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Confusions about the Economic Status of Americans

Americans repeatedly make mistakes that hurt economic policy and general politics. This confusion hurts the economy, politics, and social relation between genders, ages, races, religions, etc. This essay lists some mistakes. This essay does not explain. For explanations, see other essays. I do not list every mistake. These are some of the mistakes that I consider important to poor people, working people, and middle class people. Those people have been hard hit by economic changes since the 1970s, have been misled, and need to get clear before they can make progress. As far as I can tell, I don't go after the Left or Right or any particular ideology such as Marxism more than any other position. However, I am not objective. These are my opinions.

-Americans misunderstand the business cycle. They don't accept that it is a cycle of up and DOWN. They think the up part of the cycle is typical of what the economy should be all the time, and could be under proper management. They think booming prosperity is normal. They don't understand that the up part of the cycle is as distorted as the down part from how the economy might run if there were no cycle. They pressure politicians to keep the economy always in the up part of the cycle.

In particular, American workers expect employment to be as high (or unemployment as low) as in the up part of the cycle and they expect all jobs to be high-paying-with-benefits. In America, but not in other parts of the world, in the up part of the cycle, obvious unemployment is near zero (0). American workers wrongly think zero unemployment is typical and is possible. They pressure politicians to keep the country in zero unemployment.

A variety of economic policies have succeeded in reducing the severity of cycles. Cycles still seem to come about every ten years, so the policies have not affected recurrence or timing. Although the severity is not as bad as in the Great Depression, the cycles are still something, they are not nothing. They are still here. They still lead to pain and confusion. The "Great Recession" of 2007, helped by cumulative bad management from the Reagan years onward, shows that the business cycle is still with us and still able to cause much damage and confusion.

-America has less general unemployment (more employment) than the world average but that does not mean America has zero unemployment. America only approaches zero unemployment during short periods in the up phase of the business cycle. Economists dispute the rate of persistent (structural) unemployment America in various conditions. I do not dispute here. I only say what I think is true: The kind of unemployment that matters is what prevails among Americans who are willing to work, are not stupid, not seriously handicapped, do not have a bad attitude, and have enough training to realistically

look for a job. Among these people, there is a chronic rate of unemployment of at least 5%. During the up phase of the business cycle and when other conditions are good, it might go as low as 3%. During the down phase, it might go as high as 15%.

The official rate of unemployment does not match my estimate of unemployment for several reasons. I can't do a full review here. The official rate does not count:

>People who have given up

>People who gave up when they were young, and have not really looked for steady work since they were about 15 years old

>People who had a job, lost it, and then gave up

>People who might look for a job but don't think they could find one so don't look or don't look very hard, such as women who have been out of the market for a long time to have children or men who are more than 55 years old

-America has less unemployment than other nations for a few reasons that are relevant here. These reasons do not mean that America can have zero unemployment:

=America has abundant natural resources that can be used (exploited) to make jobs.

=America is a technological leader and has a high ratio of technology per worker. More technology can help raise the general level of wages, that is, the general standard of living. More technology does not always work this way. Overall, though, over the long run, in countries that are adept with technology such as America, Japan, and Germany, new technology usually reduces unemployment and raises the average level of wages (average standard of living). This usual trend of technology to make jobs and raise living standards over the long might not be true anymore. I return to this topic in another essay.

=Despite what people think, most Americans have tremendous work habits. Americans work the most hours per week of any people in the world, more than the Japanese, Germans, and Chinese. Americans like to work effectively, efficiently. Americans like to think of work as a virtue rather than as something to do to get other stuff. This effort results in a more active economy, and that often leads to more jobs.

