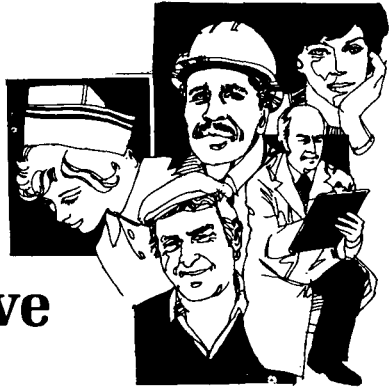


A Question of Being Productive



If we must have statistics (a doubtful proposition), and if there must be a Bureau of Labor Statistics to collect, collate, and expound them (equally doubtful), it strikes me that there are potential statistics of considerably greater economic import than those being bandied about by the Bureau. The best known of the Bureau's calculations, of course, are those dealing with unemployment. Although they are less likely to get much notice from the media, the Bureau also releases figures from time to time on the number of people who are employed. The Bureau must compile other interesting tidbits,

otherwise it probably would not qualify for such exalted status among government undertakings, but those items rarely attract attention.

Although the best I can do amounts to no more than lukewarm support for any of them, this is not intended as an attack on statistics, *per se*. Still, it might be well to point out some of their shortcomings at the beginning. The most general objection to statistics is that they are reductionist in character. That is, statistics are compiled by lopping off all the individual ways in which things differ from one another to arrive at their common traits. What emerges is almost inevitably a lowest common denominator for all of them. All too often, too, the common feature is the least revealing and least important aspect of what is being categorized.

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Take the matter of statistics on unemployment. When they are reported in the media, they are made to sound as if they were absolute numbers. We may be told, for example, that during the past month there were 8,250,000 unemployed in the United States. The figures are further broken down into percentages for cities and regions. For example, the Bureau may announce that 12.7 per cent of the work force in an area was unemployed. That sounds precise, exact, certain, and beyond doubt. This apparent precision is achieved, however, by the extension of figures collected in surveys, by the acceptance of self-serving claims, and by the adoption of a convenient fiction.

Lumping into Groups

The convenient fiction concealed in unemployment statistics, let me hasten to explain, is that there is such a thing as a completely, or totally, unemployed person or that if there is, they are very numerous. It is conceivable, of course, that there are some persons who spend their waking hours seeking jobs: going over want ads, writing letters of application, making telephone calls, going to places of employment to get on their lists, and so on. It is even conceivable that some people might do this for as much as several weeks or even longer. But that such people exist by the millions in the United

States is a fiction which is able to parade as fact only by lopping off large portions of reality.

Among those listed as unemployed are those for whom the status is essential for them to continue to draw unemployment compensation. Their claims to being unemployed are self-serving. That is, they expect to benefit from the acceptance of the claims. In fact, many of them are working, part time or full time, for themselves or someone else. The Internal Revenue Service has announced, even, that the number of those who are working at something, or something extra, and not reporting their incomes is legion, and that their earnings may amount to several hundred billions annually. Many of these are undoubtedly listed as unemployed.

It is not my point, however, that the category, unemployed, is meaningless. There are undoubtedly many people who do not have regular employment for which they receive a regular and predictable paycheck. There are those who have difficulty finding employment in their profession or trade. There are some who would consider themselves partially or temporarily employed, when employed at all. The figures of the Bureau of Labor Statistics may even reflect, roughly, the fluctuations in all of this. My point is that the reality is much less precise than the statistics suggest, or declare, and that

the condition is rarely the one that is sentimentalized for the popular imagination.

But the labor statistics duality of employment-unemployment has at least two other major difficulties peculiar to it. One is that it leaves out of account a considerable portion of those with whom it might be expected to deal. It not only fails to account for the whole population, but also leaves out of account a portion of the potential work force, whatever that may be taken to mean. To put it more directly, the employment-unemployment figures do not balance with the population figures. Suppose, for example, that we are told in a report that there are 112½ million people employed and 8½ million unemployed. That adds up to 121 million. But if there are 230 million people, say, in the United States, 109 million of them are missing from the statistics. Undoubtedly, they can be placed in this or that or the other category, but they are still in an employment-unemployment limbo.

