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Not-Smart-Enough People, Jobs, and Capitalism: Correcting My Mistake

This essay addresses a mistake that I made in the short version of “First Book in Economics”. The long version does a better job with the topic but nobody will ever read the long book (or the short book) so I need to deal with the error in a format somebody might actually read.

Ideally, capitalism should run at full employment (provide a job) for everybody who is not out-and-out stupid, has had a little training, and is willing to work. You don’t have to get much training, only enough to work on an assembly line or clean up. Not everybody gets paid the same and not everybody gets paid well, but, in a large diverse economy, everybody gets paid enough to more-than-get-by and even enough to raise a modest family.

Of course, the ideal fails. Capitalism suffers from at least 5% persistent unemployment (structural) even among people who are moderately bright, have some skills, and are willing to work. The size (rate) of unemployment likely has been growing since the 1970s. The ratio of bad jobs (low pay, few benefits) to good jobs (high pay, high benefits) certainly has been growing. (I know the state (government) says we are sometimes at full employment but that declaration is not true. I can’t explain here why. Read the book and read other essays.)

In “First Book”, I blamed most persistent unemployment on “imperfect competition”. I can’t explain imperfect competition here. Imperfect competition does account for much of persistent unemployment but not all. Other factors provide for some of the persistent unemployment such as lack of education, bad education, misguided education, bad attitude, not being very smart, being smart in some ways but not in ways that employers want, discrimination, and technological unemployment. I am not sure if the role of imperfect competition has been growing but I am sure unemployment caused by other factors has grown. Their influence likely accounts for most of the growth in persistent unemployment since the 1970s and their role will be more important in the future.

Not all people are bright enough to get a job in modern capitalism and not all people are bright enough to get a decent job. More education can help some people but not all, and it cannot offset the fact that the number of these people has grown since 1970. We don’t need simple manual labor anymore. We hardly need factory workers anymore. It is easily possible right now to automate ALL restaurant server jobs out of existence. POOF. If we built housing as we should, assembled from reliable kits, we would need far fewer construction workers. We need people with skill. Not everyone can (will) learn enough skills well enough to get a job or get a decent job.

A lot of people are not smart enough to get a job in modern capitalism, and education won’t help them much. A lot of people are not smart enough to get a decent job in modern capitalism, and education

won't help them much. The number of not-bright-enough-people is growing and their ratio in the work force is growing.

When a lot of people are not smart enough to get a job and-or a decent job, then we have many social problems and we have severe social problems. We also have economic and political problems. We go socially and politically crazy. We elect bad people.

In American capitalism, in the context of world capitalism, people who have jobs, and people who have decent jobs, no longer can pay enough welfare and Social Security Disability to support people without jobs or with poor jobs. People who have jobs feel that paying for people who do not have jobs seriously undermines the ability of people with jobs to provide for their own children.

(A) The bad-and-declining quality of American education in poor school districts adds to the problems.
(B) (1) The pressure that people with decent jobs put on their schools to excel, and (2) the gap between poor schools versus upper-middle-class schools, add to the problems.

We now have so much unemployment, and there are so few jobs for not-bright-enough people, that we cannot make real jobs for not-bright-enough people. We cannot make real work for them. We cannot make jobs for them in which they are genuinely productive and pay for themselves.

We cannot remain fully competitive in the world and distort the economy enough to make for not-bright-enough people, especially make jobs that do not pay for themselves. We cannot remain fully competitive in the world and carry them on welfare and Social Security.

Whether, in the near past, we might have been able to find real-jobs-that-pay-for-themselves for not-bright people and still stayed competitive in world capitalism does not matter because that time is past. Whether, in the near past, we might have been able to find made-up jobs for not-bright people and still stayed competitive does not matter because that time is past. We have to face now. In our situation now, we cannot make genuinely productive places for not-bright people and we cannot support them.

