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Some Necessary Background about Unemployment in the United States

PART 1

Please see my Rationale in the essays. Unemployment is an endemic fault of capitalism. Americans will not face up to unemployment. Instead, we want to wave a magic policy wand, such as fiddling with interest rates, giving tax breaks to rich people, extending unemployment insurance, or allowing Social Security Disability to expand. We prefer to blame honest unemployed people rather than take a realistic look at why some people can't find jobs.

At the end of this essay, I offer some suggestions. They are not new. Mostly I arrange what we already do so we are more effective and we feel cheated less. Still, the suggestions are politically incorrect and cannot be enacted. It is worth saying what I think is true.

Unemployment, under-employment, and poor employment, differ. I deal only with unemployment in this essay. I deal with poor employment in other essays. The bad effects caused by under-employment and poor employment are similar enough to the bad effects caused by unemployment so you can take what I say here to apply to them. Sometimes I use "UE" to stand for "unemployment".

"Under-employment" refers to people who want more work but can't get it, such as a truck driver who wants more time or more runs but can't get them. It can mean people who already work full time but want more hours or it can refer to people who do not yet work full time but want to work full time or want to work more than full time. "Under-employment" can refer to jobs that typically offer less hours than people want such as part-time landscaping, and the people in those jobs. "Poor employment" refers to jobs with low wages, usually without any benefits such as retirement and health insurance.

Narrowly, "unemployment" refers only to people of able enough mind, able enough body, with enough training, experience, native talent, and drive, and who honestly look for a job, but cannot find a job. This definition does not say whether they cannot find a job that is proper to their talent and training. This definition does not say if the unemployed person can't find a job that pays wages only enough to support him-her personally, only enough to support a spouse, enough to raise a small family, enough to raise a large family, or has benefits. This definition only means a person can't find a job.

We can make the definition fit particular situations as by saying unemployment refers to people who have particular training but can't find jobs to fit their training such as a miner who can't find a job in a

mine. I don't quibble over scope. I use the term without being precise. Basically, I mean people who qualify for a job, honestly try to find one, but can't find one. You can fill in details.

Now, America has about 8% to 10% chronic unemployment and about 30% chronic poor employment. Of the 10% unemployment, 2% is "frictional" and 8% is "structural". You will see what "frictional" and "structural" mean.

Unemployment is a big issue because it feeds other issues such as racism and sexism. Unemployment does not fall equally on all ethnic, gender, religious, and age groups. Native Americans and Blacks suffer more unemployment than the average. Until recently, women suffered higher rates of unemployment, but, beginning in the middle 2000s, men suffered more. Unemployed people feel they have no job because of their race, gender, age, or religion. Employed people feel that unemployed people are lazy or conniving and don't really look for jobs no matter what the unemployed people say.

Unemployment supports bad policies such as policies that force economic growth. It supports the over-size of some entitlement programs such as Social Security Disability. It leads to backlash against policies and against programs such as welfare, so that deserving people don't get help.

I am not sure if unemployment or poor employment is the greater fuel for bad policies and bad social problems and causes more grief. We cannot face and deal with one without facing and dealing with the other. We have to work on them together. I want people to read about unemployment first because I think understanding it first helps to understand poor employment better.

Americans believe everybody could have a good job but something odd has gone wrong. Unemployed people blame the fact that they don't have jobs, and-or their fellows of similar race or gender don't have jobs, on racism and gender discrimination. Employed people say jobless people prefer not to work and so jobless people exploit programs such as welfare and SS Disability. Sometimes people of both sides blame bad policies for distorting the economic system and causing unneeded unemployment, but rarely are people that precise in thinking out the problems.

Republicans tend to treat all unemployment as if it was frictional (temporary) and all job seekers were lazy conniving users of the system. Democrats tend to treat unemployment as a source for clients without caring what the underlying source might be, if it can be cured or we must endure it, and, if we have to endure it, how best to treat the symptoms.

I don't know (1) how much unemployment is caused by pure prejudice without any other contributing factor versus (2) how much unemployment is endemic in our economy and is only shifted to particular groups by bias. Likely bias alone does cause a small part of unemployment but not much, likely less than a fraction of a percent of total workforce, likely less than one percent of the 8% who are chronically unemployed. Discrimination more likely leads pre-existing unemployment to be shifted to particular

groups. That is the stand I take here. I don't consider unemployment caused by pure discrimination alone without any other previous contributing factors. See my essay on bias.

"High rate of employment" means "low rate of unemployment". I refer to "unemployment" more often than "employment" because that is what causes problems. In the recession of 1990-1991, when George H.W. Bush was President, he said that 8% official unemployment means 92% official employment, and we should focus on all the people who are employed rather than on the few who are unemployed. He got kicked out of office, appropriately.

PART 2

Economists see two kinds of unemployment. The first kind does not matter much because it is made up of people who are in between jobs and have a good chance of finding a new job such as retail clerks and bank loan officers. This first kind is called "frictional" and is about 2% of the total labor force most of the time. If total unemployment is 10%, then frictional unemployment makes up 2% of the 10% (not 2% times 10%), and other causes make up 8% of the 10%.