-Americans make up about 5% of world population but use at least 20% of the world's resources. Until about 1970, Americans got much of their resources domestically but now they get much of them from other countries. From about 1900 until about 2014, America had the largest economy in the world (in some ways, the Chinese economy is now largest but, in other ways, the American economy might still be largest). With an economy that dominates the world, come some privileges such as a strong military and much wealth per family. Since the rest of the world began to catch up after 1960, America is not as privileged in comparison. Yet Americans still think they are privileged, have a right to resources, have a right to a good life, and have a right to dominate people elsewhere. In particular, Americans think they are all entitled to a good job and to all the success and comforts that come with it. America deserves

some things as a result of its hard work, resources, etc. but Americans are not entitled to a better life than other nations and not entitled to a good life. America has to earn it in competition with other countries, and every particular American has to earn it in competition with people around the world. Even when America performs world services such as world police officer, America does not get a status as prince (princess) among countries and Americans are not automatically entitled to a good life. We have to figure out how well we can live given what we have got and given our attitude, and then live up to our potential. That is quite a bit. We don't have to be misled by mistaken ideas of entitlement and by our own bad attitude.

-A "good" job provides enough in salary and benefits so a couple can raise their children to be safe and to get enough education so the children get good jobs. It is not necessary that both people in a couple have good jobs but at least one of them has to have a good job. A good job sustains good jobs. A "bad" job pays low wages and has few or no benefits. A bad job pays not enough to make sure children get a good education, live safely, and so get good jobs in the future. Now, usually even two bad jobs are not enough. Bad jobs breed bad jobs.

=Not every job can be a good job. Not every bad job can be turned into a good job. Bad jobs are not on-the-whole a plot by employers to exploit working people (although that does happen). Not every person has the ability to have a good job. Some people can only get bad jobs. People who can only get a bad job have to accept the consequences of being able to get only a bad job. They might not be able to live well enough to raise more than one child. They might not be able to live well enough to have any children.

-The fact that America has some chronic unemployment, America does not have zero unemployment, and many Americans now have bad jobs with low pay and no benefits, affects American social and political life. Employment problems do not fall on all groups equally. Some groups bear a bigger share. That fact changes life within the groups that get greater unemployment, changes life within groups that get less unemployment, and changes relations between groups. Each group has typical misconceptions of the economy.

When White males have zero unemployment, young Black men might still have 8% unemployment and White women have 15% unemployment. When White men have 10% official unemployment, young Black men might have 40%, Black men generally might have 20%, and White women, until recently, might have 20%. Now, some patterns have changed. In the recession after 2007, when White men had 12% unemployment, White women might have had 8% unemployment. It is not clear which groups in the future will bear the brunt of employment problems and which will be better off. It is clear that employment problems will not go away.

-In economic theory, outside of some limited kinds of unemployment (structural), there are always jobs for everyone. In theory, in a country like America, there are always enough good jobs for everyone. If one kind of work diminishes, such as repairing old tube-based TV sets, another kind of work grows, such

as making new flat-panel TV sets. Just because one person gets something does not mean another person loses something. Just because one person gets a job does not mean another person loses a job.

Americans in general, and especially “working class” (blue collar and “pink” collar) Americans don’t see it this way, and, on the whole, working Americans are correct. In the short run, the run that matters for most people, when one person gets a good job, another person does not get a good job. When one person gets hired for a good job, another person does not get hired. There are only so many good jobs, and, when one person gets a good job, another loses.

There are only so many good jobs, and there are not enough for everybody to have a good job. Some people can’t have good jobs. Some people are left out.

-To play the game of good jobs, it is better to play it in a group. Our group has to control good jobs. We have to make sure our children get our good jobs when we get old. We have to make sure our children are in position to take good jobs when good jobs arise. If a new good job opens up, we have to make sure our children are ready to get it. If a good job is lost because of change, if the person who had it is one of us, we have to make sure the person who had it gets another one like it, or that his-her children get one like.

The best way to play group politics over jobs is through obvious markers such as race, gender, age, and religion. Socio-economic class can be used. Other markers can be used such as region, clothing, speech, habits, art, and leisure activities. Other markers tend mark socio-economic class.

