

## A 6. UNEMPLOYMENT

There are four main causes of unemployment.

Some results from the seasonality of agriculture & its effects on agribusiness.

The most serious unemployment in terms of both amount and duration is called cyclical unemployment. It is due to the irregular ups and downs of aggregate economic activity in modern market economies.

A third type of unemployment is called structural unemployment. It is due to the fact that change is continuous in wants, resources, and technologies in market economies, and that sometimes increases jobs in some sectors of the economies and reduces the number of jobs in other sectors, and labor does not move quickly or easily from where jobs are disappearing to where they are more available. Temporarily they are unemployed. Reemployment may require either geographical reallocation or learning a new trade or both.

A fourth type of unemployment is sometimes called hard core unemployment. Some in this category are considered unemployable either because they are too disabled in one way or another or for other reasons. Some are employed at times but cannot seem to hold a job satisfactorily for very long so are unemployed most of the time. This is not large in amount.

It used to be considered that about 3% of the labor force would be unemployed at any one time normally, even when there was no cyclical unemployment. That 3% was continuously changing in composition--it was not that the same 3% was continuously unemployed.

Some seasonal unemployment is remediable, but some is not. At one time the automobile industry changed models seasonally and in the process laid off many employees for a time. They have reduced the amount of such seasonal unemployment. Seasonal unemployment is neither prolonged nor large in amount. How much it can be reduced further is uncertain. In agribusiness, unemployment insurance can help tide the unemployed over.

There is no economic policy to deal with the hard-core unemployed. Perhaps social workers can help some of them develop better work habits or do other things to make themselves more employable.

Structural unemployment might be reduced by any measures that could improve labor mobility, either geographically or by more or subsidized retraining programs.

Cyclical unemployment is a serious problem and one that needs to be dealt with by government economic policies. To begin with, prolonged

unemployment is of course a big economic problem for most workers and their families. In addition, the longer such unemployment lasts the more the toll on a workers skills, work habits, and morale. The first recourse is unemployment insurance, introduced in the Great Depression, but designed to tide over short term seasonal unemployment, and not even now extended to cover all the long term unemployment of some recessions or depressions.

The main helpful government policy besides that is what is called macro-economic stabilization policy. It involves an easy money low interest rate policy on the part of the Federal Reserve monetary authorities and deficit spending by the federal government until the economy recovers. For a long time the latter policy upset many people, especially Republicans, who contended erroneously that a federal government deficit was as bad or worse than a household not knowing enough to balance its budget normally. But a federal deficit can offset the reduction in business investment that causes declines in the downswing of the business cycle and thus can maintain employment at higher levels than would otherwise prevail. That no longer seems to worry many people, even Republican who now create big budget deficits with impunity for their own purposes.

A last resort would be to have government become employer of last resort--if unemployment became too serious a problem, government could employ those without jobs and put them to work doing socially useful work. More than incidentally, it could pay a so-called living wage, and that would induce industry to do the same when it was ready to employ the labor again. In the Great Depression of the 1930s without any such declared policy, the Federal government hired artists who had no chance of employment for quite some time, and put them to work painting picture for many public buildings. It even kept some musicians skills intact by paying them to put on symphony concerts. It was derided at the time as a terrible waste of money, but it alone kept many artists & musicians in shape for the jobs they got when the economy revived.