

Enterprise

Organ of the

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NO. 1

MARCH, 1979

THE COMING BREAKDOWN OF THE EMPLOYMENT SYSTEM

The inconsistency of professional economists is notorious. An aggregation of any number of them is certain to produce an equal number of conflicting opinions on any given subject. It should be noted, however, that the economists' inconsistencies are almost always concerned with administrative details. They dispute for hours on end whether the prime lending rate is half a percent too high, or what fraction of unemployment is permissible in a "full employment" economy, or how well the trade-off between inflation and stagnation is being managed. The bewildered hearer of these weighty contentions is ultimately tempted to conclude that the first requirement for being an economist is to disagree vociferously with everything that any other economist may say.

TECHNOLOGY AND ECONOMIC TABOOS

Yet such a conclusion would be wrong. Economic theory is not the anarchical battlefield that the interminable disagreements of the economists might suggest. To the contrary, it is disciplined by a number of fundamental assumptions which are not considered open to debate within the profession. Indeed, economists have no greater dread than being enticed onto the ground of these assumptions, covering as it does such questions as the basic purpose of economic activity, the rightful beneficiaries of economic endeavor, and so on.

For decades, the economists have ventured their speculations from the terra firma of these little-challenged assumptions; but now a volcano seems to be rumbling under their feet and threatening to explode their tight little conceptual universe. The end of this universe, when it comes, will be cataclysmic, for the axioms of the economists' "science" will be exposed as not merely inadequate, but positively barbaric.

The force that is shaking the ground under their feet is technology, the dizzying progress of which is thrusting into high relief certain problems inherent in modern industrial economies. The embarrassment of the purveyors of conventional economic wisdom grows as they are bombarded with questions, not about the level of employment, but about the value of the work being accomplished by the employed, not

about the optimum level of capital investment, but about general ownership fights in plant embodying thousands of years of evolution of human know-how. The inability of economic orthodoxy to respond to such questions reveals its impotence.

The following quotations indicate the pressure being put on the assumptions of the professional economists—pressure that must increase as the effects of computerization spread.

COMPUTERS, INCOMES, AND FREEDOM

In 1976, the former director of the NASA Artificial Intelligence Program, Dr. James Albus, wrote a book warning of the dangers of conversion to computer-controlled production systems under the present financial regime. The basic thesis of the work (entitled *Peoples' Capitalism: The Economics of the Robot Revolution*) is that a radical new approach to income distribution is needed to avoid a concentration of economic power unprecedented in U.S. history:

The great majority of automatic machines in American Industry are owned by a tiny group of men and women who are accountable to hardly anyone but themselves. Unless some changes are made in the present system of ownership and income distribution, the next generation of automation could reduce the entire economic system to complete domination by a few superrich

families. (42)

As long as we have a system in which only a tiny minority of the people own or control virtually all of the wealth-creating capital stock and the rest of the population must rely on selling their labor for income, we will have a situation where automatic machines and advanced technology will invariably threaten the security and personal dignity of the average person. Only if we devise a means by which everyone can share in the control of modern technology, as well as in the wealth which it creates, will the fantastic capacities of the coming generation of superautomation be released to assist mankind in solving the urgent problems of our society. (54)

Dr Albus cautions his readers not to delude themselves by thinking that the change-over to automation will be a prolonged process. Not only are robots and computers much more dependable than human workers, but their cost can be recovered typically in two to four years, making them extremely cost-efficient. Thus, he states, ignoring the anomaly that is being created will simply ensure that its effects will be disastrous. On the other hand, a program of distributing incomes apart from wages earned within the production system could usher in an age of unprecedented abundance and economic comfort for all citizens with, probably, an attendant flourishing of culture as human energy freed from compulsory work is directed into voluntary activities.

