatic basis. Those who violate the promulgated norms are criticized as being immoral, while the effective environment of incentives and disincentives to economically preferred behavior remains without attention and in disarray. For example, the conventional wisdom supposes that people who use too much gasoline are greedy and that welfare clients are lazy. The fact that families are not considered rational units in the construction of

economically effective environments may lead both to the exclusion of valuable resources from the productive economy and to feeding the fires of inflationary psychology as individuals rationally strive to capture a fair share of a diminishing set of benefits. The dual system of remunerative controls for business and normative controls for the family and the individual lead us to ask, "Is this any way to run an economy?"

The family, whether it be the working middle class, male-dominated nuclear family or the lower class, female-centered family must be considered to have a set of specific goals. One of the most basic, single-purpose goals of the family unit is to produce income. Whether this income is in the form of wild animal and plant nutrients; domestic foods; trade items; wages, salaries, inheritance, dole; or a combination of these makes little difference to the rational pursuit of the goal. In the pursuit of such goals, the family unit may be said to have a "core technology" including knowledge of its effective environment, a technical language, decision rules, production requirements, role differentiation, and a rationale. Given the overwhelming importance of production goals and core technologies (adaptive strategies), family units, like industrial corporations, tend to oppose changes that will disrupt the internal organization (principles of effective behavior) of the core technology. Whether this technology has been organized to gain the most from a professional career, public assistance, or famine relief makes little difference in terms of resistance to change in the core technology.<sup>17</sup>

The deterioration of the family as an economically adapted unit can be said to occur when the rational pursuit of organizational goals

is replaced by the rational pursuit of individual goals. Then the basic economic decision-making unit (other than the individual) becomes a social network.

Attributes which contrast the lower class from the working middle class must be considered behavioral correlates to differences in their effective economic environments. Thus high achievement motivation, future time perspective, and internal locus of control--classic middle class indicators of success--are maladaptive in the economic environment operating with respect to the lower class. Moreover, public policies and programs aimed primarily at transforming "undesirable" traits of lower class people in the absence of plans and means to restructure their effective environments are disbenefiting the poor at the public's expense.<sup>18</sup>