Misleading Categories

The other difficulty, too, tends to disqualify the dual employment-unemployment category. The trouble is that it is not a very apt economic category, if it is an economic category at all. It does not tell us anything much that is applicable to economics. Economics has to do with the

effective use of scarce resources—i.e., land, labor, and capital—so as to provide those goods that are most wanted. Employment and unemployment figures may appear to get at that, but the appearance is deceiving. Whether those who are employed are aiding in the economic endeavor is not revealed. As to the unemployed, the statistics themselves are silent on the impact on the economy.

What is wanted, it seems to me, are some different categories, categories which embrace the whole population, which are economic in focus, and which are more nearly self-explanatory. (If the new categories present problems of quantification, they will not differ in that from the present ones. The distortions in statistics are inherent, hence, unavoidable.) Since the production and distribution of goods is the main concern of economics, it would be quite appropriate to have the categories concentrate on that rather than employment and unemployment.

Therefore, the following three categories are hereby nominated as replacements: (1) the Productive, (2) the Unproductive, and (3) the Counterproductive. Everyone falls in one or the other of these categories, or some variant of it. The categories are unquestionably economic in character. Classifying people according to them poses no greater difficulty than those in use. Above all, the third

category, a highly important one, gets entirely ignored in the present classification.

The Productive

The Productive consist of those who produce the goods on which they live. They may produce the goods for themselves or for sale in the market, or, what is most common, some combination of these. No distinction need be made between goods and services, and the provision of a service is here considered as the production of a good. Thus, the housewife is as much the producer of a good when she prepares a meal or vacuums a room as when a factory worker contributes to the production of a widget. The crucial distinctions pertain to whether or not what is produced or provided is an economic good and whether or not what is produced constitutes what they live on. The productive, then, provide their own livelihood, either individually or as a family, and they do so with the goods they produce, whether they consume or sell what they make.

It might be well to emphasize, too, since such distinctions have sometimes been made, that those included in the productive category may do work that is predominantly physical or mental, may be employed by others or work for themselves, may work on assembly lines or be presidents of corporations, may be doctors, nurses, homemakers,

farmers, miners, millers, butchers, bakers or candlestick makers. None of these distinctions matters in the determination of whether or not anyone is productive. Nor does it matter whether the productivity was in the past or is going on in the present. That is, those who are living off savings, a surplus from past productivity, have a residual claim to be classified as productive.

The Unproductive

The Unproductive consist of those who do not (or did not) produce the goods on which they live. This is a hodgepodge category. One of the categories had to be if everyone was to be fitted in somewhere. It includes the partially productive as well as those who produce nothing. It overlaps with the third category. That is, some people would fall in both categories logically, though since the counterproductive is the stronger category, those who fall there basically need not be listed among the unproductive.

Since the Unproductive category is so diverse in its makeup, those who fall into it should probably be divided into sub-classes. The partially productive might well be distinguished from the wholly nonproductive. This latter class would include infants and small children, students (not otherwise employed), the aged infirm, the temporarily unemployed, and so on. A more contro-

versial sub-class would consist of those who are fully employed but economically unproductive. Among these could be listed such pursuits as those of the police, full time politicians, judges, soldiers, bureaucrats, and the like.

These categories are not devised to reflect on the importance of some occupations *vis á vis* others or for the purpose of making moral judgments. I take it that the police perform vital functions, even functions that make possible more effective economic activity. So it may be with soldiers, politicians, and some of the others. Students may be preparing themselves to be more effective at their work in the future. It is no reproach to infants that they are not economically productive. My intent here is to describe, not prescribe or proscribe. The point is that policemen, as policemen, students, as students, and so on, are not economically productive. Nor, though these categories do emphasize production, do I mean to suggest that production is the only or most important of human functions.

Shifting Categories

But place it where you will in your scheme of valuation, there can be no reasonable doubt that production is essential to our lives and well-being. Nor are there any plausible grounds for doubting that all who continue to live are dependent for their live-

lihood on what is produced. Moreover, they either produce it themselves or get it from that which is produced. More succinctly, the unproductive must be provided for from the labors of the productive, or, if you will, from the land, labor, and capital of the productive.