The second kind of unemployment matters because it is made up of people who cannot find work even though they are qualified and trying. This rate varies from 0% to 15% of the total labor force depending on conditions. This kind sometimes is called "structural" for reasons I explain below. If the rate of total unemployment was 10% of the labor force, 2% of the 10% would be frictional (cause 1) and would not be much cause for concern. 8% of the 10% would be structural (cause 2) and a cause for concern.

Most economists consider 3% or even 4% total official unemployment essentially full employment (0% UE) because nearly all of the 3% unemployed people will find a job fairly soon. America rarely has only 3% unemployment anymore.

TV news shows vary in what they say about unemployment. Most reporters don't seem to know the difference between the two kinds. You have to think about what TV news says so that you can figure out how much of the unemployment is structural and so cause for worry.

I care only about unemployment that matters. When I write about a percentage of unemployment, I write only about that.

Here is what I think about unemployment, without explaining much about the cause:

-The rate of persistent real structural unemployment in the United States rarely falls below 4% now, and, in fact, rarely falls below 6%. Over the long run, the rate of real structural unemployment in the United States might be around 6% to 8%. The average rate of structural unemployment in the rest of the world likely is at least 10%, maybe 12%.

-America will never again have effective full employment so that the total employment reported on the news is 3% or less.

-America has less unemployment than the world average for reasons explained below.

-Unemployment does not fall equally on all social groups or socio-economic classes. It falls harder on Blacks than Whites, harder on Black young men than on almost any other group, and now falls harder on men than on women.

-Even with its low rates of unemployment, America has enough unemployment so that unemployment fuels social problems such as racism, sexism, socio-economic class fear, and class conflict.

-The bad effects of unemployment combine with the bad effects of poor employment (bad paying jobs with no benefits) to strongly fuel social problems.

-Social programs such as welfare and unemployment insurance help with unemployment but do not cure it. Social programs generate other problems such as cheating, culture of dependency, and their own versions of class conflict.

-Unemployment cannot be cured indirectly with "policy fixes" such as tax credits to the poor, tax reductions for the rich, tax reduction for corporations that locate in our area, or economic growth.

-Unemployment cannot be cured in the same way that we cure pneumonia or some cancer. It is more like arthritis or diabetes than like pneumonia. We can only face that unemployment is real, that it has bad effects, and deal with it, and its effects, on that basis.

-We can modify our programs to deal with unemployment and its bad effects but first we have to accept unemployment and its bad effects. We won't. We won't accept the reality of unemployment and its bad effects because we don't want to face the bad effects, especially issues of race, class, and gender. We would rather pretend that unemployment can be cured with a simply magic policy wand than to face issues of wealth, class, race, and gender. We will not accept links between race and employment. We will not accept that Black and White cultures have to change to deal with unemployment and the effects of unemployment. We would rather try bad policies and programs.

PART 3

What causes unemployment?

PART 3A: Economic Process

(1) Frictional Unemployment. Frictional unemployment is temporary due to people “in between” jobs who are likely to find another job. It is not a reason to worry.

(2) Structural Unemployment.

Economists have several ideas about what causes structural unemployment. The two biggest reasons are (1) Oddities in how markets work, which I explain below. (2) Social programs such as welfare. For those, see below in this part of the essay.

In an ideal free economy, there would be only frictional unemployment, no structural employment. All people who want jobs, have training, and are willing to work for prevailing wages, can find jobs. Likely, the prevailing wages would be fairly good. This ideal is part of a situation called “general equilibrium” in which all fair markets “clear”. For example, in the car market, at prevailing prices, car makers can sell all the cars they want; car makers sell all the cars they make; car makers make and sell exactly the number of cars that people want to buy; people who want to buy cars can buy all the cars they want; they buy exactly as many cars as automakers make. The same is true of all markets for all goods and services, such as computers and shoes, including all kinds of labor in all fields. Markets that work this way have to meet conditions that economists have spelled out fairly well. Briefly, they have to be fair, with open competition, and no collusion. This outcome seems like magic but it is not. A real capitalist economy comes fairly close to this ideal, failing to reach it by only about 10%.

Usually a particular market fails to reach the ideal because it is what economists call “structured”. In the simplest and most common case, one business firm (monopoly), or a few business firms (oligopoly), have enough control so they (it) can set how much is made and so can influence price. They make less than people want to buy and so they increase price over what should prevail. They produce a slight shortage, raise the price, and so gain the benefits.

While economists and strong advocates of capitalism wish that all markets were free and reached the ideal of clearing, in fact, only a few real markets approach the free ideal. Most markets are structured to some extent, including all the markets for all the goods and services we usually buy: cars, computers, cable TV service, medical care, legal advice, real estate, etc. I would guess that the economy as a whole, as a result of structuring, deviates from the ideal about 10%. The economy as a whole produces about 10% less than it should and has prices about 10% higher than they should be. The economy as a whole hires about 10% less people than it should (unemployment) and pays the other people (90%) a little bit more in wages than it should.