America has real reasons that sustain bias based on socio-economic class, race, gender, religion, age, and place. This kind of bias cannot go away through wishful thinking or even through laws.

-Groups with more than average unemployment can feel bad, jealous, resentful, victimized, and angry. They can develop more crime and crime-related behaviors such as gangs. Their work ethic is different. They do not see work as a way to success or as a virtue but as a necessarily evil to be endured as a way to stay alive for a while. They blame disadvantage on the attitudes of the “have” people rather than on aspects of how the economy works. They blame other groups. They blame their disadvantage on deliberate racism, sexism, and ageism rather than on structural relations in the economy such as the general level of unemployment and the growth of bad jobs. They suppress full understanding of the economy so they can see in terms of “us versus them”.

-Groups with less than average unemployment and fairly good jobs know it (groups with better than average employment and fairly good jobs). They develop rationales to justify their situation and to explain differences between “haves” and “have nots”. They develop wrong ideas about the character and morals of groups with high unemployment and bad jobs.

Working class people fear unemployment and bad jobs. They fear the racial and gender groups that have to bear them. They blame poverty on bad morals. They suppress poor people through drug laws, property laws, voting laws, police scrutiny, and laws that make it hard for poor people to control their reproduction such as laws against abortion and birth control clinics.

“White collar” middle class people use the poor as political allies.

Upper middle class people and rich people use working class people as political allies.

-Working people want to believe there are enough good jobs “out there” for everybody. In particular, they want to believe there are enough good jobs out there for people with only a high school education and who did not necessarily do well in school and who do not necessarily have good reading skills, math skills, computer skills, or people skills. In the past, this kind of good job was a factory job. So working class people believe there are enough good factory jobs “out there” but that somehow America has misplaced the jobs, or America has misplaced the jobs so that working class people can’t find the jobs.

This is not true. There are no longer enough good jobs out there that do not require real skill and the kind of personality that goes with real skill. Now, the good jobs are not only factory jobs. They are in health care, accounting, computers, air conditioning, welding, food, design, etc. You have to train to get a good job. You cannot simply hire on at a factory.

-Americans believe there are enough good jobs out there somehow so that everybody could get a good job. I stressed the importance of training for the new good jobs. Americans believe that education can cure all problems, if not for everybody, at least for my family personally and my kind (class, race, age, religion, gender, etc.). Education alone is not the great cure. It has to be used with other programs and with a true idea of how a capitalist economy works, including endemic unemployment and bad jobs. Even if everybody had a PhD in computers, there would still be 5% unemployment and likely about 10% bad jobs. Even if many more people were better trained in relevant ways in growing fields, there still would not be enough good jobs. There would still be some unemployment and many people could get only a bad job. Training helps, but it is not the one-and-only answer.

-There is no simple policy fix to America’s problems with economy and society. In particular, the ideas below don’t work by themselves. We have to face up to the problems, and the cause of the problems. We have to accept that there is no perfect solution, and choose among good candidates. We have to accept that some people might not make it. All the following are wrong.

=“More wealth automatically solves all problems”. “A rising tide floats all boats”.

=Economic growth makes more wealth, and that wealth solves all problems.

=However it works, economic growth solves all problems.

=Giving money to the rich causes the economy to grow, which makes more wealth, which automatically solves all problems.

=Welfare, throwing money

=Corporate welfare

=Tax breaks to the middle class

=Education alone

=Subsidies for education

=Giving out degrees regardless of the quality of education

=Ending all programs to help the unemployed and badly employed. Employment problems are only the result of laziness, and programs support laziness. If we end programs, people will have to work and they will find work.

=Haranguing poor people because poor people are morally bad.

=Haranguing rich people because rich people are morally bad.

=Inflation

=Deficit spending

-For what does work, see other essays. I do not offer simple fixes because there are none. We have to decide how to spend on welfare, education, and other programs without making people dependants of the state, and without allowing "entitlement" programs to expand so large as to cause more harm than good. As I have said before here, we have to accept our problems and deal with them.