CONFUSION OF INCOMES AND JOBS

Similar concerns were voiced in articles appearing in the British publication, *New Scientist*, last year. Writing in the June 8th edition, John Stansell opines that "this concern on unemployment [resulting from automation] fails to identify the issue at the heart of our future problems." He quotes another writer, Roger Anderson, a specialist in environmental problems, as follows:

The major social issue to be faced as a result of industrial automation is that of income distribution: how to distribute equitably the produce of an increasingly capital-oriented society. This issue has not been distinguished from that of unemployment because employment is the standard mode of income distribution in the industrialised world; but it must be clearly distinguished if any meaningful analysis of the social impact of the silicon chip is to be made and, more importantly, any necessary remedies suggested. At present, 'income' and 'work' are almost synonymous . . . if there is rapid automation a very high growth rate will be necessary to achieve full employment. Such a growth rate is probably not attainable economically but also . . . probably wholly

undesirable. (664)

Five months later, the same review published an article by Sir Ieuan Maddock, secretary of the British Association for the Advancement of Science, which opened with the same message:

It has become conventional to regard 'work' as not only the means of producing the goods and services we need but particularly as the means by which individuals acquire the purchasing power necessary to obtain some proportion of these goods and services . . .

Yet there are examples in history which show that there is no fundamental relationship between the working capacity of individuals and their ability to purchase. However real this relationship may be there can be little doubt that in the 19th and 20th century work has been linked with purchasing power and influence, and unemployment equated to misery and deprivation. So strong have become these links in people's minds, the provision of employment has become a greater priority than increasing the total availability of goods and services. It is regarded better to keep inefficient and uncompetitive enterprises in being, because they provide some purchasing power, albeit limited, rather than to improve efficiency and the ability to compete in home and foreign markets.

As technology has advanced, it has become progressively more difficult to maintain this stance. Modern capital facilities . . . are able to supply most goods and services without great use of labor. (November 23, 1972)

MORE INVESTMENT, LESS EMPLOYMENT

This argument was also made, in much more categorical language, by Michel Bosquet of France, writing on "the Golden Age of unemployment" in the December 4, 1978, edition of *Le Nouvel Observateur*.

In the Age of Automation, growth no longer creates jobs; indeed, it often destroys them. Most industries are or will be able to produce more while reducing their personnel. In Germany (comparable statistics for France do not exist) nearly half (46%) of all industrial investment is directed toward the goal of 'cutting down on manpower.'

Thus, the epoch when human labour was the source of all wealth is coming to an end. After a twenty-five year gestation period, the third industrial revolution has begun. It promises (or threatens, depending on one's point of view) to spread into fields like teaching and medicine, which were previously untouched by industrialization. It breaks the link between increased production and increased employment. It invalidates one of the dogmas of Keynesian

economic theory—namely, that stimulating investment reduces unemployment.

Keynes is dead, and, with him, the policy of ‘full-employment’ To prevent the ideological basis of the current order from being undermined, these facts must not be known. Therefore, people will be told not that they need to work less, but that ‘work will be lacking’; not that they will have more free time, but that ‘there will be fewer jobs.’ (81-3)

An aspect of Bosquet’s article needing comment is his attempt to fit his views into the context of Socialist propaganda. He argues, with a twist of irony, that the leisure society coming into being must be seen as “an anti-capitalist project, a project of the Left—even if part of the classical Left has not yet realized it.” Reconciling the extension of leisure with Socialism, of which the central dogma is the glorification of “workers” as the sole repositories of virtue (so that forced labour, in Communist states, is “re-education,” not oppression), is indeed a difficult task. In reality, a condition of leisure extending to more and more persons would dissolve the lines of class war and collapse the pediments of Socialist ideology.

In any case, the above sampling from three different countries illustrates the beleaguered condition of one of the fundamental postulates of orthodox economics—that is, the proposition that work, or productivity, automatically gets enough buying power over to consumers to allow the entire product to be bought. Also noteworthy is the fact that the attack is being mounted by individuals of scientific training, practical problem-solvers who have come to see that automation poses the very practical problem of a flood of production requiring so little human involvement that it generates a mere trickle of personal income. Unlike some of their duller colleagues, these individuals locate the problem in the area of the trickle, rather than that of the torrent.

AN EARLY WARNING

Perhaps innocently, critics of the wage system represent its flaw as recent discoveries. However, over 60 years ago, a critique similar to those cited above was made by the British engineer and self-taught economist, C H. Douglas. Despite their failure to mention his contribution to understanding of the deficiencies of the income-via-work axiom, the current analysts’ confirmation of his prediction constitutes an unmistakable testimony to the value of Douglas’s pioneering work. It is all the more remarkable because he discerned the defect of making production subservient to income distribution, instead of material need, long before the computer revolution forced coming to grips with the matter. Douglas drew attention to the elephant browsing in the bush but only now that it is trampling us underfoot are others

beginning to notice its presence!