(The people who benefit in wages from structuring get about 1% more in wages on average than they would get without structuring. This 1% quickly erodes under other pressures such as from inflation. Typically in a real structured economy such as in America, labor gains less than business firms, and any advantage quickly evaporates. See other essays.)

Markets can be structured not only through deliberate control by business firms. Unions can structure markets, and thereby making labor shortages and raising wages. But, despite anti-union feelings, in real economic life now, unions cause very little distortion from a free market and are not much responsible for under-used labor, for unemployment. Unions used to be important in some particular markets such as airlines but now they are not dominant even there anymore.

Structuring often comes about through the desire for security. Ideal free markets are not very secure for all individual producers and laborers, and people do things to make the markets more secure both for the buyers of goods and services and the sellers. I use the following examples in other essays, so please excuse the repetition. One way to impose security is licenses. You can hire a non-licensed electrical worker more cheaply than a licensed bonded electrician but you have little recourse in case the worker does a bad job, your lamps won't turn on, the refrigerator catches fire, and your house burns down. There are a lot more unlicensed un-bonded electrical workers than licensed bonded electricians. In the Third World, you can get your teeth fixed by people who have no dental degree but there is not much recourse in case your teeth rot or a filling falls out. We can get security through licenses but, then we reduce the number of people who provide what we need and we raise the prices of their labor and the prices of goods and services. Many people have had a bad experience with a no-name mechanic and were to go to a dealership and pay its prices. In 2015, Alabama was one of 14 states that did not require licensing and inspection for day care centers. In Spring 2015, in Montgomery, Alabama, about 90 small children became sick, and about 15 of those were hospitalized, because of bad food in a day care center. Would you get heart surgery from an unlicensed "doctor" in a clinic even if the surgery cost only half? In the end, in many markets, for many goods and services, we prefer fewer providers, higher prices, higher labor prices, fewer workers, and more security.

When a market has a lot of insecurity, and mistakes can cause much harm, we have to choose between which harm is worst. Insecurity and mistakes cause damage and increase costs not only in the original market but in other markets too – think of the widespread and long-term effects of house fires caused by electrical problems. Regulation also raises prices and labor costs, and reduces the amount of goods, services, and jobs. Which is least in overall cost and so more generally beneficial: no-regulation-with-no-security or regulation-with security? We have to think not only within the original market but for society and the economy as a whole. This is why we need adept politicians and regulators. They need to decide, on this basis, when not to regulate, when to regulate, and how much to regulate. Believe it or not: Often regulating a market results in lower overall cost to society and the economy despite higher prices and limited supply in the market itself. Regulation can even result in lower overall costs and more benefit within the market itself. When we add the cost of house fires, costs to housing owners actually are less if they use a bonded licensed electrician even though he-she costs more than an un-bonded unlicensed person who shows up at your door with a pitch. So structuring a market to increase security can be overall a good deal. This is often the case with labor in markets.

Although we can reduce the loss by structuring markets so they are more secure, a structured market is still not ideal. It is not what economists call "perfect". A structured market that has adopted enough

security so it can be as good as practically possible still has slightly higher prices, slightly reduced output, and slightly fewer workers than an ideal perfect market. This outcome is part of living in the real world.

There is no simple sure way to tweak a structured market to make it hire as many workers as it would have hired if it were perfect. This is the basis for the inevitable unemployment of capitalism. This too is part of living in the real world.

Business firms in structured markets are more secure than firms would be in fully fair free markets. So, in their turn, the laborers who work for business firms in structured markets benefit from that security. The workers in structured markets sometimes benefit with higher wages including generous benefits. The peak era for this kind of benefit was the 1950s through 1970s. It is not worth thinking here about how much more the workers in structured firms get in wages. What is important here is that firms hire fewer workers. The security of workers in firms in structured markets results in fewer workers being hired and so results in some general unemployment.

The security and slightly higher wages of many workers, about 90% of the workforce, is bought at the price of no security and no wages for the 8% of people who are chronically unemployed. We buy our security at the cost of insecurity for other people.

This result might be hard to accept: A situation in which the majority of workers have job security while a small minority has no jobs at all likely is the best practical outcome of a nearly-free market economy in the real world. This outcome gives the most benefit for the most people, the most benefit in general. There is nothing we can practically do to make it better without making it worse.

If put in terms security for the many bought at the cost of nothing for the few, most people would not make the bargain and instead would choose to share jobs and security with everybody. But we can't have it that way gracefully. We can't make any individual choices or collective choices that lead to that result gracefully. As long as we follow the fairly free market, and we should, then security for most must be bought at the price of unemployment for a few. We could not resolve this situation without some kind of deliberate program unless we return to absolutely free markets with a lot less security and a lot less overall benefit. In that case, we would pay even more in other ways. We cannot find any simple policy fix that can resolve the situation. We should not blame ourselves. We should be willing to face the situation honestly and deal with it as best we can.

