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Never Stand Still

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Full Employment

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Full Employment*

I start with a moral axiom: the necessary (but not sufficient) condition for a just and equitable society is that its citizens and its government are committed to establishing and maintaining full employment of its citizens. That is to say, anyone who is willing to work under existing conditions – wage rates, conditions of work, and so on – should be able to find a job. A further proposition is that a modern capitalist economy in which the operations of finance, industry and commerce are indissolubly mixed, is unable, unaided by intervention, to ensure full employment in this sense. There is little, if anything, in the inducements to the principal decision-makers concerning employment, production and investment in capital goods, nor in the demands for exports and imports, that ensures that the overall outcome of these demands will provide sufficient total demand to sustain full employment of the existing labour forces and stocks of capital goods.

With these propositions goes the further proposition that the people who are unable to find jobs, even though they are willing to work in existing conditions, are also unable to signal to would-be employers that it would be profitable to employ them. In fact, it would not be profitable to do so, unless at the same time an increase in the total demand for the production of the economy

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is introduced from outside, as it were, into the current overall functioning of the economy.

Why then do governments not act to bring full employment about (as they were prepared to do, by and large, during the second world war and in the subsequent Golden Age of capitalism up till the early 1970s)? The great Polish economist, Michal Kalecki, pointed out long ago (in 1943!) that, in our sorts of societies, there is, on the one hand, the world of difference between getting agreement (albeit often grudging) to implement policies to move towards full employment from a deep slump, when all sections of society will gain – more wage-earners will have jobs, business people will have higher profits and governments will have reduced likelihoods of serious social unrest as well as increasing tax revenues – and, on the other hand, getting agreement that full employment be sustained permanently.

In the second situation, economic, political and social power moves cumulatively from capital to labour. The sack is no longer an effective disciplinary weapon, industrial unrest increases, and the potential pressure of rising levels of money wages heralds the possibility of rising levels of inflation. Industrial, commercial and financial capital will increasingly object and, through their influence on decision-makers in the political system, bring about policies of restraint and contraction to change fundamentally the social and employment environment.

Historically this is what the recent Monetarist episodes were about. Ostensibly they were argued to be a means of getting inflation under control in order to reduce uncertainty which could adversely affect investment decision making. In fact, though, the principal aim was to so increase, and then sustain, levels of unemployment as to move the three classes of power back to capital from labour. The late Thomas Balogh put it well: “Monetarism is the incomes policy of Karl Marx”.

There are both overall and individual aspects of full employment. Not only do overall job vacancies and unemployment rates need to be balanced, but also their compositions need to match up as well. To do so requires systematic regional policies, retraining and relocating schemes to go along with policies which influence the composition of overall investment expenditure, as well as those which affect overall expenditure in the economy. Most importantly, wage-earners need to have considerable and effective say about their conditions of employment and the aims and policies of the firms for which they work. There needs to be cooperation, team-work and rewards for taking part in fundamental decision-making, rather than implementing the current dominant philosophy of “let managers manage”.

Levels of employment all over the world at the moment, and especially in advanced capitalist economies, are far below levels which could be considered to be those of full employment. There are, in addition, large numbers of discouraged workers who have left work forces and so are not picked up in

official unemployment statistics. There are also many workers in part-time jobs who wish to work for longer hours allied with job security.

It must also be stressed that cutting money incomes, and especially money wages, is not an effective way to get more people back to work. At best, such measures leave existing situations unchanged. More probably, they worsen situations by having adverse effects on spending, directly by cutting consumption demand and indirectly by adversely affecting spending on capital goods (investment). As for the current fetishes for austerity and balanced government budgets and lower levels of government expenditure, not only do these involve vicious attacks on the under privileged, on those least able to defend themselves, but they also will not lead to offsetting rises in expenditure by the private sector. Double-dip recessions and sluggish rates of growth, together with rises in social unrest coupled with the unleashing of right-wing racist, anti-immigrant forces and Anarchist or neo-Fascist regimes are possible results, certainly instability and social unrest will be – are already – enhanced.

Much of what goes on in the world today is inherently irrational. One of the few good things that could have come out of the effects of the recent financial crisis has been by-passed. For, with the rise in unemployment, especially in the construction industries, government policies directed towards the creation of green friendly infrastructure could have tackled simultaneously the immediate problem of deep unemployment and the ongoing, ultimately life threatening, problems associated with climate change and global warming.

Instead, current government policies have had the effect of backing away from tackling the causes and effects of both these evils.

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