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~~World Economy~~

H. Resources

The era of jobless growth

International development analyst **Hazel Henderson** challenges the prevailing economic orthodoxy that productivity — measured as output per worker — is also an indicator of increasing unemployment.

BACK in 1978, Organization for Economic Cooperation and Development (OECD) warned its 24 member nations that "the 1980s might well be an era of jobless economic growth."

The organisation's prediction, however, now seems dead on target in the 1990s.

In the United States, the Clinton administration is facing exactly that situation. Although the country may be growing once more, after the 1991-92 recession that brought down George Bush, it is growth without jobs.

Japan too is becoming a land of rising joblessness — although the social structure and norms have kept Japanese unemployment at 2.3 percent, small next to the 10 percent and higher levels of the United Kingdom, France and the other G-7 countries.

"Jobless economic growth" is actually an oxymoron since one of the primary goals of economic growth is to create full employment (enshrined in the United States in the Employment Act of 1946). It is also an appalling miscarriage of macro-economic management.

Economists have offered politicians a promised land of economic development and industrial progress via job creation — even full employment. They promised to fine tune industrial societies so as to create those "rising tides that would lift all boats."

Economists counsel politicians and their governments on how to inflate, deflate or "reflate" money supplies and when to "jump start, spark, spur, or stimulate" and when to "step on the gas pedal or brake" as if their economies were automobiles.

The advice is to look at the car's engine — rarely to check out the design, manufacturer, or the economic engineers.

Whether at the World Bank, the International Monetary Fund, the United Nations or at economic ministries and development agencies around the world, economists most often graduate from a few elite universities, such as Harvard, Massachusetts Institute of Technology (MIT) and the London School of Economics.

Their formulas for economic development still rest on per-capita productivity increases. This leads to ever-larger inputs of capital, energy, and natural resources and more mechanization.

Industrialization is about labour-saving. Non-economists might ask whether such formulas do not also increase automation and unemployment.

Anyone but an economist would expect increasingly jobless economic growth unless there is a corresponding increase in services — the growing transaction costs of industrial complexity — and government coordination efforts to mop up those disemployed in this kind of economic development.

In the 1960s and 1970s, there was widespread debate about increasing unemployment and leisure time inherent in the march toward industrialisation, per capita productivity, and automation.

Some economists in the United States called for guaranteed minimum incomes, and others called for a "negative income tax" all to address structural unemployment.

In Europe, labour unions called for guaranteed minimum incomes, shorter work weeks, job sharing, sabbaticals, re-training, worker-ownership, and mutual funds, via such means as Sweden's Meidner Plan. U.S. capitalist Louis O Kelso called for employee stock ownership.

Britain's E F Schumacher and I supported most of these proposals and echoed Mahatma Gandhi's question "Why not production by the masses instead of mass production?"

Most proposals to address the march towards jobless economic growth were parried. Instead, pumps were primed with public works and jobs, and economic machines were run faster with debt and deregulation. Warfare, 'workfare' and welfare took up the slack.

Most economists still hail economic growth and rising per-capital productivity.

Through the 1970s, creeping jobless was masked in most countries by moving the statistical goal posts. After W W II, "full employment" was deemed reached at two percent unemployed. As this target became unattainable, it was gradually moved up to the seven percent officially tolerated today.

By the 1980s, the U S jobless growth was also masked by 'supply side' investment tax credits (ITC's) and other statistics: i e, a full-time job was designated at 20 hours or more per week.

As the US manufacturing sector "hollowed", millions of lost 40-hours-per-week manufacturing jobs were replaced by even more millions of 20-hours-per-week jobs.

Thirty percent of the work-force now stands by for 'contingency' jobs. More ITC's further encouraged automation, while employment was burdened with more taxes and red tape. We need employment tax credits to restore the balance.

Each recession in the United States brought more 'stagflation' and more ITC's — justified by economists' trickle-down assumptions that ITC's will be used by businesses to build more factories and employ more workers.

Most of us believe ITC's increase unemployment (as evidenced in the downsizing of large companies such as General Motors, IBM or Sears-Roebuck, a US retailer which recently fired 60,000 check-out clerks by automating its check-out counters). There is no evidence that ITCs yield net new jobs.

In a global economy, investors are also free to chase higher returns around the globe. Most business peoples say that ITCs would not sway them in an investment that did not already look profitable.

But economists of both parties in the United States are wheeling out ITC's again, even as the jobless growth syndrome is embarrassingly evident.

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