To make it better without really making it worse, we have to work a bit outside the market. We cannot rely on tweaking the market. This action is supposed to be what politicians are for. It has not worked out that way.

PART 3B: Human Nature and Social Nature

These causes do not so much create unemployment as they decide who will get a job and who will not. In some cases, they can make unemployment. I try to sort out this issue below after I have described these causes. Please keep these forces in mind for the essay on bad employment. I repeat them there but I do not explain them again much.

(3) Some people naturally do not have the temperament to work in modern industrialized capitalist economy-and-society. They are not necessarily bad people, they just can't make it sitting in an office or standing in a factory. In the past, some of these people became artists, innovators, scientists, business entrepreneurs, soldiers, adventurers, or bums. A few became criminals but I don't think most criminals come from this type of person.

(4) Some people do not have the training for a job now, mostly because they did not go to a good school and because they did not get training on the job.

(5) Some people have a bad attitude. Some people have a bad attitude because of the culture-and-society they grew up in, such as a particular ethnic, religious, or gender group. Some people have a bad attitude because they are just like that. Some people have a bad attitude because of experiences on the job. If you get only a bad job and get treated badly, then you develop a bad attitude. Then you can't get any job at all. Some people are willing to change their attitude while others are not.

(6) Bad attitude, bad experiences, and bad culture go together to form a self-reinforcing loop. If you go into a job with a bad attitude because of your culture, you will be treated badly. If you go in with a good attitude but are treated badly, then you will develop a bad attitude. After you have a bad attitude, then you can only get a bad job or no job at all.

(7) Prejudice probably does not account for much unemployment itself. Rather, prejudice determines on whom the unemployment will fall.

(8) Some people are handicapped, mentally or physically. In my experience, people who accept their handicap and deal with it honestly make excellent workers and often can get jobs. Being handicapped is not a curse or a doom. Still, handicapped people do have trouble getting a job and often need some help to get a job. Almost always, it is help well spent and well given.

(9) Some people are not smart enough for work in a modern capitalist economy. They might have been smart enough for a farm economy, and they might have been smart enough for a capitalist economy of the recent past, but they are not smart enough now. I noticed that the number of people who were not smart enough began to increase in the 1970s. By the 1990s, there were a lot. The number will go up as the modern world gets more difficult. Technology can help not-smart-enough people to get jobs but it cannot make sure that all not-smart-enough people get jobs. I think the overall effect of technology will work against not-so-smart people. I do not know how many people now cannot get jobs because they

are not smart enough but I think the number already is so high that they are a serious drain on our social programs and our economy. I think this is a serious issue already and will get much worse.

(10) In the 1950s and 1960s, when social programs first became institutionalized, they were not a major independent cause of unemployment or bad jobs. Then they grew. Social programs were never meant to be even a small fraction of the size that they are now, and a fraction of the burden that they are on our modern economy. Because now it is easy to access social programs, and too many people would rather be on a social program than work, we can now think of social programs as a distinct independent cause of unemployment.

(11) It is easy to think of bad reasons why people would rather be on a social program than work but I don't go through that exercise here.

(12) Instead, I offer a rational economic sensible reason. A lot of people in America can get only bad ("crappy") jobs such as working for low wages and no benefits in a fast-food restaurant. They cannot get a good job with decent wages and benefits. The vast majority of people prefer a good job to a social program. When faced not with that choice but with the choice between a bad job or a social program, especially social program that offers medical care to your children, the vast majority of the same people who prefer good work if they can get it correctly rationally prefer a social program. This is not selfish or lazy. This is sensible. You would do the same.

While this strategy might be sensible, it is still not good for society. It still causes a lot of problems. It still leads to people on welfare rather than in jobs.

(13) People have too many children. People who do not have good jobs have too many children. Rather than put their children at risk, they prefer to go on social programs.

(14) All the social causes are mixed up. It is hard to separate a person who has a bad attitude all by himself, and would have one no matter what school he-she attended, from another person who has a bad attitude because of a bad school. Unfortunately, to do something realistic about unemployment, we do have to separate the categories.

(15) For more on prejudice, see the essay on prejudice.

PART 4

Below, I offer suggestions about what to do. Misunderstanding would arise if readers do not know the following points. Skim through the points. If you know them already then you might jump ahead. If you do jump ahead and find yourself disagreeing, then please come back to these points.

-My estimate of the rate of unemployment is usually at least 2 percentage points higher than the official estimate, for several reasons. The official rate does not count people on Social Security Disability, welfare, and other programs, and likely many of these people should not be on programs. They should be looking for work but have found a way to evade work. The official rate does not count people who have given up. It does not count people who gave up when they were young, and have not really looked for steady work since they were about 15 years old. The official rate does not count people who had a job, lost it, and then gave up. The official rate does not count people who might look for a job but don't think they could find one, and so don't look, such as women who have been out of the market for a long time. The official rate undercounts by quite a bit. I think even my estimate is an undercount.

