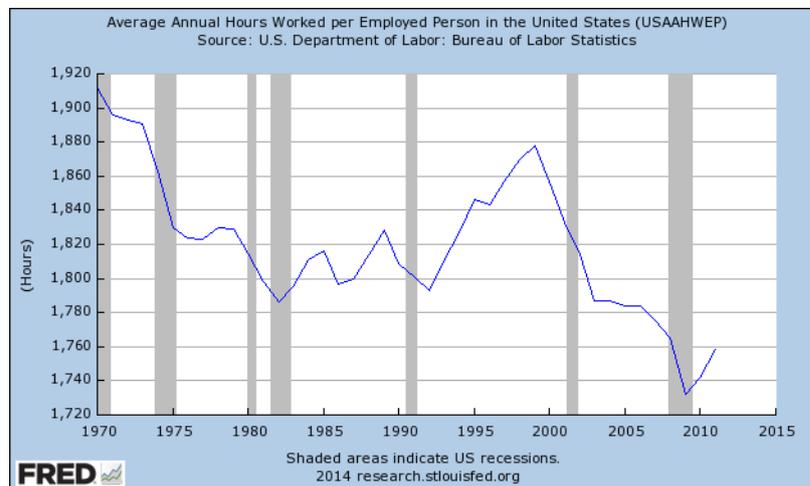


## [Old Economy Steven would have been better off now](#) [1]

Written by [Ben Southwood](#) [2] | Wednesday 8 January 2014



[An interesting essay](#) [3] from [Chris Maisano](#) [4] over at Jacobin Magazine drifts over many topics?full employment, growth since the 1970s and neoliberalism, worker activism and the 40-hour week. Its essential case is that full employment is important, because it makes workers better off in lots of ways, including giving them more leisure time. There are some interesting points in the piece, and I agree that full employment is an important goal, but overall I think it rests on a huge number of misconceptions?indeed data is used in very weird ways, with what I see as obvious questions left entirely uninterrogated.

Maisano points to the "[Old Economy Steven](#)" [5] meme, which looks back to an idealised post-war era:

Steven pays his yearly tuition at a state college?with his savings from his summer job! He graduates with a liberal arts degree?and actually finds suitable entry-level employment! ... But Steven doesn't just enjoy the material comforts of Old Economy abundance. He possesses a degree of everyday power scarcely imaginable by working people today. Steven can tell his boss to shove it, walk out and get hired at the factory across the street.

The contrast with popular views about today's economy, at least since the recession, is obvious. But full employment policies have been demoted?indeed since the late 1970s and especially since central bank independence most developed countries have centred their macroeconomic policies around stable inflation, not high employment. In fact, central banks now see a Non-Accelerating-Inflation Rate of Unemployment (NAIRU) as the optimal situation. But is this an "ideological response" as Maisano suggests?

There will always be some unemployment, from the numerous supply side restrictions on labour, and from job switching, especially with sectoral shifts. Inducing unexpected inflation can temporarily take unemployment below this "natural" level, for example through money illusion?where workers think nominal pay is actually real pay?but it is unsustainable. Once unions and individual workers compute this level of demand growth into their calculations the natural rate will return and the monetary authorities will need to push inflation yet higher to subvert this equilibrium.

Many economists, including Milton Friedman, argue that something like this caused [the rampant, out of control inflation of the 1970s](#) [6], something that was only reigned in by harsh recessions in both the UK and USA ([attempting to control wages and prices was an abject failure everywhere](#) [7]). Acknowledging this means acknowledging that aiming for unemployment as close as possible to zero is a bad idea; it is better to aim for the lowest level of unemployment achievable without acceleration inflation. [It's certainly possible to argue that monetary policymakers have failed to do this](#) [8]?but it hardly seems like a specifically ideological development, more like progress in economics.

A second sticking point is how growth has declined [since neo-liberalism replaced the post-war consensus](#) [9] as the dominant political framework in at least the US and UK. This is true. But it's also true that every developed country saw a growth slowdown in the 80s and 90s relative to the post-war era. Economic historians are divided on the causes but [since the most neo-liberal countries grew much faster than the more left-leaning states](#) [10], one'd be hard placed to see that as a key cause. But [even though growth has slowed down it has not stopped](#) [11]?and despite a few bumps [we are much much richer today than in the 1970s](#). [12] Just think, if had the opportunity to be whizzed to the 1970s to have the same standard of living as someone in your income percentile did then, would you?

My third disagreement is on hours worked. Maisano heavily implies that the consistently looser labour markets since the 1960s and 1970s have resulted in workers forced to work longer hours. He's clearly looked at the numbers, since he compares the US's average 1,778 in 2010 (1,742 on the FRED numbers I've seen) worked unfavourably to "continental European and the Scandinavian social democracies". But is that a germane comparison? To me it seems like the best way to compare the wellbeing of workers now, following decades of neo-liberalism and below-full-employment, and workers then, is to directly compare them. On average, during the 1970s, an employed person worked 1,859 hours (in 1970 it was 1,912 hours), in the ten years up to and including 2011 the average was 1,772.9. Maybe Maisano believes that with a greater focus on full employment incomes would have grown even more and hours would have fallen even faster?but if he thought that maybe he should say it.

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