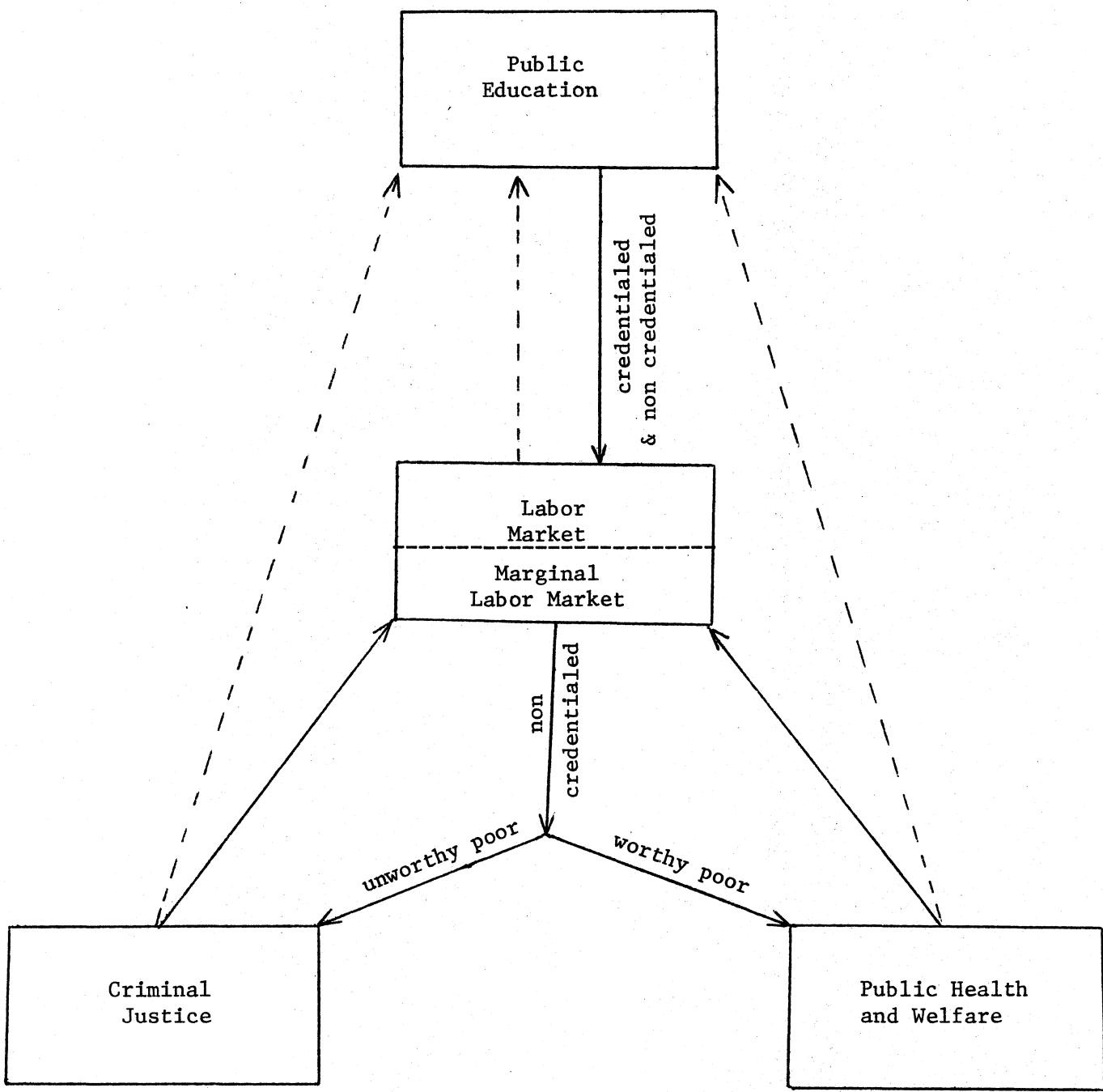
#### Social Marginalization: An Interactive Process

*Social marginalization is the process of interaction between disincentives in the effective economic environment and rational adaptation which tends irreversibly to segregate people into an economically peripheral, dependent position and to result in modes of activity counterproductive to society as a whole.*

The dynamics of social marginalization originate in the labor market, which is the core system for the distribution of economic and social benefits. Socialists like to contrast what they consider to be the central tenet of their system of distribution--"to each according to his need"--with what they say is the central tenet of the capitalist system--namely, "to each according to his ability." Actually, the American

Figure 1

Human Resource Processing System



→ = Flow of human capital

→ = Feedback for credential requirements

system adheres more to the practice of--"to each according to his credentials and those without credentials will be administered benefits according to their worthiness."

The persistent dilemma of the capitalist model is the moral and political issue of how to dispose of the labor surplus upon which its system of human resource utilization depends (see Figure 1). Public education starts the general flow of human capital with a set of administered credentials, predetermined and rationed according to the cultural preferences of the tax paying participants (principal investors) in the labor market system of benefit-rationing. Those not assimilated in the mainstream labor market are not rejected outright, but rather undergo a process of rejection involving underemployment, unemployment, exploitation (where returns to the employee are not sufficient to provide human investment capital), etc. The labor market outflow divides into two streams--one, the worthy poor flowing through the public welfare system; the other, the unworthy poor, who because of the sometime consequences of illegal economic activity, tend to flow through the criminal justice system. The components in the system are also connected by a network of information feedback on accumulated credentials.

