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Unemployment: A Non-Issue In History Before The Advent Of Capitalism

I

History shows that unemployment, as a social problem, does not seem to exist in the ancient times. In its abstract sense, there is no word for unemployment in Greek or Latin Languages and perhaps in ancient Indian Languages. The English word 'Unemployment' did not come into general use until the mid-19th century.

Under the food-gathering and hunting division of labour (based on the technology of stones, sticks, bones, bows and arrows, etc.), there was no question of the absence of work, because, firstly, the members of the clans and tribes worked collectively and, secondly, they could hardly procure their subsistence quota of food even after 24 hours of daily labour.

In the phase of animal husbandry or pastoral division of labour (based on the technology of animals, bows and arrows and later on of metal (bronze and copper implements, etc.), when ordinary labour used to be performed mainly by slaves, unemployment was probably not a major social problem, because idleness would be at the expense of slave-owners. Runaway slaves and free workers might have experienced unemployment at times, but there is no concrete record of it. It is said (and there are indications also) that great monuments of antiquity, such as pyramids of Egypt, the great wall in China, etc. might have been built as relief projects for providing paid work to the sufferers in times of famine, epidemic or floods. Beggary seems to have existed in those days. But beggars and idlers were socially looked down upon.

In the period of agricultural division of labour (based on the technology of metal, specially iron, smelting and forging, land fertilisation, mining, weaving, tanning, pottery and paper making, printing, ship-building. etc.), when serfs were bound to the land, apprentices to the artisans and the latter to the guilds and when there prevailed regional or village self-sufficiency and localised urban small-scale industry, unemployment remained an insignificant problem. Vagabonds, outlaws and beggars, constituting a sizeable number, cannot be classified as unemployed people of that time. The social attitude towards these people was full of contempt. The custom of relief works in times of natural calamities continued. In the last phase (15th and 16th centuries) of the agricultural division of labour in Western Europe, there was an addition in the floating (or unemployed) population due to three reasons. Firstly, the introduction of intensive cultivation and sheep-farming uprooted rural labour. Secondly, the rising manufacture attracted the rural people to towns and cities. And thirdly, there was a rapid increase in population. By 1600, there were between 60 and 70 million people in Europe, roughly double the number a hundred years earlier. This biological leap accompanied the new geographical discoveries, expansion of trade and development of manufacture. Consequently, in the 16th century, laws for the relief and control of the poor began to be enacted in many cities of Western Europe and begging of any kind was forbidden.

II

In the 17th century, when manufacturing division of labour (based on the technology of handicraft) had sufficiently spread in Western Europe, the writers on economics began to realise the importance of human work or labour, breaking free from agricultural thinking which denigrated physical toil. The possibilities for acquiring wealth seemed enormous if only human labour could be properly utilised. The only agency that could undertake this task was the state which could compel the unemployed to work. William Petty, the pioneer economist of Britain, suggested in his "Treatise on Taxes and Contributions" (1662) that criminals be turned into slaves rather than thrown in jail or executed: "Being slaves, they may be forced to as much labour and as cheap fare, as nature will endure, and thereby become as two men added to the commonwealth and not as one take away from

it." In the language of modern economics, the 17th century economists saw labour as a factor of production. The 18th century was marked by the establishment of work-houses for the reform of beggars and vagabonds. But the system of work-houses could no work because it was too expensive and the floating labour lacked proper skills. From this failure emerged the idea (enshrined by the French economist Quesney and the British economist Adam Smith—both belonging to the 18th century) that society would profit if all its members were free to do whatever seemed best for them. The force driving the economic machine was the individual's self-interest for gain; freedom to pursue that selfish-interest would increase the expenditure of this force. The mechanism for controlling individual self-interest in the public good was competition; competition would not only produce proper reward for the efficient but, at the same time, prevent the efficient from extracting too high a price for their skill and talent. In this economic competition, the state should pursue a policy of laissez-faire (or neutrality). However, despite its upholding of the said economic proposition, Adam Smith's "Wealth of Nations" (1776) says nothing about unemployment; rather it assumes full employment as the normal state of affairs. J.B. Say, the French economist, expounded that supply creates its own demand; "Superabundance" will stimulate economic activity, not hinder it. Malthus, despite his pessimistic economic theory (early 19th century) that increasing population would lead to pauperisation, did not yet consider unemployment a major problem. Ricardo (early 19th century) who accepted Smith's assumptions about individual self-interest as a human being's motive force and competition as his methodology also paid little need to unemployment. Sismondi (early 19th century) severely criticised industrial capitalism, saw unemployment as a temporary phenomenon and rejected laissez-faire, but could not suggest what the state should do.