-When capitalism was expanding in the 1700s through middle 1900s, and still now in places such as Brazil, China, and India, using up nature and natural resources did help economic growth and did help countries to industrialize. In that period, America cut down nearly all its forest (not once, but at least twice) and used the wealth from the forests to fund industrial growth. But using up nature never has cured employment problems and social problems over the long run. It does not cure them now. They always come back. Destroying the last vestiges of nature can temporarily make more jobs but those jobs will go away again because of how a capitalist economy operates. Then, next time, there will not be any more nature to use up, and our children will never know nature. We cannot simply gobble up

resources to make jobs, as when, now, we cut the last few stands of old growth forest to temporarily make jobs. Oil-rich nations do not seem to have better employment over the long run than not-oil-rich nations. We cannot use up nature because we will not face up to our problems and deal with them as we should. We are better off preserving some of nature and, at the same time, facing our problems and dealing with them as we should.

-“You can’t get something for nothing”; “If you want more of one thing, you must have less of others”; “There is only so much to go around”; “You have to figure out how much you can spend on that thing, and stick to it”; and “There is no free lunch”. These are all different ways of saying the same thing. I agree completely with the ideas behind these slogans. My problem is that nearly all the people who use the slogans, every class, race, religion, age, gender group, and political party, are hypocrites. They use the ideas to deny help to others but overlook the ideas when they ask for help for themselves. They assume helping them personally or helping their group always helps the greater whole while helping anybody else always hurts the greater whole. We have to stop thinking this way. We have to assess when helping any groups helps or hurts the greater whole and have to act on that basis, not on whether it is my group or another group. We have to assess when not helping a group (or when hurting a group) hurts or helps the greater whole, and act on the same basis. We just won’t do this.

=When the economy grows naturally, it seems as if we get something for nothing, but, even then that is not so. We have to save and work for what we get. If we live in a normal capitalist economy, we also have to share it (sell it, hire it out, hire ourselves out), if for no other reason than to make a gain.

=If you want a bigger house, you have to spend less on sending your kids to school or on your summer vacations. If you want more books, you have to spend less on food or on music. If you want a better hunting rifle, you have to put off car repairs.

=If somebody else gives you something, they lose something. They had to do without. If they are quite rich, it can seem as if they didn’t lose anything at all, but they did. Sometimes they are happy to help as when neighbors help after a fire or a car accident, but they still give up something material and they give up time when they help.

=When one person gets something, another person does not. When your neighbor has your car or your lawn mower, you don’t. If you give your daughter a car, then you can’t send your son to an expensive Ivy League school. If you pay for your son’s teeth, you can’t pay for your daughter’s knee brace. If your daughter gets a cake for her birthday, the dog eats table scraps for a month.

=If your family has to spend all of the family budget for the year on your heart attack, then they can’t pay the mortgage and can’t pay for your children’s dental work.

=People think the state (government) is an exception to these rules but it is not.

=In particular, the state has to pay for everything it gets. The state gets the money to pay for programs through taxes. There is no other way. Somebody has to pay the taxes. Deficit spending does not pay taxes. If the people (the state) want more programs, they have to tax themselves more to pay for the added-or-expanded programs. If the people want to pay fewer taxes, they have to give up programs.

=When one group-or-program gets more state money, and taxes stay the same, then other groups-or-programs get less. If the state gives tax breaks to corporations and-or rich people, it has to give workers less and-or tax workers more. If the state gives tax breaks to corporations, and it does not want to tax the workers more, then it has to cut back on parks and recreation.

=If the state wants more police, either it has to levy more taxes, or it has to have fewer fire fighters. If the state wants more parks, it has to have less welfare or more taxes.

=If the state gives lunches to school kids, it has to tax somebody to pay for them. If the state gives tax breaks to middle class parents for education, then it has to tax poor people and-or rich people more to pay for the education subsidies. If the state wants to enforce a strong anti-drug or anti-abortion law, then it has to pay for the police and the prisons, and it has to tax somebody to pay for the police and the prisons.

