Unemployment Panaceas

by GEORGE COLLINS

LEADERS in various areas of public and private activity held a conference last year and published their report entitled "Two Top-Priority Programs to Reduce Unemployment." This is an extensive compilation of statistical data designed to prove that there is more poverty in the United States than was currently believed.

The report asserts that if the full-time equivalent of the number of persons who would work part-time if they could, plus those discouraged from looking for work because of the shortage, were added together, the true figure of unemployment would reach about 7 million. This results in a total production loss of some $475 billion. The reason given for this rising unemployment and the accompanying idle plants is an insufficient demand or purchasing power to call forth full use of productive resources. This reduction in consumer demand is attributed to a wage deficiency. Two reasons given for the inadequacy in wages are (a) insufficient employment, and excessive unemployment and (b) a lag in hourly wage rates behind gains in productivity or output per man hour.

Various charts show the rate of wage deficiency in the major industries. From 1957-1962 productivity in the railroad industry increased 5.5 per cent while wages only increased 2.3 per cent. Productivity in the iron and steel industry rose 3.4 per cent but wages went up only 2.6 per cent. Consequently profits and investments in plant and equipment exceeded wages by vast amounts. Industries most favorably benefited included chemicals and allied products, petroleum and coal products, and motor vehicle equipment. The new technology was cited as increasing productive output while lessening the need for labor, thus causing more unemployment and adding to the problem.

In housing, 9.3 million units were judged to be below normal requirements. These charts showed an intimate relationship between slums and disease, crime, accidents and fires. It was estimated that the housing shortage and unemployment could be relieved by an increase in construction of 37.8 per cent by 1966.

A 4.2 billion dollar average deficiency in federal outlays for goods and services between 1953 and 1963 was noted as adding to the chronic rise in unemployment, in these words: "More employment and less unemployment depend upon more demand for goods and services. The biggest factor in demand is consumer spending, and the biggest weakness in consumer spending today is the wage deficiency. It follows that efforts to lift wages should have top priority in any effective economic program."

Without inquiring into the cause that forces wages down and makes it impossible for men who want food and clothing and housing and are willing to work for them to do so, the conference recommended lifting wage rates to expand consumption and catch up with productivity gains, and launching a much larger housing program to help counteract the elimination of jobs caused by technology and automation.

Full employment, we read, would be achieved by cutting the work week to 35 hours, while maintaining current wage rates. Wage rates, however, must not just remain the same. The minimum wage floor should be lifted to at least $2 an hour to bring wages up to productivity level. This, it is claimed, would not be inflationary since it would only lessen the gap between productivity and wages. The experts failed to see that production would be checked by increased cost and that higher prices for goods and spiraling land rents would squeeze wages to new lows.

While calling for a stable price level, the report notes, without trying to explain why, that a "bad balance" between profits and wages developed in the 1920's in a more extreme form than now, while both wages and prices were remarkably stable. Improved technology was evidently just able to keep up with spiraling land rents. A vigorous effort by private builders and by the government is suggested to fill the housing needs of middle-income and lower middle income families. Although the conference deplored the fact that "in far too many cases, public subsidies are being used to help landowners, real estate interests and powerful business interests with actual detriment to the poor who live in the slums," it asks that large increases in public outlays be made for aid to land acquisition. It is difficult to understand how such glaring inconsistencies can pass before the eyes of schooled observers without notice.

The ultimate need is said to be for increased rate of growth with government outlays for goods and services sharply increased, without a rise in production per man hour that would cut down on the number of workers needed. In other words: the more we have and the less efficient we are, the better off we will be.

This 72-page booklet with 36 charts and graphs proves conclusively to this reviewer that the contributors may know their arithmetic but they don't know fundamental economics.

Georgist Professor Honored At Anniversary Celebration

The University of Missouri at Columbia celebrated its 125th anniversary and the 50th anniversary of the establishment of the School of Business and Public Administration in April, and Dr. and Mrs. Harry Gunnison Brown returned to participate in the events.

Professor Brown, a distinguished author, who taught economics at the university from 1915 to 1951, was an honored guest. At two of Professor Pinkney Walker's economics classes, he spoke to a combined enrollment of about 750. Professor Walker said this was "their first sip from the cup," as he had not yet exposed them to the subject of land value taxation. Professor Walker, successor to Dr. Brown, will soon become dean of the School of Business and Public Administration.

Graduates of this school hold many positions of leadership. Dr. Brown delighted in meeting his former students — among them Dr. Karl R. Bopp, president of the Federal Reserve Bank of Philadelphia, who said he had heard Brown's lecture on LVT for the first time just 40 years ago.

Dr. and Mrs. Brown keep busy in their efforts to acquaint people with the advantages of Henry George's tax solution in Pennsylvania where they live. Through enthusiastic teamwork "in retirement" they produce quantities of explanatory material for the practical application of LVT.