The high unemployment rate of black high school graduates can create the perception that a diploma is of little value and encourage dropping out of school. Black youth who do drop out are less employable and further push up the black youth unemployment rate. This raises a question: Is the high dropout rate of black youth due to their high unemployment rate or is their high unemployment rate due to their high dropout rate? A study of this question using the definition of Granger-causality finds that it is the high unemployment rate which causes the high dropout rate rather than the opposite.

While black youth make up a relatively small, though growing, fraction of the youth population, their role in the youth unemployment problem is greatly disproportionate to their numbers. And that disproportion grows larger over time. For the period 1972-84, the unemployment rate for white teenage males rose from 14.2 to 16.8% while that for black teenage males jumped from 31.7 to 42.7%. There is an unemployment problem for white youth, but the fact of an unemployment rate 2.5 times that for white youth identifies an unemployment crisis for black youth as indicated by the most recent major book on this issue, The Black Youth Employment Crisis.\(^1\)

Whether one addresses youth unemployment in general or that of blacks in particular, there are two basic views of the causes of the high and growing rate. One view focuses on the demand side: the relative scarcity of new jobs due to slow economic growth; the severity of recessions like those of 1973-75 and 1981-82; changes in job mix which affect demand,
minimum wage laws, and other noncompetitive restrictions; the temporary nature of many available jobs; and employer discrimination. The other view focuses on the supply side: insufficient education, inadequate training, lack of skills, absence of work ethic, somewhat high reservation wages, or preference for leisure over work at existing wages.

If one distinguishes black from white youth unemployment, one can find, even in this abbreviated list, causes of the much higher unemployment rate for black youth. On the demand side, one factor is discrimination: few will deny that employer discrimination against black youth is worse than that against white youth. Hill and Nixon argue that most of the causes in any list can be traced, directly or indirectly, to discrimination. Another factor is the little recognized decline in the demand for low-skilled agricultural labor. Cogan has produced evidence to show that this was the major cause of falling black teenage employment for the 1950-70 period, especially in the South. In 1950 the proportion of black male teenagers who were employed was significantly greater than that of white teenagers; by 1970, the ratio for blacks had fallen to two-thirds of that for whites. Cogan attributes one-half of this decline in the black ratio to the rapid advance of labor-saving technology.

On the supply side, an apparently self-evident factor in the explanation of the much higher black youth unemployment rate is the fact that inadequate education is far more common among black youth. One measure of this is the ratio of high school dropouts to the sum of high school graduates and dropouts ages 16-24 years. Data for the years 1960-84 show that the average of this ratio for the 25 year period was 0.29 for whites and 0.45 for blacks. However, numbers like these may attribute much more importance to dropping out as a cause of the relatively higher unemployment rate for black youth than it deserves.

This follows from the interdependence between causes on the supply side and causes on the demand side. One cause on the demand side is a scarcity of new jobs (due to various reasons), and this cause, if sufficiently strong, may result in a high dropout rate among black youth. Thus, dropping out may not be an independent supply side cause, but in large part an effect of demand side factors. The high school diploma has traditionally been recognized as a “passport to the job market,” but the value of that passport diminishes over time as more and more of those who obtain it find that they cannot secure decent-paying jobs with it. The decision of black youth to drop out or forego the “passport” may then be significantly influenced by their inability to perceive education as a means of improving their future economic well-being. Study after study of the cause of the