-In the 1950s and 1960s, America often did approach zero real (structural) unemployment because of conditions that prevailed then. The conditions then were not "natural", not normal, and cannot be brought back. Briefly, World War Two destroyed the industrial capacity of the rest of the world, and America was, for a while, the only industrial exporter in the whole world. For reasons I can't go into here, Americans "got it into their heads" that those conditions are normal, and that Americans deserve the comparative wealth that America had back then. Those conditions could be brought back and could be made to persist. Americans got it into their heads that all jobs could be good jobs with high pay and benefits, everybody could get a good job easily, politicians could make it like that if they wanted to, but America is not like that because of the conniving of some group that we don't like. This is dangerous thinking but we do think like this.

-Americans misunderstand the business cycle and so misunderstand employment and unemployment. Americans think unemployment can be reduced to zero (full employment), and think unemployment can be cured with policies. Americans don't accept that "cycle" means both down and up. They think the up part of the cycle is typical of where the economy should be all the time if there were no cycle at all. People don't understand that the up part of the cycle is as distorted as the down part. People think the up part is normal, a mistake. People pressure politicians to keep the economy always in the up part of the cycle. They think politicians can fire a magic policy bullet to keep business and employment booming all the time.

In particular, American workers expect unemployment (UE) to be as low all the time as in the up part of the cycle. In America, in the up part of the cycle, official unemployment is near zero (0). Obvious official UE is not the same as real UE, which declines during the up part of the business cycle but never goes totally away to zero. American workers wrongly think zero UE is typical and possible. They pressure politicians to keep the country in zero unemployment (0 UE).

Several economic policies have reduced the severity of most cycles but have not reduced the severity to zero so that cycles go away. Cycles still seem to come every ten years, so the policies do not seem to affect recurrence or timing. Although the severity is not as bad as the Great Depression, the cycles are still not nothing. They are still here. They still lead to problems and confusion. The "Great Recession"

of 2007 and after, caused by bad management from the Reagan years onward, shows that the business cycle is still here and able to cause much damage and confusion.

-America does have less general UE (more employment) than the world average but that does not mean America has zero UE. America only approaches zero UE during short periods in the up phase of the business cycle. Even then, America does not really reach full employment.

-America has less UE than most of the world for these reasons:

=America has abundant natural resources that can be used (exploited) to make jobs. It is a mistake of the modern world to think we can simply use up resources to make jobs, as when we cut old growth forest to temporarily make jobs. Oil-rich nations do not seem to have better employment than not-oil-rich nations. But, this mistake aside, having more resources in a country often does help the country to have better employment. Likewise, having ready access to resources even if the resources are outside the country also can help, as with Japanese and Chinese access to oil and forest products.

=America is a technological leader and has a high ratio of technology per worker. More technology can help create employment. More technology can help raise the general level of wages, that is, the general standard of living. This usual trend of technology to make jobs and to raise living standards over the long might not be fully true anymore.

=Despite what modern moralists think, most Americans have tremendous work habits. Americans work the most hours per week of any people in the world, even more than Japanese, Germans, and Chinese. Americans like to work effectively, that is, efficiently. This effort results in a more active economy, and an active economy can lead to more jobs. In America, likely it does lead to more jobs.

=American culture, society (social organization), and political organization play roles in low American UE and the American economy. I can't go into these topics here.

-The fact that some people work many per week can seem to take away jobs. If one person works 70 hours per week instead of 2 people each working 35 hours, this effect seems to take away jobs. I do not discuss this effect much here. Working more than 40 hours per week prevails mostly among business people and professionals, and, in that case, does not reduce jobs. If all workers were allowed to work 70 hours per week, likely we would see more UE. That outcome is not likely in the near future.

-The groups that get hit with more than average UE (less employment) feel bad, jealous, resentful, victimized, and angry. They can develop more crime and crime-related activities such as gangs. Their work ethic is different. They blame their disadvantage on the attitudes of the "have people rather than on aspects of how the economy works. They blame their disadvantage on deliberate racism, sexism, or ageism rather than on structural relations in the economy such as the general level of UE.

The groups that benefit from less than average UE (greater employment) know they are privileged. They develop rationales to justify their privilege and to explain the differences between “haves” and “have nots”. Some people in privileged groups develop wrong ideas about the character and morals of groups with high UE. Some people in privileged groups feel guilt. Some people in those groups develop state programs to help people in stricken groups, and to help ease their guilt.

Some attitudes of groups with higher than average UE (less employment) can worsen their situation and help keep their own people in harm, attitudes such as bitterness, a sense of thwarted entitlement, being a thug, excusing crime, and denigrating education as something that has to do with privileged people only (studying hard in school is “White” or “Chinese”).

