TELLS THE FACTS AND NAMES THE NAMES

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The Best Way to Create Jobs?

Cut the Work Week

By Eugene P. Coyle

We have been trained to think of unemployment and stagnant pay as a shortage of jobs. That fits the neoliberal sales message of endless growth and expansion. If we think of our problem as shortage of jobs and stagnant wages, the policy is always stimulus, more production, more consumption, more growth. In short, the treadmill the economy has been on for years. The stimulus is a high-energy drink to get us back on the treadmill. But if we think of the problem as a surplus of workers instead of a shortage of jobs, then a third tool beyond monetary and fiscal policy emerges – cutting the workweek. From that good things unfold. The policy becomes more jobs, environmental cleanup, and a transfer of income from the richer to the poorer. Most important, it is scalable to fit the problem. Standard working hours can be cut again as needed, while monetary and fiscal policies are exhausted and at the limit of how low interest rates and how high the deficit can go.

A pay squeeze was going on for years before the current collapse in the economy made it worse. The economy crashed because for years workers in the U.S.A. have been unable to buy, out of income, what they produce. Real wages have hardly grown, even for well-trained and well-educated workers. Bureau of Labor Statistics data show a drop in real money earnings for every educational group, from high school dropout through college graduate, over the period 2000-2005. Even master's degree holders showed a drop, unless the degree was a professional one. Only those with an M.D., M.B.A., J.D. or Ph.D. saw gains in money earnings. While pay stagnated, per capita GDP soared, meaning the gains were going to profits rather than

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Bad to Worse to Catastrophic

Oil Drilling Under Clinton, Bush and Obama

By Jeffrey St. Clair

The mood in the Alaska office of the Minerals Management Service (MMS) was festive. Word had just reached Anchorage that the president was preparing plans to expand offshore drilling in Alaska. John Goll, the service's regional director, summoned his top lieutenants to his office for a briefing of the joyous news. After confirming the rumors that had circulated all morning, Goll invited "all hands" in the office to join him for coffee and pastries. At the center of the table the cheering staffers were greeted by a large cake, with "Drill Baby Drill" scrawled across it in chocolate icing.

The year was not 2004. The president was not George W. Bush. This scene took place in 2009, a few months into Barack Obama's first term as president.

As it turned out, Goll had several reasons to be upbeat. Not only had the new administration steamrolled its environmentalist allies and decided to move forward with new drilling operations along Alaska's fragile coastline, but Goll and his troubled agency had survived the presidential transition intact. Goll, who was appointed to the powerful post of Alaska regional director in 1997 during the Clinton administration's drive to escalate drilling on the North Slope, had come into his prime as a bureaucratic facilitator of big oil under George W. Bush.

As detailed in a Government Accountability Office investigation of the Alaska Office of the MMS under Goll's tenure, the relationship between the government regulators and the oil industry was incestuous. The report revealed an agency which approved nearly every drilling plan without restrictions, muzzled internal dissent and gagged agency scientists. Environmental reviews, when they were undertaken – which was rarely – were cursory and fast-tracked. The only obligation for the oil companies was: just drill. Drill where you want, how you want.

There's nothing to indicate that after Ken Salazar piously declared that he was going to weed out and reinvent the MMS as a fierce regulatory watchdog, Goll and his cronies did anything but chuckle.

Perhaps Goll knew more about the real Salazar than the mainstream environmental groups who had blindly lauded the man-in-the-hat's appointment as interior secretary. In the first year of the Obama administration, Salazar's Interior Department had put 53 million acres of offshore oil reserves up for lease, far eclipsing the records set by the Bush administration. This staggering achievement probably came as no surprise to Goll and his oil industry cronies. When Salazar served in the U.S. Senate, he publicly chided the Bush administration for the lethargic pace of its drilling operations in the Gulf of Mexico. Peeved, Salazar co-sponsored the Gulf of Mexico Energy Security Act, which opened an additional eight million acres of the Gulf to new drilling.

In this optimistic spirit, Goll's office proceeded to swiftly and blithely approve one of the most contentious oil drilling plans of the last decade – a scheme by Shell Oil to sink exploratory wells in Beaufort and Chukchi Seas, crucial habitat for the endangered bowhead whale.

The drilling plan was hastily consecrated on the basis of a boilerplate environmental review despite the fact that even a minor oil spill in these remote Arctic seas would prove to be an uncontrollable eco-

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pay. The picture is not better now.