In effect there is a dual system of processing human resources in the system at large and most especially in the public school system. (As an aside, it can be stated that in promoting mass education, the educational establishment was sociologically naive to the profound dilemma it would create. Either public education would have to change other human resource institutions thereby fundamentally changing the entire human resource system, or it would have to develop subtle,

infrastructural changes to maintain its integrity with the system at large.) Institutions within the human resource system cooperate to distribute discriminatory information pertaining to marginal cases who are certified variously as educational failures, work failures, and criminals. Information about marginal cases is not only cumulative but consistent, thereby altering the effective economic and institutional environment for classes of people who will adapt and dispose of themselves removing labor surplus from the mainstream system. In other words, they will respond rationally to a net disincentive to develop competencies to exploit the mainstream economic environment and to a net incentive to develop competencies to exploit economic environments marginal to the mainstream system. The long-term effect of such disposal of human resources, both for affected individuals and groups, is irreversibility in the organization of the core technology--namely, the longer marginal status continues, the more likely it is to continue.

### III

#### Social Marginalization in Time and Space: Connecting Rural and Urban Episodes

What we have attempted to develop to this point are the essential components of a dynamic system of interaction consisting of an effective economic environment on the one hand and rationally operating social units as adaptive mechanisms on the other. Dealing with human resource systems in this way implies temporal evolution and spatial connections between rural and urban episodes. The temporal dimension relates to

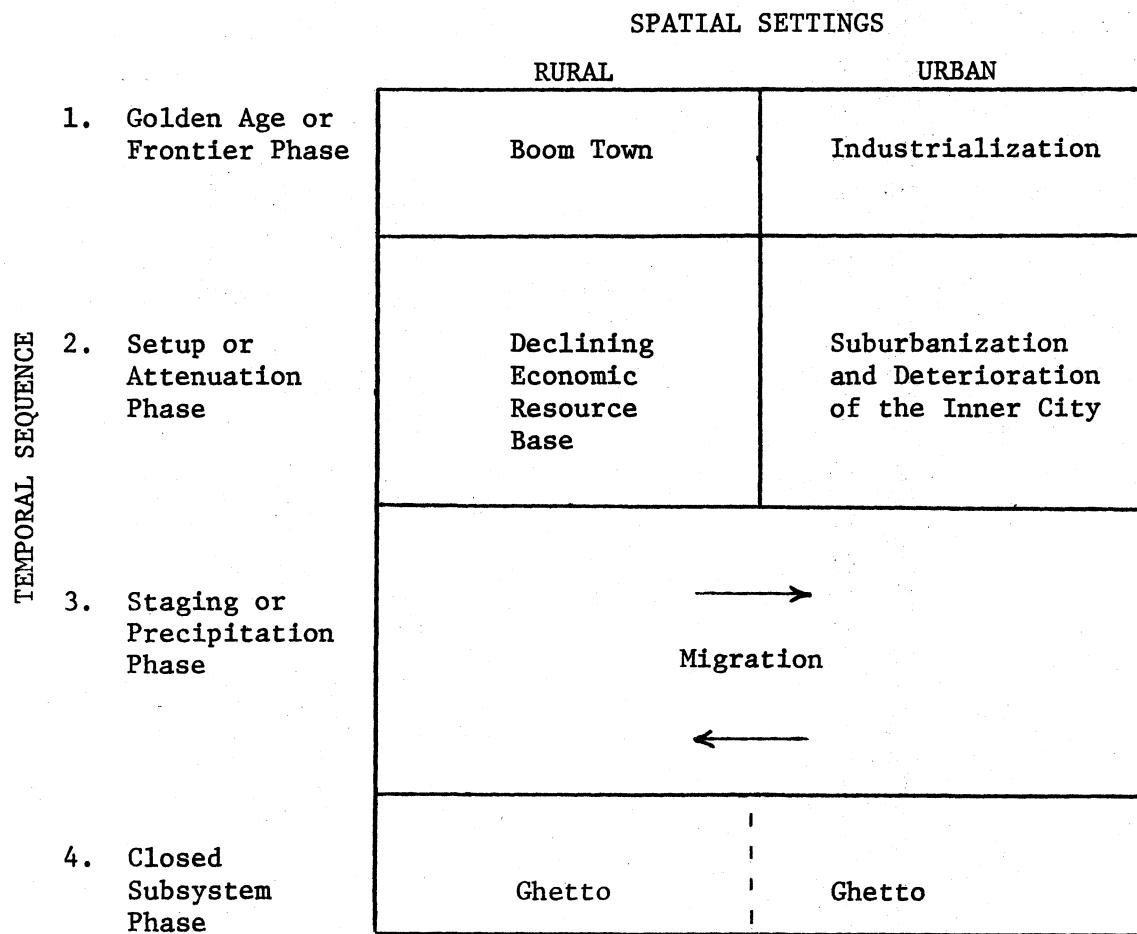
changes in effective economic environment, while the spatial dimension relates to population movement between rural and urban areas specific to a temporal phase.