In the early 19th century, industrial revolution (i.e., the application of power driven machinery to the manufacturing process and the development of the factory system of production) in the West led to the improvement in the efficiency of labour, on the one hand, and in the reduction of labour's importance and the increase of physical capital's relative importance, on the other. In the beginning, when machines began to replace workers and when the conditions of factory labour were monotonous, the workers, and also the artisans opposed the new technology and even smashed machines at some places. But, gradually, they reconciled with the change and began to build trade-unions for resolving their problems arising out of the machine division of labour.

The machine division of labour gave rise to a curious situation. When there was demand for goods, the entrepreneurs were searching for more workers, when goods glutted the market, they were laying off them. Periods of expansion thus began to alternate with periods of stagnation and contraction. As the pace of industrialisation quickened, the persistence of surplus labour became the subject of common concern. John Stuart Mill (mid-19th century) observed the new phenomenon but still clinged to Smith's theory of economic equilibrium. Marx was the first great economist who saw unemployment as a necessary consequence of industrial capitalism and said that the latter creates a reserve army of labour. The classical economists had looked upon the disequilibrium between the supply and demand of labour as a temporary phenomenon and thus treated the unemployment problem as an aberration. Marx characterised disequilibrium as an inherent property of capitalism and thus treated unemployment problem as a normal feature of industrial capitalism. However, Marxian alternative to capitalism, i.e., his one party-led monopoly political, economic and cultural control of the state (called socialism or communism), was no better than the disease of capitalism, both (i.e., capitalism & communism), in essence, having been detrimental to environmental and human cause.

III

In the beginning of the 20th century, many studies and bulletins on unemployment began to appear in the West. Suddenly, unemployment had become a burning issue. Books, articles and the reports of government investigations began to come out in ever larger numbers. After the October Revolution in Russia (1917), every working person in Russia got the constitutional right to work, while in 1920's unemployment allowance was enacted in various Western countries. In 1928, the well known British writers, Sidney and Beatrice Webb, wrote that, in Britain, unemployment had never fallen below two percent in the best of times during the last 50 years. The great world economic depression (1929-32) brought an unprecedented unemployment. In 1929, the International Labour Organisation, Geneva

began to publish a world index of unemployment. The 1932-index of unemployed issued by the ILO was 291 with 1929=100, as the base.

After the said depression, the famous British pro-corporate economist, Keynes, theorised (1936) that the unemployment in the developed countries is caused by the lack of effective demand which can be remedied by increasing money supply (or deficit financing) and placing more purchasing power in the hands of the common people thus stopping the cyclical unemployment after each recession. The Keynesian demand side prescription worked for two decades in the post second world war period. But after that, it resulted in such a high inflation as began to pose a threat to all the economies of the Western countries.

The failure of the Keynesian recipe was followed by the re-emergence of the classical theory (1970's) in its corporate-oriented form, i.e., Milton Friedman's new classical theory (also called the supply side theory), which emphasised strict contraction of money supply and lowering of wages as a treatment of rising inflation and unemployment. The new classical theory did, to a certain extent, cure inflation, but worsened unemployment—a one-sidedness which also characterised the Keynesian theory, though inversely, by its healing to a certain extent, the unemployment, but worsening the inflation. US President Ronald Regan and British Prime Minister Margret Thatcher were the main adherents of this pro-corporate new classical theory in 1980s. After that this theory also fell from grace.

IV

Following the above debacle, first of the Keynesian pro-corporate demand side theory and then the Milton Friedman's corporate-oriented supply side prescription, theoretical confusion engulfed the big bosses of capital. But soon two important happenings provided them an opportunity to weave out a new device stressing the viability of the capitalist system. One was the disintegration of the communist ruling bloc in the Eastern Europe which threw the entire world communist movement into confusion and the other was the fastly evolving trend of the inter-dependence of countries (fastly pushed forth by the two latest technologies, i.e., the information technology and the supersonic technology. The first made the human communication possible at the speed of light and the other let human tactile contact to happen at the speed of sound).