-We are all part of the system now. We cannot escape by running away to nature. We cannot escape by running away to the suburbs, running to a mountain dream house in Nevada, or by having a pot of silver hidden somewhere. I am charmed by how many people think they can escape by running away to nature, living off the land, hunting and fishing to raise a family – but it just isn’t true. The vast majority of us have to find a job with an employer. Even people like Bill Gates and Warren Buffet work for a large corporation and can’t just do what they want.

-To understand employment and unemployment, it helps to have a sense of what sets the rate of wages, including benefits. See my essay on wage rates.

-These points are not pleasant but have to be faced:

=Just because the country as a whole has a lot of wealth does not mean the wealth has to be shared with everybody in a way so that everybody gets a good job. The fact that the country as a whole has a lot of wealth does benefit everybody in roundabout ways but does not benefit everybody equally. It does not mean all people will get a good job with high pay and benefits. See other essays on wealth and how it is distributed.

=Not everyone can get a job.

=Not everyone can get a good job. Some people can only get jobs that pay poorly and do not give any benefits.

=You do not deserve a job just because you are alive, of a particular gender, age, race, or religion.

=You do not deserve a good job (enough to raise a family) just because you are alive, of a particular gender, age, race, or religion.

=You do not deserve a job, or a good job, just because you have children or want to have children.

=You need a certain minimum competence to get a job at all.

=You need more competence to get a good job.

=A lot of people now do not have the minimum competence to get any job or a good job.

=The ratio of people who have the minimum competence to get a job or a good job seems to be going down; that is, the ratio of people who do not have the minimum competence to get a job or a good job seems to be going up. It is not clear why this is so.

=One reason is because people are not getting the training needed to work with technology.

=Further training in technology does not necessarily guarantee that all people can get a job or can get a good job. The result depends on the technology and on relations between people and technology. Not getting training almost guarantees that a person cannot get a good job or any job.

-People make mistakes about education and jobs, and we need clarification. Please see my essays on wages and on education and wages.

-There is no simple policy fix. There is no policy that can guarantee everybody a job and-or a good job. Some unemployment, and some poor employment, are part of capitalism. The question is not how we get rid of them but how we manage them so as to minimize them and to lessen the bad effects. Often policies supposedly aimed at ending them, such as tweaking the interest rate, make them worse. See below.

People want a simple policy fix because they don't want to face these issues and they don't want to do the hard work of minimizing the bad effects.

-Machines have not caused chronic unemployment. See other essays on technology and employment.

PART 5

How much do structured markets (seeking security at the expense of fewer jobs) cause unemployment and how much do human nature and social nature cause unemployment? The answer affects how we think about UE and our response to it. I have not come across a simple reliable breakdown. I give some "what if" scenarios so you can see how the answer makes a difference. Briefly, most unemployment still derives from structured markets. Human nature and social nature funnel some people into UE and keep some people out more than they make UE themselves. Human nature and social nature are much more important in bad employment. Still, human nature and social nature now do cause UE independently of structured markets and will become increasingly important in the future. Especially people who are not

smart enough, have bad attitudes, and have inadequate training now cause UE and will cause more UE in the future.

Imagine there was no structural UE so that everybody had a good job. Then suddenly 10% of the people are not smart enough for the kind of jobs currently available. In this case, they would be unemployed, and we could clearly see that the cause was that some people are not smart enough. In this case, we would not blame the unemployed. We would provide for them until we could develop (make) jobs so that they could take care of themselves. If they could never take care of themselves, if we could never develop jobs for them, then we might carry them; but we might also insist that they not expect to have families that we also had to support.

Again, there is no structural UE. Now 10% of the people suddenly develop a bad attitude. They become “real stinkers”, get fired, can’t get a job, and won’t look. They expect their kin and society to support them. In this case, we rightly say “tough luck” and rightly refuse to support them. They might blackmail society by having children, expecting us to support the children, and so forcing us to support them via the children. In the past, when America was more wealthy and secure, we might have had to grin and bear their blackmail. Now we might be inclined to say “too bad” even to the children.

Again, there is no structural UE. Now 10% of the people suddenly forget all their training, get fired, and can’t get another job. As long as they did not also develop a bad attitude, and their memory lapse was not due to brain issues, then we would support them and offer them training. Better that they get some training and hold a job than that they go to prison and cost us more money. We do not resent them. We think of them as like the not-smart-enough people but more curable. If they show they have a good attitude, take to the training, and likely will get jobs, we might not even resent supporting their families while they train.

A more realistic scenario is 8% structural unemployment. Everybody is smart enough and has enough training to get a job. Nobody has a bad attitude. Everybody really looks for a job, is willing to retrain, and willing to work even outside his-her original field. But still at least 8% of people cannot find a job. The unemployment does not fall more on any particular ethnic, religious, gender, or age group. In this case, we can clearly see the problem even if we don’t like it. We know we have to help. We support the unemployed people and their families, at least as long as the rate of UE does not grow more than 10% and as long as we feel we can afford to support them.

