

# On Unemployment

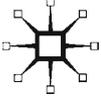
Volume I



On Unemployment  
A Micro-Theory of Economic Justice  
Volume I

*Mark R. Reiff*

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ON UNEMPLOYMENT

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*To  
My parents  
Who made me care about working men  
and women  
everywhere*



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## Preface

This book began life before the financial crisis, when Erik Schoenfeld, a friend with a particular interest in robotics, pressed me on why technology would not eventually render a large portion of the population unemployable, and if it would, or even if it just might, what we ought to do about it. My initial answer to this question was that technology wasn't likely do any such thing as long the innovation it represented was accompanied by sufficient economic growth and the proceeds of this growth were widely distributed. But as soon as I said it, this answer struck me as overly simplistic, and the question stuck in my mind like a splinter that you can't see but still hurts and never seems to go away. So this book was initially going to be about technological unemployment and the moral and philosophical issues that the possibility of such unemployment raise. But then the financial crisis hit and it became clear that a much more comprehensive discussion of the moral and philosophical issues surrounding unemployment was required. Indeed, once I began to research what other theorists had said about unemployment in some depth, I was shocked to find how little the issue had been discussed from a moral rather than an economic point of view. Economists had written a great deal about unemployment, but unlike inequality, which has been a favorite topic among political theorists for many years, there was almost nothing addressing unemployment as a question of political morality, at least among non-Marxists, and of course whether the Marxist point of view is a view about political morality is itself a matter of some debate. I was also shocked to find how difficult it was to find a comprehensive treatment of the problem even among economists, one that laid out all the current issues and the debates about them in a way that non-economists could understand. Not in a simplistic way, mind you, but in a way that serious, intelligent people need to have available if they want to understand the reasoning and intellectual history behind the various policy recommendations put before them by their representatives and determine how these recommendations coincide with their own most fundamental moral views. Finally, I was shocked to find how infected the economic debate was with ideology, but how little of this ideology was on the surface and therefore how little of it was acknowledged much less actually subject to critical examination. Not that I think the debate here

should not be influenced by ideology—indeed one of the principal arguments of this book is that many (although not all) of the important empirical questions at issue here are irresolvable, or at least not resolvable to a sufficient degree of certainty that those on opposite sides of the ideological spectrum are going to be convinced by the empirical arguments presented by those on the other side. This means that we must make important decisions regarding the management of our economy under conditions of empirical uncertainty and therefore need to look to principles of political morality—that is, *justice*—to advise us on what to do. But when a debate both depends on what principles of justice we apply and submerges those principles to such an extent that it is impossible for ordinary intelligent people to really comprehend what principles each side is embracing, things are unlikely to turn out well. So the final thing I wanted to do in this book is bring the moral principles that underlay each side's brand of political ideology out of the shade and into the light, to present an argument for what principles of justice we should actually apply and how we can use them to guide us even when the empirical uncertainties surrounding the problem of unemployment remain unresolved.

Now, the problem of unemployment, much more so than the problem of economic inequality, is dynamic, not static. It is changing quickly all the time, often in significant ways. While inequality typically makes long slow movements in one direction or another, unemployment is volatile. Indeed, up to the moment this book went to press, something was happening every day that needed to be referenced in the manuscript in order to keep the discussion current. But of course that cannot go on forever—at some point the production process must begin and further updates become immediately more difficult and eventually impossible. For this book that date was March 15, 2015. I have made every effort to reference events and take into account data available as of that date (and in a few cases I have managed to reference material that was published a few weeks or in some cases even a few months thereafter), although I hope you will forgive me if in some cases data which was released by that date had not yet come to my attention. Given the speed at which the state of the economy can change, however, it is entirely possible that important changes may have occurred between the ides of March and the date on which this book is published that I will not have been able to reference or discuss. And if this book is to have a life, important changes will certainly have occurred for those readers who come upon this book for the first time some years into the future.

With this mind, I thought I should address the book's relevance in each of the three possible states of affairs that might apply on the day any particular reader turns to this book's analysis and recommendations. First, on that day things could look pretty much as they do on the day I write this preface, in which case there is little more I should need to say. But since some people are starting to characterize what we are experiencing now, at least in the United States and the United Kingdom, as a return to a kind of normalcy, I will say this: if this is how it feels when you pick up this book in the place where you happen to live, this is largely an illusion. While unemployment has been slowly improving in the United States and the United Kingdom and has reached levels that are no

longer historically so shocking, unemployment is still unacceptably high if one looks at a wider range of markers about the state of the economy. Just as importantly, it is still high by any measure in most of Europe, and disastrously high in some parts of Europe, and this cannot go on for much longer without a degree of social disruption to the existing order that will not be good for anybody no matter where they live. But when things go as badly as they have for as many as they have for as long as they have and then start to get a little better (especially if this happens where we live), there is a natural temptation to think that our problems have effectively been sorted out and that we can finally stop worrying and retreat into complacency. Even those who are beginning to suggest as much in their public statements, however, will admit when pressed that the current recovery remains precarious. Becoming seduced by whatever patina of normalcy seems to be descending on the United States and the United Kingdom and a few nations in Europe would accordingly be a big mistake.<sup>1</sup> And even if things were near as normal as conventional wisdom is beginning to suggest they might be, we should still be concerned that getting to the very modest state of recovery we are in now has taken such a historically long amount of time and come at such a historically large price in comparison to our recoveries from almost every other economic crisis. Understanding why this is the case is critically important if we are to avoid making the same mistakes again when the next economic crisis strikes. Because quite simply, the human misery our mistakes have imposed and in many countries are still imposing is unforgiveable. So even if some of that misery may now be over, that does not mean we should not try to understand what happened. We are one economic shock away from another crisis, and far too little has been done in response to the last one to make the next one significantly less likely or less severe.<sup>2</sup> In any event, once that next crisis hits we will have to react too fast to start debating what we did wrong the last time with sincerity. While we were lucky once, and what could have been a disaster of immeasurable proportions turned out to be a disaster of merely measurable ones, it is unlikely that we can repeat the same mistakes and be that lucky again. As James Baldwin once said in another context, “God gave Noah the rainbow sign. No more water; the fire next time!”<sup>3</sup> So we need to have this debate now if we are to be prepared to deal with whatever is to come.