Thus, the changing proportions between the productive and the unproductive are of more than passing interest. Such evidence as we have indicates that the proportion of the unproductive to the productive has been increasing over the years. No statistics are available for this, but there are statistics and there is evidence which provide clues. Probably, at the time of the founding of the United States as much as 80 per cent of the population was productively employed much of the year. Most people lived on farms, and only infants, very small children and the bed-ridden were excused from work ordinarily. In towns and cities, too, the young usually went to work as soon as they were able to do much, and worked until they were no longer able. Most of this work, of course, was performed by families.

By contrast, the National Taxpayers Union said a while back that there are "only about 50 million real taxpayers left. The rest of our people are living off of recycled government money—federal payroll, pensions, grants, contracts, loans, subsidies, revenue sharing. . .," and the like.

While that does not absolutely distinguish the productive from the unproductive, it gets close to it, and it may suggest that something less than one-fourth of the people do the bulk of the work. (The major distortion in these figures is that housewives do not pay taxes in connection with that endeavor but, in my view, are productive.)

The Counterproductive

Even so, the Counterproductive may be a much more important category in many respects than the unproductive. The counterproductive are those who place obstacles in the way of those who would be productive. Although it would be interesting to know the number of them and whether they are actually increasing in proportion to the population or decreasing, it must be admitted that their impact on society is much greater than their numbers. Indeed, many of those who would have to be classified as unproductive are in that category because of counterproductive forces. I say "forces," because the counterproductive are not just people, but people acting with force.

Who would be classified as counterproductive? Let me begin with two important sub-classes in the category. One is made up of those who criminally obstruct production and interfere with commerce. Among them are thieves, embezzlers, saboteurs, terrorists, extortionists, in-

timidators, and all who make freedom of movement and commercial activity difficult. Crime deters all peaceful undertakings, and crimes of violence have been on the upsurge generally for years now.

The second sub-class of the counterproductive is labor unions. The most dramatic activity of labor unions in obstructing production is the strike. Strikes often stop all production in a factory, sometimes an industry, and often interfere with (when they do not shut down) related businesses. Boycotts can have similar results. More broadly, though, virtually the whole power of unions derives from their ability to hamper production. They do this not only by strikes, boycotts, and violent activities but also by slowdowns, by work rules restricting production, by featherbedding, by specifying the limited types of work which may be assigned to a given job, by minimum wages, and by time-consuming meetings and negotiaton sessions.

But the greatest and most extensive obstacles to production in the United States today are placed there by governments. It has already been noted that most, if not all, government activity is unproductive. That is, the basic business of government is not the production and distribution of goods. Beyond that, though, much of government activity today is counterproductive. This has not always been the case. In 1840, say,

very little of government activity was counterproductive. The United States government did levy a tariff on imports, and, though it was not high, it may have limited some kinds of commercial activities. Beyond that, state and local governments would have had some restrictions, but they were usually minor. In the twentieth century, however, there have been mounting regulations, restrictions, inhibitions, limitations, and prohibitions on productive activity by all levels of government.

Away from the Productive

In one way, at least, all government undertakings tend to be counterproductive. So far as they are supported by taxation, wealth is taken from its potentially productive use to an unproductive use. That is counterproductive. It follows, too, that all expansion of government activity tends to increase the unproductive sector at the expense of the productive. Thus, the growth of government tends to be counterproductive in its impact. This is not meant to suggest that there may not be legitimate reasons for an increase in the size of government. Rather, it is to point out that in respect to taxation, at least, the economic impact is away from the productive.

But much of government activity today is counterproductive, the financing of it aside. The most obvious of the counterproductive im-

pact occurs when people are prohibited to be productive. The most striking example of this is child labor laws, which prohibit children from engaging in most productive efforts. Compulsory schooling, which is a counterpart to this, pushes children into the unproductive category, willy-nilly. Government encouragement of schooling, or retirement, and such like, is also counterproductive. It is also obviously counterproductive when government deliberately restricts production, as in crop restrictions, marketing quotas, or any other device for holding down production.