Again, we have 8% structural employment. In this case, for reasons I don’t explain, everybody will share in the unemployment. At some time in his-her life, each person will be unemployed. The total time that each person will be unemployed out of his-her total working life is the same. In this case, with 8% structural and 2% frictional UE, all UE shared equally, each person would be unemployed 10% of his-her total working life. In this case, people would gladly support each other. If you know that someday you will need help, and the people you help now are the people who will help you in the future, then you gladly help them now.

Again, we have 8% structural employment. In this case, for reasons I don't explain, unemployment is entirely confined to one part of the population. Once you fall into unemployment, you stay. Once you get a good job, you stay. There is no frictional unemployment because nobody moves between having a job, not having a job, and having a job again. 8% of the people are forever unemployed with 92% of the people are forever employed. In this case, we like to think the 92% would support the 8% but I am not so sure. We like to think the situation will be obvious and people will want to help. But People are not like this. Some of the 92% would want to support the 8% while some of the 92% would not want to help at all. Likely, the lower one-third with jobs that don't pay much will not be enthusiastic about helping the unemployed people; the middle half with good jobs will find it in their hearts to help; and the upper one-sixth will not care and not want to help.

Again, we have 8% structural employment. In this case, once you are unemployed, you are marked with a tattoo on your forehead. In theory, you might be able to retrain and get another job, but it is a lot harder with the tattoo on your forehead. People who fall into unemployment tend to stay even if it was not their fault originally, they are smart enough, and are willing to retrain. Because they are marked and have such a hard time getting a job, they tend to develop a bad attitude, and they tend to pass on their bad attitude to their children. Now we have 8% structural employment and 2% frictional employment for a total of 10% UE. While it might be clear to an objective observer from Mars that 8% of the UE was structural, it would not be clear to the 90% of people with jobs. They would not understand why the 8% could not find work. The 90% would blame the 8% for their unemployment by saying it was all due to bad attitude. The 90% would be unsure about supporting the 8%. Especially if times were tough, and-or people felt they had to use all their income to compete with the Joneses in educating their children and finding a safe clean place to live, the 90% would blame the 8% and would not support them. The 8% would not see how their attitude caused them not to be able to find a job. They would not see the 8% structural employment either. They would blame the whole thing on the selfishness and bias of the people who had jobs.

To get closer to the real world, blend all the cases. To the case immediately above, add people who are not-smart-enough and who have a bad attitude even before they can't find a job. Add people who try to maintain a good attitude and try to find training but have a tattoo on their foreheads. Try to separate how much of the unemployment is caused by what. Try to clearly see the 8% structural unemployment at the root of the problem through all the obscuring other "causes". If you can clearly see the structural unemployment, figure out what to do about it.

Right wing people tend to overlook the structural employment entirely. They don't want to support the people without jobs. They want to confine unemployment to one group as long as it is not their group. They want to make sure unemployment does not spread to their group, so they make sure unemployed people have a mark. They deny and diminish programs to help. At worst, all unemployment is merely temporary and everybody could find a job in the want ads on the Internet. In the meantime, we don't

have to support them. They only use their children to force us to support their laziness. They take away money we need to stay caught up in the rat race.

Left wing people might dimly see the 8% structural employment but they tend to think of it entirely in frictional terms too in their own way. Everybody is smart enough. Everybody can be trained. Nobody has a bad attitude. Everybody has a good attitude, or the attitude of everybody can be turned good. Nobody tries to use his-her children to blackmail society into support. If we train everybody, then all unemployment will magically go away. In the meantime, we do have to support everybody and his-her family no matter how many people get on support and stay on support. Of course, we can rely on the people on economic support to give us political support at elections.

Both left and right wingers overlook the structural unemployment because of all the confounding forces of human and social nature. Both tend to see only frictional unemployment and to see it in a way that serves their needs.

Strident people of both poles, and most normal middle people who wish strident people would all drop dead, tend to see the issue in terms that serve them. They want to get on with their lives and politics, and see the issue in ways that allow them to do that. Unemployed people see it in terms of bias and a giant conspiracy on the part of rich people and people who have jobs. Working class people need to keep their jobs both for themselves and their children, and see the issue in terms of lazy unemployed people with bad attitudes typical of a bad group. Upper middle class people see a chance to be gracious and fulfill the high ideals of their religion if it does not cost them too much. All this is perfectly natural but not useful. We need to get past seeing in terms that serve us if we are not to make it all worse and undermine our own position in the long run.

I hope a good citizen sees all of it: frictional unemployment, structural unemployment, human nature, and social nature. I hope a good citizen sees how human and social nature confound structural UE and make it hard to figure out what to do. Then you have to think about what to do. How do we help the people who are not smart enough without also supporting people with bad attitudes? What if there are too many people who are not smart enough?

PART 6

To explain precisely why simple policies and programs can't fix unemployment takes space. Instead, I give a couple of images and simply state clearly what doesn't work.

The key idea is that unemployment results from structuring and it is almost impossible to do anything graceful about that. If we want security and a lot of good paying jobs, we have to put up with some unemployment too.