Following Larry Summers, the Obama administration is attacking the problem from the wrong direction. They believe that a dose of Keynesian spending to add to demand will make everything good again. The Republicans are stuck even further back in time, advocating tax subsidies to business to hire workers to turn out more stuff for which there is no market and little use. The twin deficits of the federal budget and balance of payments constrain politically both tax cuts and government spending. Our problem isn't cyclical but chronic. Stimulus is essential to create jobs immediately, but it won't cure the economy. The real remedy lies in dealing with the imbalance between the demand for work and its supply.

A problem that has always been called a job shortage is rather a worker glut. Employers have been able to cut and hold wages down because there is an excess supply of trained and eager workers on the job market. The reasons for the surplus are mostly familiar. Corporations send production abroad to get cheaper labor. The total of U.S. jobs eliminated that way in recent years is disputed but is probably more than 5 million.

At the same time, we have added job seekers from abroad in significant numbers. Immigration of skilled workers on special visas lobbied for by high-tech employers and the more publicized large-scale immigration of documented and undocumented workers from distressed economies like Ireland, Mexico and other countries have added significantly to the labor surplus. The share of immigrants in the U.S. work force climbed steadily since its post-WW II low in 1970, and by 2007 reached over 15 per cent of the total, according to *The State of Working America 2008-2009* and sources cited in it.

Moreover, as family income stagnates and the very rich get more and more of the national income, women and other family members have chosen or been forced by necessity to enter paid work. In an attempt to sustain income, families send more workers into the job market or work longer hours. In this way, families achieve income gains that are ultimately self-defeating, as general wage levels remain depressed by the collective increase in labor hours on offer.

Everyone cheers if manufacturing 100 cars took 500 workers last year and only 490 this year. Productivity has jumped, but ten people are out of work. A productivity gain, taken alone, means a loss of jobs.

Finally, the unremarked elephant in the room: productivity gains. Productivity gains are seen as a blessing, raising the national income. TV anchors announce the quarterly number and remark that productivity improvements are what allow business to pay higher wages – without adding the obvious, that they seldom do. Everyone cheers if manufacturing 100 cars took 500 workers last year and only 490 this year. Productivity has jumped, but ten people are out of work. A productivity gain, taken alone, means a loss of jobs. The long-term trend in productivity growth in the U.S. economy is around 2 to 2.5 per cent a year, climbing to 2.7 per cent annually over the past decade.

Each decade at this rate results in elimination of a shocking 25 per cent of our jobs. With other jobs sent abroad and immigrants and other workers added to the supply, the official unemployment rate would soar above today's 9.7 per cent, unless new demand required adding workers. Against this background, the embrace of growth is easily understood.

What replaced the eliminated jobs was shopping. The U.S.A. is on its treadmill for jobs rather than stuff. Yes, we like the stuff, but we are really shopping to keep each other working. The stimulus is simply the government buying stuff or giving money to others to buy stuff, so still others will have the income to buy stuff. As noted above, our problem isn't cyclical. It is chronic. A stimulus jolt won't repair a dysfunctional economy. A different approach is required.

That different approach is cutting the workweek. The supply of workers must be reduced to meet weak demand for workers. At the end of the Great Depression, when the nation similarly faced a severe jobs issue, a new Wages and Hours law in 1940 cut the workweek from six to five days, the now standard 40 hours. Hours have not been reduced in the 70 years since, despite the relentless gains in productivity.

The ideal first step would be national adoption of the four-day workweek, retaining the eight-hour day. A first step, more practical politically, is to make a cut of four hours per week, with the cut taken as eight hours every other week. The standard routine would be five days one week, four the next, for a 10 per cent cut in hours.

Productivity gains and a transfer of national income from profits to pay will cover the cost of a shorter workweek. A temporary cut in the withholding tax can support the transition to the shorter hours at first. Korea in 2004 used a temporary cut in payroll taxes for a transition to shorter hours, cutting to a five-day week. A phased program there began with employers of 1,000 or more workers. A year later, businesses employing more than 300 workers were added to the program, with smaller employers joining gradually thereafter.

In the U.S.A., the payroll tax is 7.65 per cent for the employer plus the same amount paid by workers for a total of 15.30 per cent. Suspending the employer's portion and adding the average annual productivity gain would make the em-

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