Minimum wage and maximum hour laws are also counterproductive. Minimum wage laws are counterproductive because they tend to price the unskilled, the partially disabled, and the less productive out of the labor market. Maximum hour laws are counterproductive in two ways. Where they actually reduce the number of hours that can be worked at a job, as for commercial pilots, flight attendants, truck drivers, and others, they may reduce production directly. In many instances, however, maximum hour laws are not absolutely prohibitive; they only require higher pay for hours above a certain maximum. This has a similar counterproductive impact to that of the minimum wage.

Anything that hampers or makes production more difficult is counter-

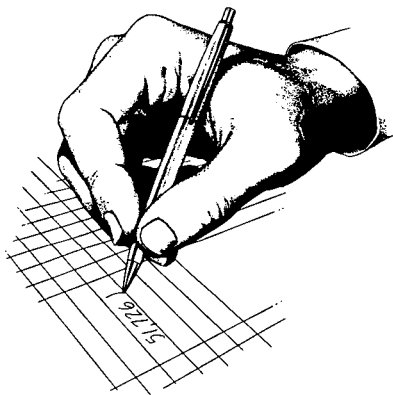
productive. Licenses, franchises, schooling requirements for occupations, government granted monopolies, and restrictions on entering any field of endeavor are counterproductive. Government regulatory activities, such as are carried on by the Interstate Commerce Commission, Federal Trade Commission, Food and Drug Administration, Occupational Safety and Health Administration, Environmental Protection Agency, and many others, are counterproductive. All business and personal record keeping for government, such as employment records for the Equal Employment Opportunity Commission, are counterproductive. So, too, are all business tax collection for or payment to government, such as Social Security, unemployment compensation, sales taxes, withholding taxes, and so on. They require the use of time and energy for government, which is unproductive, rather than the use of them for production.

Among the sorts of people who would be counterproductive, either part or full time, would be inspectors, enforcement personnel, administrative law personnel, judges (while enforcing regulations of production), Justice Department officials, politicians and their aides (while considering and enacting such laws), and the numerous bureaucrats that have something to do with them in one

way or another. Whether all business personnel directly involved with looking after the regulatory and other hampering activities should be classified as unproductive or counterproductive is an interesting question.

No effort has been made here to evaluate from every angle all government programs which hamper production. Whether this one or that one or the other might be justified on adequate grounds was not my concern. Rather, I proposed to look at the matter only from the perspective of the question of being productive. That does not mean, of course, that production is all that matters. In that regard, my point is that production matters, that it is important, that it should be taken into consideration.

Nor was it my purpose, ultimately, to spur the issuance of statistics on whether people are productive, unproductive, or counterproductive, though I think they would be interesting and revealing, if it could be done. Rather, by delineating the categories in some detail, it was my hope to focus attention on whether people are productive, unproductive, or counterproductive in their undertakings. Our livelihood and well-being depend upon the weight of the answers to this question. ☉



DEFICITS ARE NOT THE ONLY PROBLEM

PRY the poor Federal deficit. What was once hailed as a western economic savior has been relegated to a public whipping boy. Politicians and liberal economic writers who a decade ago declared that deficits were "actually desirable because this meant the federal government was pouring funds into the economic stream" now declare with equal sincerity that these same fiscal shortfalls are a menace to economic growth.¹

How, an astute observer of our political economy might ask, can the Federal deficit have fallen into such disrepute, especially among its one-time supporters? Did not Keynesian economists tell us in triumphant

words that the so-called capitalist problems of boom and bust were to be solved by government fiscal policy of which the deficit was an integral part?²

Consider one economist's claim that the 1964 Federal deficit was a "desirable" element of the nation's economy.

The basic explanation for our achievement (a prosperous economy), I think, is that, in 1964, our politicians finally "grew up" into mid-20th century fiscal policy thinking. As a result, there was nothing less than a revolution in economic thought at the highest policy-making levels of our government.

In the past, our politicians have always considered it imperative to hail an annually balanced budget as economic purity, to condemn a budget deficit as fiscal sin, and to shrink from tax reduction in the face of budget deficits as unspeakably reckless. But in 1964, the federal budget deficit was accepted as actually

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