The Job Abacus: No Guide to Public Policy

by James E. McClure and T. Norman Van Cott

Media economic "experts" typically gauge economic events by counting jobs. Regardless of the issue, they measure the desirability of policies and outcomes in terms of the jobs that are allegedly created or destroyed. To the "experts," a never-ending shortage of job opportunities is the fundamental economic problem against which public policies must be arrayed.

Over the last few years, this mind-set has been especially visible in media discussions of government policy toward international trade and plant closings/relocations. With respect to international trade, it is common to observe comparisons of jobs embodied in exports and jobs "lost" because imports are not produced domestically. International trade is judged good or bad depending on whether export-related jobs exceed or fall short of import-related jobs. The reasoning with respect to plant closings/relocations is similar—the change is beneficial only if employment is greater at the new production facilities than at the old facilities.

Regardless of what the experts' abacuses tell us, however, we contend that their answers are irrelevant for measuring economic success.

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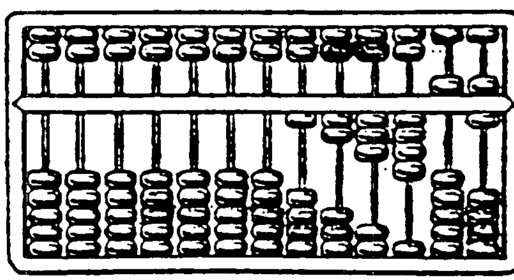

They contradict the fundamental proposition upon which all economic analysis is based—resource scarcity.

Out of Eden

Ever since the debacle in the Garden of Eden, mankind has had a seemingly unquenchable thirst for goods and services. Mankind simply cannot command sufficient labor, capital, and raw materials to produce enough goods and services to satisfy this thirst. Consequently, men have had to choose those goods and services that they value most. Such choices necessarily require the choosers to give up things that are also valuable to them, albeit less valuable than the options they select. In this way, people always fall short of the satiation achieved in the Garden. As long as lower valued options are sacrificed in favor of more highly valued ones, however, people are doing the best they can given their limited circumstances.

Humans out of Eden are thus cursed with unlimited desires in a fallen world of limited resources. The term that economists use to describe this circumstance is scarcity, and it is this scarcity that undermines the efforts of the job counters.

Scarce Resources Mean Overabundant Jobs

Man's inability to satisfy all his desires implies, by definition, that there are employment opportunities which continually go begging. These opportunities are not seized because they are among the lower valued uses of peoples' limited resources. Potential producers cannot and will not produce when consumers aren't willing to make it worth their while. It always should be remembered that jobs are performed for the mutual benefit of producers and consumers. Without this mutuality, jobs are not filled in a free society. Indeed, the fact that jobs are not filled when this mutuality is absent means that the community is better off overall.

Although an unquenchable thirst for goods and services relative to productive capabilities precludes a scarcity of jobs in general, one can correctly argue that there is a shortage of "good" jobs. Overcoming a scarcity of "good" jobs, however, is not susceptible to the quick-fix nostrums of the alleged media experts. Quite the contrary, sustained success in dealing with this latter scarcity is possible only with increases in an economy's productive capabilities. U.S. economic history validates this latter point to even the most casual observer.

Then Why Is There Unemployment?

How can one reconcile the idea of job overabundance with the observation that unemployment is and has been an economic fact of life? Economists have long noted that dynamic, growing economies always have unemployed resources. This dynamism inevitably means that the locations of some job opportunities are always changing. Those losing jobs as a consequence of these changes are not fully aware of where new opportunities are emerging, nor are employers with the newly available jobs fully aware of potential employees. It is beneficial for all concerned to devote time to "job search"—a euphemism for what is popularly known as unemployment. Search enables employees to find better jobs while simultaneously enabling employers to find better employees. Although stop-start government monetary and fiscal policies disrupt the ease with which this matching occurs, better employer-employee matches lead to higher living standards.

While unemployment due to job searching, properly seen, increases wealth, other forms of unemployment destroy wealth. The latter emanate from the coercive power of the state. For example, government-sanctioned monopolies in labor and product markets prevent some people from producing higher valued goods and services. The excluded resources are forced into either unemployment or lower-valued alternatives. Likewise, minimum wage laws prevent the unskilled from selling their services at a price that is attractive to consumers.

Economic Success and the Job Abacus

Having an actual, honest-to-goodness number upon which to judge economic phenomena is a security blanket for media experts and laymen alike. It not only eliminates the need for rigorous thinking, it also enables one to exude a sense of precision about the matters at issue.

Unfortunately, the job abacus diverts attention from the first principles of economics. Instead, attention becomes riveted on a number that, though it is meaningless in an economic sense, is potentially dangerous to our economic health. Changes in technology, managerial techniques, and consumer desires come to be seen as enemies.

History is replete with examples showing that the economic race is always won by those societies most open to these changes. If we wish to promote economic success, it is better to remember the lessons of economic history and forget the job abacus. □

Government Regulation of Air Safety May Be Hazardous to Your Health

by John Semmens

One would guess from media accounts that it is a proven fact that the skies are less safe due to the 1978 airline deregulation. Whether it be stories of actual crashes or near-collisions, hardly any coverage ends without implying that deregulation is at fault.

It is not that the implication of blame is totally implausible. As advocates of deregulation predicted, air travel is less expensive and more frequent than would have been the case had airlines not been deregulated. In 1987, U.S. airlines flew a record number of flights and passengers—more than a 50 per cent increase over pre-deregulation figures. Obviously, then, the skies are more crowded. And, of course, more crowded must mean more dangerous. Right?

Well, the indictment of deregulation is wrong on two major counts. First, the statistical data show that contrary to what one might surmise, the rate of accidents and fatalities is *lower* in the post-deregulation period. Second, the hair-raising reports of near-collisions at busy airports reveal that there may be serious problems with air traffic control and the allocation of takeoff and landing rights. However, both air traffic control and airport operating practices are public sector activities that have *not* been deregulated.

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The Federal Trade Commission has compared the 1979–1987 post-deregulation record with the 1970–1978 pre-deregulation period. The figures reveal that the accident and fatality rates have declined for all categories of commercial aviation since deregulation. The table on the opposite page provides a summary.

The evidence very clearly shows an improvement in commercial air safety in the U.S. Not only is the accident rate lower, but the number of fatalities is lower despite an increase of over 100 million passengers between 1978 and 1987.

Perhaps the reason these real gains in air safety are not being heralded is the unwillingness of those with an interventionist agenda to accept the implications. From the standpoint of satisfying consumer demand, deregulation is an unqualified success. If interventionists had to concede that flying is also safer, they would have little leverage for undermining the market solution to transportation needs.

So, instead of being encouraged by verifiable gains in safety as represented by decreases in crash rates and fatalities, the public is being bombarded with hysteria bolstered by less precise measures of safety. Two favorite indicators of the allegedly rising danger are the increasing reports of near-collisions and the rise in Federal Aviation Administration (FAA) citations for violations of safety regulations.

The rising reports of near-collisions, how-