Accordingly the top theoreticians and the big practitioners of the corporate capital sorted out a new strategy which stressed that only the high growth rate of capital in the world and accordingly in each country and region, and not any other factor, is, and can be, a panacea to the problem of unemployment and all other social ailments, like inequality, poverty, illiteracy and disease, etc., now troubling the human world.

To carry out the above-stated high growth rate corporate strategy, it is imperative to make the movement of capital or capital investment free from all shackles, restrictions and limitations, such as all social security measures, human rights considerations, labour rights, tariffs and duties, market impositions, etc. that hinder the movement of capital or its rate of growth. Here, the corporate strategy prescribes the carrying out of three types of economic reforms, i.e., liberalisation, privatisation & restructuring in each country as well as in every international financial institution—thus opening favourable international conditions for the unhindered development of corporate capital.

V

Following the newly-evolved corporate strategy of growth rate led economic reforms, the OECD in 1994 made an elaborate analysis of the problem of unemployment from the corporate angle. It started with a vigorous attack on the two pro-labour ideas then prevalent about the cause of unemployment.

Firstly, it said that technology is not to be blamed for unemployment. This is because, while technology destroys low-skilled jobs, it also creates new high skilled and more productive jobs. Secondly, it refuted the idea that imports from low-wage countries had an adverse effect on unemployment and wages in the developed countries. This is because only 1.5 percent of OECD countries expenditure goes on imports from elsewhere and, in any case, as developing countries get richer, they provide new markets for OECD exports.

The OECD blamed the policies (which gave some concessions to labour) of its own member countries for burgeoning unemployment. According to it, a long running failure of the OECD countries is to adopt labour markets, education and training to changes in the world economy, having different results in different places. Next, it held social policies, such as minimum wages, generous unemployment and job protection laws, adopted by the West European countries after the post-second world war economic prosperity and held them responsible for making them high cost economies.

More, it accused the West European labour market for not bringing suitable changes in wage and employment patterns in time as demanded by globalisation.

Then, the OECD suggested a two sided anti-labour action plan to deal with the unemployment problem. In the first place its action plan demanded deregulation reforms that require governments to replace minimum wages with more direct wage of fighting poverty or at least to vary them by age and across regions. It also thought that it should be easier for firms to sack workers. It further argues that the jobless would be more likely to seek work if governments cut the level of unemployment doles. Long-term benefits, it says, should be paid only if the recipients participate in active labour market programmes.

Secondly, its action plan called for better skills. That should start early, with more pre-school education, less early school-leaving and broader school curricula. It wants closer ties between industry and schools and more chances for off-the-job training. If all these recommendations are followed, its labour forces would be more likely not just to have jobs, but to have skilled jobs paying good wages.

The 1980s US corporate experience provided some new insights into the unemployment problem. It showed that the US economy was able to create many more jobs in services during the 1980's than Western Europe did in that period. This is, because, while implementing the Western Europe's anti-labour prescription about labour markets, it also tried to remove the product market barriers which, while hindering the corporate process, dominated the West European economies. By removing product market restrictions, the US was able to generate new jobs in retailing, banking (securities and mortgages) to television, film and video business. The US experience points out that the labour-market and the product market deregulations need to proceed hand in hand—thus creating jobs across the board. Reforming the labour market alone creates mainly low-skilled low-paid jobs.

Despite the US two-track deregulation, job-cutting was assiduously followed by the industrial world, including the American companies, like the IBM, Ford Motors, etc., resulting in increasing number of unemployed. It was done with the expectation to generate greater efficiency. But this did not happen. Peter Drucker, a noted management expert, has said, "We are seeing too many amputations before the diagnosis."

According to a study by the Centre for Economic Study at the US Census Bureau, while 55 percent of productivity gains accrued to factories where the labour force was downsized over 10 years, the other 45 percent of gains went to plants with growing employment and whose total output more than doubled over the period. One of the authors of this study John Haltiwanger, has remarked, "The process of productivity growth is clearly much noisier and much more complicated than just cutting jobs." Another American consultancy specialist, Arthur Little, has found that big employment cuts and sudden swerves and swings in strategy can lead companies into unanticipated problems. All of them are in agreement that the "most major corporate downsizing have failed to produce what was expected and that, in future, the degree of failure will become ever more extreme because current cuts are becoming broader in scope."

The above comments are self-explanatory on the disappointing performance of the corporate strategy of new economic reforms.