=If the state puts roads into one city, another city has to wait. If the state puts a park in one area, all other neighborhoods have to wait.

=If the state raises taxes 10%, then somebody has to decide who gets how much additional money, including zero additional money for some programs. Some existing programs might double their budgets while others get zero or get cut back.

=If the state has to spend 55% of its budget on welfare, and it wants a fire department but the fire department costs more than 45% of the budget, then it can't have a fire department. If the state wants both, then it has to cut welfare and likely cut the imagined fire department.

=The state has to decide how much it can spend. It has to prioritize programs within those spending limits. It has to decide how much each program gets within those spending limits.

=When personal welfare, corporate welfare, the military, or education spending grow too large, they will swamp the rest of the state budget, so we will not be able to afford much of anything else – as is the case now. There is a limit to how much we can afford of all things put together. We have to decide the limits on each thing and on all things put together. Even “sacred cows” such as the military must have limits.

-An apparent exception to the “never something for nothing, no free lunch” rule happens when a local government gives tax breaks to a corporation (business firm) for locating an office or factory there. If

we look closely, this is not true. The local government loses money in taxes from the business firm. It collects taxes from workers, who now have jobs to pay the taxes. Hopefully, the taxes that the local government collects from workers more than makes up for the taxes that it lost in giving breaks to the business firm. So it seems as if the local government (the local people) got something for nothing. The business firm does not pay any additional taxes through the workers. The workers pay the same rate on income taxes as in the past. If the workers had worked somewhere else, which did not give breaks to the business firm, then their income taxes in the other location would have been less than their income taxes in this location. The extra taxes that the workers pay in this location (more than) makes up for the taxes that the local government lost from the business firm. The firm did not pay the taxes, the workers paid the taxes for the firm. In addition, the local government often uses this event as an excuse to raise sales taxes, and the firm often has strong exemptions from sales taxes, as when it buys supplies. The workers pay the lost taxes through increased sales taxes.

When a firm locates in one place, it does not locate in another place. The place where it does locate can receive some temporary benefit because the firm locates there, but people elsewhere lose benefit (or lose benefit that they might have gotten). The total benefit does not magically go up because the firm locates in your backyard. The benefit shifts, so one place gains and another place loses. Whether the place that gains should be your place and the place that loses should be someplace else is another question.

When every place gives firms benefits then no place in particular gives firms benefits and firms end up benefitting everywhere. Firms end up getting tax breaks everywhere. Tax breaks no longer become the deciding issue in where firms locate. Then workers everywhere pay for the benefits that the firms were given to locate no place in particular. The race to get benefit here by taking it away from there ends up impacting everybody unfairly. The same is true of casinos.

-Americans take for granted pensions from their particular employer. Americans assume the system of particular employers being responsible for most pensions benefits working people in general and benefits the country as a whole. This is false. The system of each particular employer providing a pension for its employees hurts working people by dividing them into "haves" and "have nots", limiting their ability to look for work anywhere they want with whichever employer they wish, and by limiting their ability to change employers or type of job at any time they wish. The distinction between benefits versus no benefits is the biggest distinction between a good job versus a bad job and between a good employer versus a bad employer. Americans would be better off if there was only one pension system for everybody, if Social Security was the only pension system and it covered everybody. Please see my particular essay on this topic.

-Similar comments apply to health care. We could have one health care system, administered by the existing insurance companies. This system would be more comprehensive and better than "Obama Care".

-Despite how much Americans hate welfare, a small controlled system of personal welfare (including all kinds of benefits such as Aid to Dependent Children and Social Security Disability) is actually beneficial to the country as a whole and to working people. The present overblown hodgepodge of benefits is not beneficial to workers or to the country as a whole. We need to decide how much we can afford in help to people, and who gets "first crack" at help, and stick within those limits and priorities. Please see my particular essay on the topic.