The demographic linkage between rural and urban areas is a direct consequence of inequality of investment in human resource processing systems, i.e. rural systems are characterized by under-investment when compared to urban systems. Rural human resource systems vary with the industry. In agricultural industries developed in the South, Southwest, and plantation Pacific--such as cotton, sugar cane, fruit crops, and vegetables, based upon labor-intensive technologies--labor markets are predicated upon the prevalence and maintenance of human capital under-investment--i.e. political and economic subordination. Rural institutions in this regard are well known--i.e. race and class discrimination as a basis for differential administration of benefits in all key components of the human resource system including the labor market, public education, criminal justice, and welfare.<sup>19</sup>

In the case of other rural industries such as mining, wood products, cattle, and highly mechanized agriculture, under-investment in human resources is maintained by specialized socialization limited to the skill and knowledge requirements of a particular industry. The tendency here is for the industry to protect its labor supply by insisting on the continuation of specialized socialization even in the face of increased mechanization and diminution of its raw material resource base. The result is that human resources in surplus of industry demand become trapped in cul-de-sacs of the rural economy by their limited economic and social orientation.

Figure 2

Connecting Rural and Urban Episodes in the Process of  
Social Marginalization



In cities labor markets offer a greater variety of opportunity. Public schools are of higher quality, and there are substantially greater benefits to be gained from urban public health and welfare programs. The net human resource flow from rural to urban areas, therefore, would be determined by young people with credentials seeking to enter the urban labor force and young people without credentials seeking to take advantage of marginal labor markets and welfare services.<sup>20</sup>

In order to develop a comprehensive rural/urban model we must address two questions: 1) What precise roles do rural institutions play in urban human resource deterioration? and 2) Under what circumstances, if any, do adaptive social units (families and social networks) in declining rural communities become subject to social marginalization? The emphasis here must be placed on understanding how institutions invest in, process, use, and discard human resources, and not on describing how people adapt to these institutions. The model must also provide for the possibility that these institutions function in significantly different ways in different phases of the social marginalization process.

As a tentative effort, we have developed a processual model including four temporal phases plotted across rural and urban settings as they are involved in the marginalization of human resources (see Figure 2).

#### 1. The Golden Age or Frontier Phase

It is probable that every rural and urban community had at least one golden age when its core economy was developing, employment opportunity was expanding, basic social institutions were consonant with economic

requirements, and the economic base was adequate to sustain the social system--i.e. local industry was able to absorb the normal human capital flow within the mainstream system. In rural areas the boom was created by the development of agriculture and industries concerned with the extraction of natural resources, while in urban areas industrialization characterized the frontier phase.

