

# On Unemployment

Volume II



On Unemployment  
Achieving Economic Justice after the  
Great Recession

Volume II

*Mark R. Reiff*

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ON UNEMPLOYMENT  
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## Preface

**A**lthough this work is split into two volumes, it is really one argumentative organic whole. To begin volume 2, a brief recap may accordingly be helpful.

In the introduction to volume 1, I discussed the extent and the importance of the problem of unemployment in Europe, the United Kingdom, and the United States following the Great Recession, described the rate of unemployment's sudden rise and long slow decline as well as the historic drop in the labor participation rate, the equally historic rise in long-term unemployment, the rise in part-time and "zero-hours" contracts, and the replacement of mid-wage jobs with low-wage ones. I also discussed (and criticized) the surprising reluctance of political theorists to engage with the issue of unemployment, despite its obvious moral importance, ceding this issue almost entirely to economists. The reasons for this are unclear, I argued, but the thinking seems to be that the only questions remaining here are empirical questions about what causes and what might cure unemployment and there is nothing that political theorists can contribute to such an empirical debate. But I think this is a mistake—these empirical questions are not only unresolved despite years and years of discussion by economists, they are also unlikely to be resolved to everyone's satisfaction anytime soon. What this continuing state of uncertainty means, then, is not that moral theory has nothing useful to contribute to a resolution of the problem of unemployment, but that the development of an appropriate moral theory here is absolutely essential, for one of the things that morality can tell us in cases of uncertainty is what risks justice recommends we eschew and what risks justice recommends we take. And developing such a moral theory and applying it to various aspects of the current debate about how to address unemployment is what this book is all about.

In chapter 1, I discussed how the current rate of unemployment is calculated and how this figure vastly understates the extent of the problem for which we have good reason for moral concern. I then tried to give a better indication of the true scope of the problem, and described the various ways in which the terms "full employment" and "unemployment" can be interpreted and understood. This includes the distinction between voluntary and involuntary

unemployment, the distinction between cyclical and structural unemployment, the difference between full employment and zero unemployment, and the nature of frictional unemployment. I concluded the chapter by critically examining Milton Friedman's concept of the "natural rate" of unemployment, which is now typically called the "non-accelerating inflation rate of unemployment" or "NAIRU" for short.

In chapter 2, I explored the sense in which unemployment might be a proper object of moral concern. I discussed and rejected the possibility that there might be an individual right to employment given the myriad conceptual and practical problems that would arise if such a right were recognized. I then argued that we nevertheless have powerful reasons to treat unemployment as a distributive injustice, at least under some conditions, even if we do not treat it as the violation of an individual right, emphasizing the contribution employment makes to our sense of personal identity and the extent to which it acts as a basis for self-respect and the respect of others. I also argued that an economy is a collective enterprise, and in any collective enterprise the collective as a whole has some obligation to see that no member is left behind. I therefore argued that as far as dealing with the economy goes, reducing unjust unemployment is entitled to the highest level of governmental concern, and proposed a new principle of full employment designed to help us determine when unemployment is just and when it is unjust through the use of ten noncontroversial restrictive axioms or side-constraints that allow us to eliminate or embrace a wide variety of practical policy options for reducing unemployment.

In chapter 3, I addressed two key questions about technological unemployment: whether it exists; and if so, whether it is incurable. I argued that technological innovation can indeed lead to both short- and long-term unemployment, and that the three supposed mechanisms that neoclassical economists suggest will naturally restore the employment equilibrium following labor displacement by technological advances cannot be counted on, certainly not in the short term but also not in the long-term. I also discussed (and critiqued) Say's Law and the related claim that technological innovation cannot lead to unemployment, discussed and rejected the claim that increasing the "flexibility" of the labor market and decreasing the "stickiness" of wages is a cure for unemployment, and examined the threat that robotics and other forms of automation pose to full employment. I also returned to and expanded my critique of the concept of the natural rate of unemployment and the NAIRU. Finally, I concluded the chapter by arguing that while technological unemployment can exist, we have no reason to believe that it is as incurable as many economists today would make it out to be, for we have never given addressing it the moral priority the problem deserves.

In Chapter 4, I took the principle of full employment and the associated axioms developed earlier in the book and applied them to evaluate a wide range of policy options for dealing with unemployment. In part 1, I examined how we might manage the negative employment effects of technological innovation; whether we have reason to support economic growth at any cost; whether extending unemployment insurance benefits is something we should oppose or support; how Keynesian fiscal stimulus is supposed to work and why our

principle of full employment supports it; why increased spending and increased taxation is a less attractive Keynesian alternative; why austerity is not an expression of the anti-interventionist *laissez faire* tradition; and why ordoliberalism, an alternative to neoliberalism that is popular in Germany and certain other European nations, does not support austerity as a solution to unemployment either. And this is where I brought volume I to a close.

Volume II begins, not surprisingly, where volume I left off—in the middle of chapter 4, and specifically in the middle of the section discussing whether austerity is an appropriate policy response to high levels of unemployment. I begin by considering whether reducing the national debt is a good reason for choosing austerity over fiscal stimulus; whether not doing so is somehow unfair to our grandchildren; whether the unemployment rate represents a lack of jobs or a lack of workers with the skills necessary to fill them; and what the real economic effects of austerity actually are. I then move on to a variety of other issues raised by the principle of full employment I developed in volume I, including the relation between unemployment and inflation; the importance of limiting foreclosure activity during times of high unemployment and how we might do so; the importance of allowing the unencumbered refinancing of state and local government debt; how tax and regulatory competition as a tool to attract employers to a region is self-defeating; the viability of using work-sharing to reduce unemployment; the relation between immigration and unemployment; and the need to resist the temptation to impose protectionist trade barriers and tariffs.

In chapter 5, I turn to the politics of unemployment, and examine why people might oppose taking the measures designed to reduce unemployment that our principle of full employment suggests we take. I suggest that in many cases, people are either making empirical mistakes about the likely economic effects of the policy proposals before them, or moral mistakes about the requisite moral priority to assign to reducing unemployment, or some combination of the two. I also discuss and attack the idea that the unrelenting pursuit of economic self-interest is an appropriate goal under political liberalism, and question the role in a liberal society of what Adam Smith called the “invisible hand.” Finally, the chapter concludes by arguing that some people who oppose reducing unemployment are not making empirical or moral mistakes within liberalism, but are actually pursuing anti-liberal moral goals, such as the idea that *individual* negative liberty rather than *equal* negative liberty is something to be maximized—a pernicious, elitist goal that suggests it is morally right for the strong to aim to dominate the weak.

With the context in which we resume our discussion of unemployment once again firmly in mind, we take up now where we left off: discussing whether austerity, a policy that has dominated the public discourse in Europe and has battled fiscal stimulus to a standstill in the United States, is on the road to prosperity or away from it.