Of course there are links and reinforcements between no jobs, only bad jobs, bad attitude, not enough education, not enough good education, not-bright-enough, and sub-cultures that extol a bad attitude. A bad attitude can get in the way of a good education and make you look stupid. Not being bright enough can lead to a bad attitude. Getting labeled can lead to a bad attitude and can make you seem not bright. Your sub-culture can give you all kinds of excuses and enable you. Here is not the place to work out all this. We can blame some of the problem on bad attitude but not nearly all of it. Many people are not bright enough to get a job or a decent job because they are not bright enough, not because they have a bad attitude, even if they do have a bad attitude. You cannot dismiss this problem by blaming it all on bad attitude even if bad attitude plays a part. You have to face the problem of not-bright-enough and deal with it against the background of real persistent (structural) unemployment and poor employment.

We also can't excuse a bad attitude. We can get angry at bad attitude and at groups that enable bad attitude. But that is another topic altogether.

Bad attitude plays a big role, especially when a subgroup excuses and enables bad attitude. Bad attitude works with bad education. Bad attitude is not as central as persistent (structural) unemployment. Until about 2000, when small computers and automated devices prevailed, bad attitude was a bigger cause of unemployment than not-bright-enough. Since then, not-bright-enough coupled with bad education has been a bigger cause than simple bad attitude. I don't know if persistent (structural) unemployment is still a bigger factor than not-bright-enough now. Persistent unemployment, bad attitude, bad education, bad reference group, and not-bright-enough all work together and it is hard to figure out which is more important when. I don't know how our inability to separate them affects what we do about them.

We have to decide if it is cheaper (a) to support the non-bright people in prison, (b) to support the non-bright people on welfare and SSD or (c) to make jobs for them even when the jobs do not pay for themselves, even when the jobs are not really productive. Assuming we can't afford to put all the not-bright people in prison, or don't want to, we have to decide if it is cheaper to support these people on welfare or to make work for them. We have to think not only of immediate monetary costs but of social costs as well. What would it mean to society and to how Americans see the world to put a lot of people on welfare or make work for a lot of people? Do we have to support them enough so that they can also have families? What is better? What distorts less?

Americans sense all this and it makes them panicky.

The American people will not face this situation and deal with it. State (government) officials will not face this situation and deal with it.

I have done what I could in my suggestions that I offer in my book and in other essays.

I am sorry for my mistake. Now that I have acknowledged my mistake, I want to explain what led me to make it.

First, I honestly thought that manufacturers, retailers, builders, software firms, etc. would tailor work so that a lot even of not-bright-people could have a job, much like the registers at fast food outlets that use pictures of sale items on the registers rather than numbers for money. I was wrong.

Second, I honestly thought rich people in the US would see how much trouble unemployment would cause and they would act to lessen the problem, if not for the sake of the country then for their sake. Rich people have done things like this in the past. A lot of rich people really are smart. I am fairly sure the problem will cause rich people more loss than gain in the decades to come. But the ruling classes of the US, including rich people, did not help. I doubt they will help much. So we should not look to them for help. I understand why rich people did not help, and do not blame them, but I am disappointed.

It is another lesson that we cannot trust other people to govern for us. We have to face problems and deal with them ourselves – something we have not been good at lately. I cannot explain here why rich people and the ruling class did not help with this issue.

Politics since Reagan has shown that still we do look to rich people to save us and politics has shown that we should not look to rich people to save us. I doubt we will stop. I cannot here explain why we look to rich people to save us or what to do on our own regardless of rich people or the ruling class.