## 2. The Setup or Attenuation Phase

The dying community is the consequence of a prolonged state of imbalance between locally generated human capital and the demands of the local labor market. In the rural setting, development of the core industry has leveled off or declined to the point where public investments in services and welfare can no longer be maintained at levels sustained during the golden age. Inner city deterioration in the urban setting results from population displacement of high wage earners with low wage earners, underemployed and unemployed and a subsequently diminishing tax base with which to provide services and welfare.<sup>21</sup>

Some of the universal behavioral tendencies of declining rural communities and deteriorating urban communities are:

- fear and distrust of outsiders
- factionalism within the community
- narrowing the range of social expression to extremes--i.e. the church/bar syndrome
- developing subtly discriminatory "credentials" for local labor markets
- intensive cultural identification with occupational roles, e.g. loggers and hardhats
- higher than average incidence of homicide, suicide, depression, and alcoholism

These and other criterial characteristics of a declining community are less interesting than the interactive adjustment processes occurring within the human resource system and the long run effects this is having on the social and economic competencies of its people.

A rural community experiencing attenuation may or may not be suffering a net population loss, but there are important age, sex, and cultural differences operating with respect to demographic movement. Migration tends to be age, sex, and class specific, leaving a higher proportion of females, the very old, the very young, and others possessing traditional skills and exclusively oriented toward the local industry.<sup>22</sup>

The emigration of young adults is of central concern to local families and schools seeking to protect the integrity and solidarity of the community. Educating youth for urban labor markets is seen as equivalent to investing in someone else's community, while educating youth for local labor markets is assumed to be a duty to the community. Ultra-conservative solutions to the dilemma of whether to educate broadly or narrowly often emanate from policy makers determined to serve local interests at the expense of the broader human resource system.

Depending on the time span of development, local institutions will become re-oriented to provide a continuing stream of labor into the extractive industry. This influence pervades both formal (e.g., local government, especially schools) and informal (e.g., intergenerational work patterns) institutions, and is thus highly resistant to change. Moreover, the surplus of labor can be alleviated only slightly by the less dominant sectors of these specialized economies.<sup>23</sup>

Whether local human resources are destined for migration or local utilization, this kind of educational policy is tantamount to creating a general set of technical skills juxtaposed with a highly specialized,

culture-specific set of social skills designed to protect access to declining local labor markets. But, regardless of the culture specificity operating with respect to job rationing in the local labor markets or credential administration in the schools, the net effect on human capital is compound. Human resource investment declines and institutional capacities to create human capital decline thus insuring a continuing transfer of human resource deficit to other human resource systems in the national economy. Thus the concept of setup is applied to the declining or economically attenuating rural community.

In other respects as well, the concept of "setup" is appropriate since the consequences of under-investment in human resources do not tend to be felt in the local setting, perhaps primarily because the functional and important role the family unit maintains with respect to other human resource institutions. It tends to have institutional integrity, its assets are capable relative to local demands, and its wisdom generally valid. Putting it another way, the rural economic/social setting may not constitute the effective environment for social marginalization but nevertheless, it plays a decisive role.

Where gradual attenuation and selective migration have occurred, the decline in the economic base may be offset by population loss, e.g. small towns dependent on the wheat industry in Eastern Washington. Where attenuation is more severe and has a simultaneous affect on the population, an enclave of marginality may develop, e.g. Appalachian coal miners. In the city, attenuation is accompanied by the migration of middle-class working people to the suburbs, leaving a potential vaccum in housing and urban labor markets. It is here where rural people

have immigrated in great numbers and where the under-investment in the human resources of rural communities has produced the most severe consequences.

### 3. The Staging or Precipitation Phase

The precipitation phase refers to a dramatic change, which invalidates the adjustment patterns of the adaptive social units, in the effective economic environment of a community previously experiencing attenuation. The precipitating change occurs in the lives of rural people who migrate to cities or who are inundated by urbanites migrating to a rural setting. A rural person who moves to the city and faces a new economic environment finds himself in a position where decisions regarding new courses in his life are forced upon him. The same problem is faced by a rural person who remains unemployed or underemployed in the local setting while a new industry is established and attracts more qualified outsiders as employees at his expense. In either case, obsolescence and inadequacy latent in the old human resource system is abruptly precipitated as people encounter novelty and extensive variation in economic and cultural environments.

