Why Summers Should Be Immediately Unemployed

by Nancy Spannaus

Given the abysmal performance of the Obama Administration on the question of life or death for most Americans—employment—it might not be surprising to learn that the President's chief economic advisor, Lawrence Summers, has a record of what is considered "expertise" in analyzing joblessness. His argument? Long-term unemployment is "caused" (his word), at least in part, by the existence of unemployment insurance, welfare payments, and unionization!

Could there be a better case for demanding that Summers himself be sent to the unemployment lines?

Summers, a Harvard PhD in what passes for economics these days, began specializing in the study of unemployment back in 1979, when he wrote a paper for the Brookings Institution with Kim B. Clark, entitled "Labor Market Dynamics and Unemployment: A Reconsideration." This study has formed the basis for a subsequent series of articles which have continued to the present day, the latest being a piece entitled, "Unemployment," written in 2008, for *The Concise Encyclopedia of Economics*.

In a tone of indifference, both to the condition of the unemployed and their families, as well as to the physical condition of an economy which does not utilize its labor force productively, Summers makes the case that long-term unemployment in the U.S. is more significant than many economists think. He then purports to explain the *causes* of such unemployment (leaving out, of course, as is traditional, those millions of unemployed who have left the workforce out of discouragement).

Summers' assertions are identical to those of the neocon, or, better-called fascist, economists who dominate the profession today. His conclusions are so contrary to traditional Democratic Party thinking, that they must be quoted, to be believed.

"Empirical evidence shows that two causes [of recorded long-term unemployment—ed.] are *welfare* payments and unemployment *insurance*," Summers begins (emphasis added). This is because those who sign up for such government assistance have to show they are actively looking for work, he says, even though they may not be.

"The second way government assistance programs contribute to long-term unemplyoment is by providing an incentive, and the means, not to work. Each unemployed person has a 'reservation wage'—the minimum wage he or she insists on getting before accepting a job. Unemployment insurance and other social assistance programs increase that reservation wage, causing an unemployed person to remain unemployed longer." (Does he propose to starve them instead? Not outright.)

There follows an extensive "marginal utility" nonsense analysis about how workers may prefer to get unemployment rather than a job, because the person "may decide that an hour of leisure is worth more than the extra [money] the job would pay." But, Summers argues, such a decision by the worker is an enormous cost, "in the billions," to the taxpayer,

Not yet satisfied with this anti-labor drivel, Summers goes on to make two other outrageous assertions:

1. "Clark and I estimated that the existence of unemployment insurance almost doubles the number of unemployment spells lasting more than three months."

2. "Another cause of long-term unemployment is unionization," because "those who lost high-wage union jobs are often reluctant to accept alternative low-wage employment."

A Step Back To See Reality

Summers is making the same argument advanced by the anti-labor neocons, who insist on removing as many restrictions on labor conditions, especially wages, as possible. The logic is that of a full-employment economy—with everyone working as virtual slave labor. And, in fact, Summers concludes his essay by noting that the mythical "natural rate of unemployment" (until recently) has been able to be reduced substantially by cutbacks in unemployment insurance, in unionization, and in outsourcing.

The only differentiation which Summers makes between his argument and that of the neocons, is his assertion that, since the Great Depression, "most economists have agreed that cyclical fluctuations in unemployment are caused by changes in the *demand* by employers for labor, not by changes in workers' desires to work, and the unemployment in recessions is involuntary." That's a consensus—not a scientific argument—and does nothing to contradict Summers' previous assertions of causality.

But the question remains: Can the average U.S. citizen today understand what's wrong, and evil, about Summers' approach?

Keynes Was a Fascist

The crux of the matter can be spotlighted by reviewing a crucial debate that occurred on Dec. 2, 1971, between Lyndon LaRouche and a notable Keynesian economist, Abba Lerner, at Queens College in New York City. At issue was LaRouche's assertion, that unless the economic and financial policies which had been adopted by the Nixon Administration on Aug. 15, 1971 were replaced by policies of directed credit toward high-wage employment, especially in economic infrastructure, at home and abroad, the world was headed toward a new fascism. Under LaRouche's approach, which was coherent with that of Franklin Roosevelt, the Federal government would *create* the demand for a quality of labor, and physical production, required for improving living standards for future generations.

Lerner, while nominally a Social Democratic opponent of Nixon, strongly disagreed with LaRouche. He agreed that the only way to deal with the economic and financial crisis was to create mass employment, *but at whatever cost of labor the "market" would bear.* If labor were priced too high, he asserted, then the full employment goal could not be met. Labor costs had to be "competitive," i.e., lower, as in the economies that he was advising, like Brazil.

When LaRouche charged Lerner with effectively adopting the policy of Hitler's Economics Minister Hjalmar Schacht, Lerner sent shock waves through the room by stating that, if Schacht's policies had been adopted before 1933, Hitler would not have been "necessary."

The point should be obvious: Employment policy is a derivative question of government credit policy, and the value which that society's government puts on the productive, creative capabilities of its citizens. From this standpoint, social safety nets like unemployment insurance and welfare are essential, as adjuncts to the forward-looking policies of investment in the progress of society. Fascists put no value on the working individual, except for what loot they can produce for a financial oligarchy, and therefore they insist on removing all protections for labor.

Is there a distinction between the way Larry Summers views the labor force, and the way the fascists do? I think not. He should be sent off to the unemployment lines, and out of any position of power over economic policy, as rapidly as possible.