Immediately following the First World War, Douglas warned that disaster must ensue from pursuit of the ideals of full-employment and increased productivity. His admonition was ignored, and, to the time-table that he foresaw, the post-war boom led to a world-wide depression, which in turn was “solved” by rearmament and another World War. Since that cataclysm, the arms race, the space race, and incessant peripheral wars have served as dumping grounds for production unpurchasable in domestic markets.

SHORTCOMINGS OF CURRENT ANALYSIS

In fact, during all the Intervening years, Douglas’s analysis has never been matched in its completeness and consistency. Measured against his work, the proposals of others who have glimpsed the problem that he first brought to light seem unbalanced. For example, Anderson would arrange for payment to “everybody, out of gross national product, enough to guarantee an existence above the subsistence level, unconditionally.” The first problem, of course, is to determine what constitutes a subsistence level—especially when this varies from individual to individual. Then, what if the surplus of production, compared with incomes, is not sufficient to meet this subsistence level? How can you guarantee what does not exist? Or, which is more probable, what if the surplus production per capita surpasses the subsistence level? Will only a portion of the surplus be distributed because someone has established an arbitrary rule about the matter?

After an impressive opening salvo, Sir Ieuan Maddock sputters merely the principle that “people who have served well for as long as they are able to do, deserve to be well treated in later years.” Hardly anybody would object to this concept, but it offers no solution whatever to the dilemma that he himself has identified of a rapidly shrinking labour market. If you are without an income at age 30, the proposal that you be given something to eat at age 50 is of no use to you.

Bosquet goes somewhat farther: he suggests that people should be provided with “full income” rather than with “full employment” at aimless make-work. However, he says nothing about the source of such income. If, in his thinking, it would be drawn from general tax revenue, his scheme is nonsensical, because the position of the population cannot be improved by giving back money that they had in the first place.

Albus is the most ambitious of the critics under consideration, and his proposals are by far the most fully developed. He advocates the distribution of universal public dividends based on the profits from automated Industries. Again, his concept is crippled by his weakness in the area of finance. Profits are, like taxes, first taken from the members of the public

before they can be remitted to them. However, because Albus apparently does not understand the process whereby money is created out of nothing by the banks. He cannot conceive of a means of getting money to people outside of the system that imposes financial obligations upon them, as well.



Clifford Hugh Douglas

DOUGLAS STILL SUREST GUIDE

The integrated views that Douglas expounded avoid all these pitfalls. Starting from the fact of an observed disparity between incomes and prices, his analysis moved backward from it, to trace its specific causes, and forward from it, to catalogue its social, economic, and political implications. The only conclusion to be drawn from his extensive writings is that the disparity is deliberately maintained as a fulcrum for moving the mass of humanity in accordance with the projects of the few.

Beginning with this instrument for maneuvering, an obscure elite has worked the population of the entire world into a position of dependence unequalled in history. Utilization of resources, and decision-making, is now so centralized that practically any group can be brought to its knees by sanctions emanating from international cartels controlling *available* and, increasingly, *potential* stocks of fuel, foodstuffs, and so on.

The problem is much more complicated than it was when Douglas began writing in 1918 simply because the factors that he described have enjoyed over 60 years of unobstructed operation and accumulated fantastic momentum through that period. Nevertheless, no surer guide than he can yet be found to lead us out of our current distress. The universe of economic orthodoxy is breaking up; but unless something sound is put in its place, the opportunity for salvaging the world itself from ruin will be lost.

Anyone who cares to contribute to this task is advised to measure any proposal presented to him against the views and warnings contained in Douglas's works.

R.E.K.

"... borrowing from the ordinary or commercial banks . . . overwhelmingly is now the way money gets created"—John Kenneth Galbraith, *Consumer Reports*, February 1979, 1990

WORKS BY C.H. DOUGLAS:

Economic Democracy
The Monopoly of Credit
Social Credit
Money & the Price-System
Dictatorship by Taxation
The Development of World Dominion
The Monopolistic Idea
The Tragedy of Human Effort
The Use of Money
The Policy of a Philosophy
The Breakdown of the Employment System
"Whose Service is Perfect Freedom"
The New & the Old Economics
The Programme for the Third World War
The Nature of Democracy
The Approach to Reality
These Present Discontents

NOTE: *Enterprise* is a discontinued publication.