I borrow this idea from Herbert Spencer, a famous sociologist of the 1800s: Imagine a large piece of sheet metal (the fender of your car) with a visible dent that points not in but out, a hill in the metal. Try to fix the dent. Try to pound it out. To fix the dent is a lot harder than you imagine. If you do manage to whack it flat here, it reappears there. If you think you have whacked it flat, and you look closer, all you really have done is to make a lot of little dents, ridges, and valleys; and those are even harder to fix. You waste a lot of energy trying to fix the dent. Either you recast the whole piece of metal or you shape the big dent into whatever smaller dents that you can live with.

Fixing unemployment is like fixing markets with monopoly or oligopoly (a few controlling sellers). There is no simple fix. Ask a regulator. Managing the problem requires constant oversight, constant tweaking, and being flexible enough to change the rules when you have to. It requires seeing where the problems come up. It requires accepting that the problems do come up and that often the best you can do is manage the symptoms rather than kill the problems.

Politicians often say we can fix unemployment if we have a bigger pie, that is, a bigger economy and more wealth. As the economy grows bigger, there will be more wealth for everybody and the rules of how wealth gets apportioned to business firms and workers will change. The rules will change so that everybody gets in a job in the new richer economy. I say that none of this is true. Imagine that slices in the pie correspond to shares of the economy: farming, oil, banking, computers, and labor all get so much. The unemployed get a slice that has no size. All that happens when we expand the pie is that the pie is bigger with the same shares in almost exactly the same proportions. Just because the pie grows bigger does not mean that banking has to grow bigger in proportion to other slices. True, when a new industry such as bio-technology develops and expands the pie, it gets a new slice and its share might grow larger over time until it finds a stable proportion. But most slices stay about the same comparative size. Simply expanding the economy does not magically create a new slice for the people who were (formerly) unemployed, and does not magically grow this slice so people who were formerly employed now all get good jobs. If that were the case, it would have happened long ago. The American economy has been growing well at least since the Civil War yet we have had unemployed people all along. A big car is still a car and it still produces heat, noise, and exhaust. Another slogan for this mistaken idea is “a rising tide floats all boats”. A rising tide does not float all boats if some boats have big gaping holes.

Expanding the economy does not change the rules for how wealth is apportioned. As long as wealth is apportioned primarily by a market economy that is (at least somewhat) structured, then we will have unemployment.

Clever proponents of “a rising tide floats all boats” say this: “The economy expands, fairly quickly under our policy. Expansion means that industries need labor. They hire the unemployed. Unemployment disappears. Problem solved.” If so, then our unemployment problem would have disappeared twenty times since the Civil War. Sometimes expanding industries need more labor for a while but the expanding economy as a whole does not always need more new labor. As some industries expand, others dwindle. Structuring limits how much new labor expanding industries need. Industries can

expand without needing much new labor. Truck farming expanded by cutting down on labor. The computer industry needed new labor at first but then needed less labor. Real estate sales expand in volume and price but actually could make do with less labor because of the Internet. Mining has needed less labor continuously since about 1920. Glib superficial clever thinking does not always work. It does not apply to simple policies as cures for unemployment.

One of the worst policies in America is forced economic growth where the state shifts resources through tax laws and other programs to (try to) force the economy to grow faster than it would naturally or to grow in different directions than it would naturally. I do not explain why it is such bad policy. See other essays. I only point out its link to unemployment.

People who advocate forced growth as a way to cure unemployment and other ills likely do not believe that it really will cure those ills. Rather, they benefit from the policy. To benefit from the policy, they support the myth that forced growth can lead to a bigger pie and a bigger pie can automatically cure all unemployment. People who promote forced growth use people's desire to automatically cure a bad social problem as a way to get a policy that benefits them. They mislead the people in general over a serious issue such as unemployment for their own benefit. They do this even though they know that the policy cannot work and that it harms the country as a whole.

People are so stubborn about hoping for "policy pie in the sky" that it is worth listing a few of the wrong ideas that we have tried that don't work:

=Adjusting the rate of interest

=Tolerating inflation

=Despoiling nature

=Forcing the economy to grow: "a rising tide floats all boats" or "make a pie so big that everybody gets a decent satisfying piece". This policy is a variation on the idea of making America so rich that everybody automatically gets a good job.

=Careless welfare, SSI, and other entitlement programs

=Forcing people to try to find work through harsh measures such as debtor's prison and putting a person in jail for not having a job or a place to live

=Forcing investment, especially through taxing rich people less

=Forcing technological innovation or technological implementation (research is still very good)

Until about 1970, we might excuse politicians for using these slogans and bad policies, but, since then, politicians have learned that they don't work. Now, when a politician uses these slogans or offers these policies, he-she is lying. He-she is trying to fool voters so as to be re-elected. He-she wants the policies for other reasons that have nothing to do with helping the people in general.

Please see my essay on responses to unemployment and bad employment. I don't solve anything but t
least I hope I make the issues clear enough for adept citizens to act.