Decline of the importance of the extended family, perhaps even the nuclear family, in the staging phase is inevitable--not because urbanization is synonymous with social decay, but because economic survival depends less on the cooperation of the family unit and more on activating social networks attuned to the labor markets serving city industry and commerce or new rural industry. Individuals are also affected by a different set of investment institutions as to the kind of human capital they carry.

Economic environments in the staging phase offer a variety of niches for exploitation, at the same time encumbering incentives for the individual to develop new, counter productive (in terms of the public good), economic and social skills required for survival. In modern, regulated environments and controlled labor markets of the 20th century, unlike the relatively unstructured environments and freely operating labor markets of the 19th century frontier, a majority of non-credentialed human resources are likely to find their greatest opportunity to lie in exploiting marginal markets dealing in illegal goods and services.

#### 4. The Ghetto or Closed Subsystem Phase

The ghetto is to be regarded as a subsystem because it is a natural sector of human resources systems in Western industrial societies. It is closed because it is an environmental system with behavioral specificity antithetical to the main system. That is to say the competencies necessary to cope with exclusion from the mainstream economic system and to cope with such institutions as welfare and criminal justice, compel inappropriate behavior vis-a-vis the mainstream labor market. Moreover, other human resource institutions record experiences with welfare and criminal justice institutions as validation of incompetence, thus reinforcing environmental boundaries of the subsystem.

Economically, the ghetto constitutes a subeconomy in that it has specialized markets for goods and services, the exploitation of which again requires specialized competencies that must be learned in specialized human investment institutions--e.g. gangs and other social

networks. The problem is that these institutions also socialize their members within an affective and ethical system antithetical in many respects to mainstream society thereby increasing conflict and frustration when the individual attempts to translate from one system to the other.

IV

Implications for Research and Public Policy

Viewing economic and social inequality as natural consequences of the interaction between human resource processing institutions in structuring different effective economic environments based on racial, cultural, and class characteristics implies that social science research could better turn away from the study of client groups as isolated phenomena--i.e. welfare cases, criminals, racial and cultural minorities, and school dropouts--and turn toward the study of institutional variation and its effects in the differential allocation of economic and social credentials. It must be recognized that the human resource processing function of any institution is as important as its production function. Too often the effect on human resources of the operation of industrial firms and public institutions has been regarded as a by-product not calculated into the cost-benefit equation of the production process.

As a society, the United States in the last few years has become conscious of the wastefulness of wantonly discarding physical resources not destined to become end products, and of the harmful consequences (commonly known as pollution) that necessarily result. It is not generally recognized, however, that discarded human resources are also a form of

pollution, i.e. waste products in the production process where the only self-conscious goal is to maximize profit and/or commodity output. We contend that the human resource investment function of any institution, whether it be a private industry or a public agency, should become a self-conscious aspect of its operation, just as the continuing investment in physical, environmental resources recently has become a self-conscious goal in some private industries. If this argument is accepted, it means that a necessary mission of the applied social scientist is to continually address the issue of the costs and benefits of keeping or changing various features in the structure of effective economic environments.

The greatest need in achieving efficiency in the use of human resources is for the costs and benefits accruing to individual institutions to be made consonant with the welfare of society as a whole. We suggest that this would be a good place to start in restructuring national goals following justifiable public disillusionment, both with the policy of dumping money hapazardly on social problems, and with the counter-policy of benign neglect while the problems continue to fester.