Third, even if everybody was bright enough to get a job and get a decent job, unemployment still would persist anyway and still would undermine any effort to deal with issues. We have to deal with persistent structural unemployment, and we have to deal with that before we deal with other issues, so we might as well focus on that and deal with it first. Suppose everybody was bright enough and got enough of the right kind of education. Would unemployment go away? No, we would still have at least 5% persistent unemployment. We cannot educate our way out of persistent unemployment. We cannot use education alone to cure this problem. As I said in the book, even if everybody has a PhD, we would still have 5% persistent unemployment. And the unemployment still would cause many of the same problems. The underlying persistent (structural) unemployment adds much to the problem based on people not being bright enough. If we want to deal with unemployment, first we have to accept the underlying persistent (structural) unemployment. Only then can we deal with the unemployment due to people not being bright enough. If we think of unemployment as coming only from lack of education, or from lack of education combined with lack of brightness, then we will overlook the deeper underlying cause of unemployment. That is what we do now. I wanted to make us face the deeper underlying cause so we could clear our heads and could deal with the whole problem, in all its facets, in the ways appropriate to each facet of the problem.

No amount of investment can cure persistent (structural) unemployment. No amount of giving to rich people so they will make the economy “all better” can lead to enough investment to cure persistent unemployment. A rising tide does not float all boats. “Trickle down” does not work.

Fourth, I underestimated: how bad education had gotten in the United States; the gap between getting a piece of paper and getting a job; the gaps between good schools, most schools, and bad schools; the number of bad schools; the ability of poor people and ethnic minorities to overlook the real cause of the own problems in favor of blaming others; and the selfishness of middle-and-upper-middle-class people in making sure their schools were good while other schools were crap. In my defense, when other people refused to see the problem, in the 1970s, 80s, and 90s, I did foresee the problem and did foresee that many kids were not getting a good education. America then was still happy with the idea that we had the best public school system in the world and was happy to fool itself that education can cure all ills. We do not have the best general public school system in the world. Only affluent American school districts can compete with schools in other countries. Schools in bad districts usually stink. Education can help much, and we need good education, but giving out pieces of paper is not good education and it makes the problems worse. Even good education for most people would not cure the problems of

structural employment and not-bright-enough people. I had hoped that leaders in poor school districts would see the link not only between dropping out and a bad life but between devaluing degrees and a bad life, the link between a crappy education with a degree and a bad life, and would work with their native resources to make their schools good; but that did not happen. Instead, leaders among Blacks, Hispanics, and the poor pumped out useless pieces of paper and were happy to blame Whites, Asians, and the middle class. I had hoped that middle-class-and-upper-middle-class-Whites-and-Asians would see that making every school perform well enough and making every school accountable would be best for the country and for their own children in the long run; but that did not happen. Instead, middle class and upper middle class Whites and Asians pushed to make their schools stand out and to make degrees from their schools still reliable means to employment right now.

Fifth, I underestimated how fast changes in the US economy, the world economy, and US economy in relation to the world economy, would affect investment and (un) employment. I got sidetracked by other writing and, by the time the other writing was over, the problems of not-bright-enough were much worse much faster than I had anticipated.

Sixth, I did not underestimate the impact that the world economy would have on the US and problems in the US, including problems of unemployment. I did underestimate our ability to see the impact and the problems and to deal with the impact and the problems. I underestimated our ability to clutch at straws and our need to believe silly implausible self-serving short-term schemes.

The short version of "First Book" was not supposed to show trends in a modern capitalist economy and guess where we were going. It was supposed to be a short picture at one time of a simplistic idealized capitalist economy. Then we could use that picture as background against which to understand a real economy, its deviations from the ideal, and real trends in the real world. That plan was good at the time but, as noted, I underestimated the rate of changes and the impacts from changes.

I would like to make up for my mistake by separating unemployment caused by imperfect competition from unemployment caused by other sources. I will work on the topic.

Please think for yourself what to do about all these issues, for the good of the country and not just to make sure your own children get secure high-paying jobs with benefits. Thinking out issues is part of your job as a citizen. Don't wait for politicians or rich people. Don't assume your religious and ethnic leaders know what they are talking about. Don't assume the leaders of your socio-economic class know what is best for the whole country. Don't assume what is good for you regardless of the whole country really is magically good for the whole country. Don't blame others as a way out of your responsibility.