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FULL EMPLOYMENT WITHOUT INFLATION IN THE U.S. ECONOMY

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A Definition:

"Authentic full employment" is a term we will use to describe employment resulting from genuine market demand by consumers for goods and services, including necessary purchases by government. It does not include employment subsidized by government solely to legitimate incomes to the otherwise unemployed. Subsidized employment is welfare disguised as employment to give it a different moral impact. Subsidized or synthesized employment must be considered as a sign of an unhealthy economy if we hold to the belief that free markets are the solid underpinning for a free society.

The Thesis:

By enabling each consumer with unsatisfied needs and wants to produce more goods and services, in order to entitle himself to consume more of the goods and services he needs or wants, we can create legitimate full employment for a period of 25 years or so in the U.S. economy. This is the estimated time it would take to expand our economy sufficiently to produce a good living for every consumer unit. This, in turn, would mean that we would have a quarter of a century to educate a new generation to live in a world where only a portion of their productive years should or could be spent in the performance of economic work in the traditional sense.

The Argument:

(1) Since the essence of technological change -- an accelerating process -- is progressively to increase output of goods and services with diminished input of labor, legitimate (i.e., non-governmentally-subsidized) full employment can only be achieved if vast increases in the production of useful goods and services take place.. Fortunately for those who think of "full employment" as the ultimate economic answer, the reservoir of unsatisfied needs and wants for the products which our advertising implies are available to everyone and which our producers can produce and want to produce, is immense. Similarly great is the quantity of new capital formation that must come into existence if we are to raise our productive power to the point where it can provide true general affluence and to protect the environment at the same time. So legitimate full employment without inflation requires great increases in the power to produce and in the production of useful goods and services. It also requires that the productive power of each consumer unit be adequate to satisfy its reasonable needs and wants.

(2) But if increased production, calling for increased employment, is to result in things that individuals want to consume, rather than things which government is pressured to subsidize, then the market demand must come from the increased purchasing power of individuals.

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(3) If individual purchasing power is to be increased by means that do not deplete future purchasing power -- and this is what happens when consumption is underwritten by consumer debt, government debt and redistribution of income from the have-littles to the have-lesses -- then the individual economic productive power must be increased.

(4) There is in the real world no way to increase the productive power of a mature employee except to facilitate his becoming an owner of capital -- the other factor of production -- even though conventional economics has not yet realized this truth. The widely heralded "increasing productivity of labor" is simply an illusion. It is derived from measuring increases in the output of two factors of production (the human factor and the nonhuman factor) in terms of the input of one factor (the human factor, or labor) and attributing the increase to labor. From a scientific standpoint, this attribution is totally erroneous. Its purpose is to legitimate demands for more pay in return for less work, because virtually all of the capital is owned by 5% of the families, and the remaining 95% who form the bulk of the consumer market, have nothing with which to make productive or economic input except their labor. The market value for labor of any kind in competitive markets, if market forces were permitted to determine the value of labor, is utterly inadequate to support consumption in accordance with reasonable "rising expectations." Virtually all incremental productive power comes from the introduction of more and better capital instruments. Since it is impossible to make a mature, fully-trained worker more productive in order to justify giving him higher pay, we have resorted to a rhetorical trick. We attribute to the worker much of the true productive power of the capital employed in the business.

(5) Therefore, if we really want to bring about healthy, authentic full-employment we must set about building capital ownership into the 95% of individuals who do not own viable capital estates, and we must choose means which are speedy and effective.

(6) The logic of a private property market economy is simply double-entry bookkeeping: increased personal outtake (personal income) from the economy is supposed to be based upon increased personal productive input. Since a mature worker (and most jobs do not take long to learn) can only increase his productive input through his ownership of capital, individuals must be able to acquire the ownership of capital by the same logic that the corporation has always employed in making its investments: buy it under conditions where the capital can reasonably be expected to pay for itself without diminishing the the buyer's take-home pay or his savings.

At the present time there is but one way to do this: employee stock ownership trust financing of the growth of corporate enterprise and changes in the ownership of capital assets of corporations, such as acquisitions, spinoffs, divestitures, etc. (Other ways, with legislative changes, mostly in our tax laws, could easily be devised.) Fortunately, a large part of the important task of raising the productive power of American workers, and thus their incomes, can be accomplished under existing laws. This technique is free of the inflationary disguised welfare that takes place when workers are paid more in return for the same (or less) productive input.

(7) The alternative methods for "creating" full employment all violate the logic of a free-market economy. They depend upon government subsidization of the production of things and services that would not be voluntarily purchased by consumers spending their own money, nor even by governments spending their taxpayers' dollars, were they not compelled (by obsolete concepts) to "create" jobs. Synthetic job creation falls into two categories: (a) non-lethal, and (b) lethal. Since synthetic full employment is financed by government taking from the taxpayers, both present and future, the taxpayers and their duly elected representatives have been astute, historically, to avoid burdening themselves with more redistributive taxation than would be necessary to restrain revolution and publicly offensive poverty. Thus, there are severe limits to the amount of non-lethal employment that government will finance. This means that ultimately a synthetic full-employment policy becomes lethal. Full-employment is achieved by the subsidation of goods and activities which not only fail to raise the quality of life, but radically lower it, and even extinguish it. Because Congress has the duty both to provide for the defense of the country and to make the policy decisions as to what level of expenditures are necessary for that defense, military industrial subsidies have been the most sacrosanct, criticism-free method -- so far -- of creating otherwise non-existent jobs.