The arguments we have made in this paper, at least in part, have been developed from ongoing work at the Western Rural Development Center where we are conducting a cross-cultural, cross-industry study of rural human resource systems in five widely separated communities experiencing economic decline.<sup>24</sup> As we began this study, we intended to focus on the social marginalization of human resources as a function of adjustments to changes in effective economic environments. Two difficulties arose as soon as data became available: 1) It was not possible with any degree of certainty to identify people who would be most affected by the surrounding circumstances, and 2) All research settings were confined to the

attenuation phase of a rural episode where precipitating forces leading to easily perceptible changes in effective economic environments were not immediately present. Therefore, we have: 1) shifted our emphasis to investigate more closely how the institutional processing system operates in the five separate rural contexts in evaluating credentials and allocating benefits; 2) determined that understanding of the intermediate (attenuation) phase in the rural setting is an essential ingredient in the further development of scientific theory and manpower policy, since much of the error in past theory is based on false inference from the end state (closed system phase) to the process. At the conclusion of the study we hope that the usefulness of becoming informed of the effects of human capital institutions on human resources can be demonstrated not only to managers and laborers, but to public agencies and policy makers.

We contend that human resource systems and the operation of their components relative to specific communities and populations can be researched and made explicit as to their effects. We also argue that marginalization theory is necessary to understand what is going wrong with well-intentioned human resource programs. Accordingly, we can offer a suggestion or two about conventional courses of action to be avoided in dealing with human resource problems. The problem of underemployment in an economically declining rural community, for example, might appear to be easily solved by locating a new industry in the area to provide employment for local people. Given a non-discriminatory labor market or adequately credentialed human resources this might hold true; but in reality the local population, maintained in a disadvantaged position through local under-investment in human resources, is very likely to be

manifestly obsolesced when the jobs are offered in favor of newcomers with more suitable credentials. Hence, instead of rehabilitating the local labor force, a new industry may precipitate enclavement in a rural-urban fringe ghetto. Moreover, a similar argument might be made about an economically declining inner-city area.

Another axiom suggested by marginalization theory is that compensatory programs for "disadvantaged" people whether focused explicitly on education, jobs, income, or political effectiveness, will more than likely be of little benefit and may even disbenefit the people they are intended to help so long as they are administered primarily through institutions which function interactively in the human resource system at the root of the problem. The theory of social marginalization casts doubt on the usefulness of much policy-oriented research in the social sciences and on the wisdom of many conventional courses of action, but it leads us to a largely unexplored area where the solutions to many interrelated problems may be found.

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- <sup>4</sup>Oscar Lewis demonstrates this tendency despite his theoretical statements as to the generalizability of his data. To Lewis, however, goes the credit for establishing a major focus of interest among anthropologists and for developing the theory of cultural dynamics of the situation of poverty. See "The Culture of Poverty," Scientific American, Vol. 215, No. 4, October 1966, pp. 19-25.
- <sup>5</sup>For example see Daniel Patrick Moynihan, "The Negro Family: The Case for National Action," The Moynihan Report and the Politics of Controversy, M.I.T. Press, Rainwater and Yancey, editors, 1965.
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- <sup>10</sup>"The culture of marginality" is more precise than "the culture of poverty" since sheer material (including dietary) deprivation is less at issue than the deprivation of economic and social status while being administered income usually more than adequate for physical survival. For a case study of institutionalized starvation that could be termed "the culture of poverty" see Colin Turnbull, The Mountain People, Simon and Schuster Inc., New York, 1972.

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<sup>14</sup> See Robert R. Carkhuff, The Development of Human Resources: Education, Psychology, and Social Change, Holt Rinehart and Winston, Inc., New York, 1971, pp. 249-254 for an instance of this in the welfare system.

<sup>15</sup> See William Glasser, Schools Without Failure, Harper and Row, Publishers, New York, 1969, especially chapters 1, 3, 7, and 8. Although Glasser does not properly address the broader external setting giving rise to the social forces affecting the school, he accurately conceptualizes the internal dynamics of incentives/disincentives and pupil self-selection operating within the school.

<sup>16</sup> Rickson, op. cit.

<sup>17</sup> For an interesting instance of the social and economic ramifications of adaptation to famine relief see Turnbull, op. cit., pp. 280-282.

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