The second possible state of affairs in which readers could find themselves when they pick up this book, at least if some significant amount of time has passed, is one in which things truly have improved, unemployment is relatively and generally (not just in a few places) at reasonable levels by historical standards, the danger of further economic shocks from the obvious sources has greatly subsided, and other problems seem far more pressing. Does that mean this book has been overtaken by events and continues to exist purely as a historical study? I think not. Not only are those who fail to learn from history condemned to repeat it, those who allow a moral wrong to remain concealed are guilty of a moral wrong themselves—not as great a moral wrong as the original by any means, of course, but a moral wrong nonetheless. If we are to expiate the serious moral wrong of allowing if not outright causing such great suffering among so many for so long, we must at least be relentless in our self-examination and

introspection about what mistakes were made and why. Plus, one of the points I make in the book is that unemployment is not merely something we should think about when it is high—I will argue that it deserves constant attention, much like the attention we pay to inflation now, so that even in good times we are making decisions with keeping unemployment low in mind. Only if we do so, I will argue, are we giving the problem of unemployment the attention that our embrace of political liberalism says it morally deserves.

Which brings me to the third possible state of affairs that could be in effect for some group of readers when they pick up this book—economic disaster could have struck again and we could be in the midst of it. Perhaps this disaster has been triggered by intensification of the sovereign debt crisis, by the intensification of the student debt crisis, by a default by Greece or some other “peripheral” debtor nation, by the breakup of the euro or even of the European Union itself, by military action in the Ukraine or the Middle East or in some other corner of the world anticipated or unanticipated, or by a surge in oil prices, exacerbation of the drought in California, or the outbreak of some new form of communicable disease. Whatever its cause, however, part of the problem will have been what I call the Great Squandering. We had an opportunity to deal with the causes and effects of the 2008 financial crisis, we more or less knew what was required of us and how to do it, we had the necessary tools, and we simply didn’t use them. Perhaps even more disturbingly, in many cases we did things that we either knew or should have known would only make matters worse. There are all sorts of reasons why we did this, some more upsetting than others, but the fact that we did is further evidence of how necessary it is to reclaim financial issues from economists and reinject morality into the debate. So if things have fallen apart since I last had the chance to update this book, I hope it is clear that it nevertheless couldn’t be more relevant.

Many people have helped me during the course of writing this book, and I would like to reach out to each of them and provide my heartfelt thanks. I presented papers containing various ideas set forth more fully in the book at Stanford University, the University of California at Davis, the University of Manchester, the University of Stirling, the University of Warwick, the University of Bayreuth, and at Columbia University’s Global Center in Paris. My thanks to all those in attendance for their helpful comments and much stimulating discussion. Special thanks go to Peter Dietsch, Lisa Herzog, Raymond Plant, Jonathan Quong, and Malcolm Sawyer, all of whom gave me written comments on earlier versions of the manuscript that I found invaluable. Special thanks also to Ian Cater, Nick Charles, Matthew Clayton, Joshua Cohen, Dave Davidson, Harriet Davidson, Ben Ferguson, Liza Lovdahl Gormsen, Jerry Hirniak, Lynnette Hunter, Peter Lichtenfels, Matthew Kramer, James Nickel, Jon Rosini, Erik Schoenfeld, John Scott, Iain Steedman, Robert Taylor, and Jan-Willem van der Rijt for their various comments and much stimulating discussion, and to Richard Child, James Pattison, Liam Shields, Garvin Walshe, and all the other members of the Manchester Political Theory Reading Group who spent four or five weeks work-shopping a very early version of the manuscript of this book. The discussions had in the course of that workshop proved to be

just what I needed to get my ideas flowing in a way that made further development of the book possible. My most resounding thanks, however, goes to my friend and mentor Hillel Steiner, with whom I had the privilege to spend many, many hours discussing political theory and political economy in general and the ideas in this book in particular. Without these discussions the book would have been very different, and much diminished. I also want to thank my editors at Palgrave Macmillan, Leila Campoli, Sarah Lawrence, and Luba Ostashevsky, for their guidance and support and the guidance and support of everyone on their team, including the anonymous referee to whom the manuscript of the book was sent—the comments and suggestions made by that referee also led to significant improvements in the text.

Finally, I feel I cannot end this preface without an acknowledgment of the love and support of my wife, Della Davidson. Although she died before this book was written, not a day has gone by since I started working on it that I haven't thought of her. I have tried to write a book that would make her proud, for one of her most admirable qualities was her compassion for others, a compassion that seems to me is in very short supply today among those in charge of most every developed economy. Even worse, many of these people act as if compassion is a mugs game and something we would be better off without. But ultimately this book is about compassion—or rather it is about what we might call principled compassion, about what morality tells us we should do in a situation that has disrupted if not ruined the lives of literally millions of people, even when this requires taking action that poses some risk to ourselves. In this I am reminded of something that happened at Della's funeral. After we lowered her casket into the ground, we released a dozen white doves. One of them went one way; the others went another. They circled and circled, until the one lone dove caught up with them, and then they all flew away together.

If only that was something all of us could manage.

March 2015  
Sacramento, California