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## **Australia's labour underutilisation crisis**

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## Outline



- Australia now has a labour market crisis.
- Broad labour wastage is high and rising but politicians and the ‘unemployment industry’ are in denial.
- **Neo-liberal Groupthink** is undermining our prosperity and leading to policies that border on psychological torture.
- Ideological agendas have framed the debate and abused economic concepts.
- Success of neo-liberal agenda is down to framing and language not its evidence-base where it fails!

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## Groupthink ...



- ... a pattern of thought characterized by self-deception, forced manufacture of consent, and conformity to group values and ethic.
- a “mode of thinking people engage in when they are deeply involved in a cohesive in-group, when the members striving for unanimity override their motivation to realistically appraise alternative courses of action” (Irving Janis, 1982: 9).
- It “requires each member to avoid raising controversial issues” (Janis, 1982: 12).

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## Groupthink ...

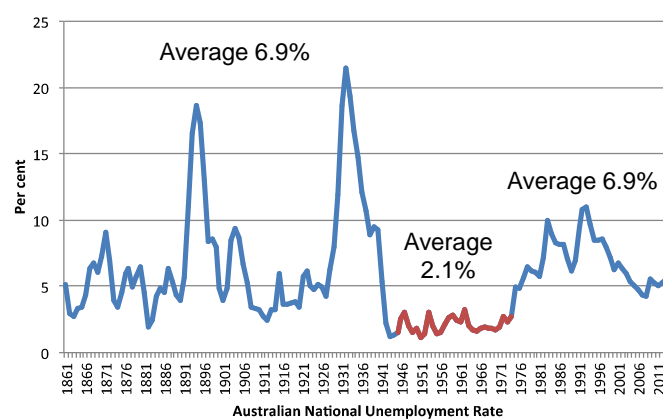


- Groupthink drives a sort of ‘mob-rule’ that maintains discipline within the group or community of decision-makers.
- These communities become oblivious and hostile to new and superior ways of thinking.
- When a government forces workers to apply for 40 jobs per month when there are clearly not enough jobs to go around – it is caught in a destructive Groupthink.

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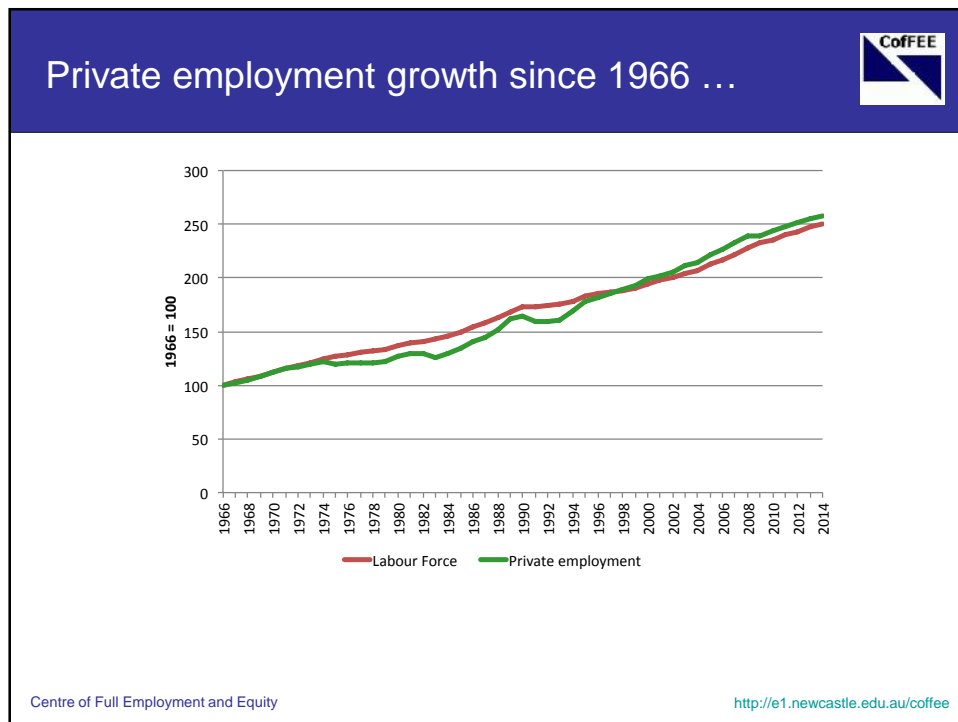
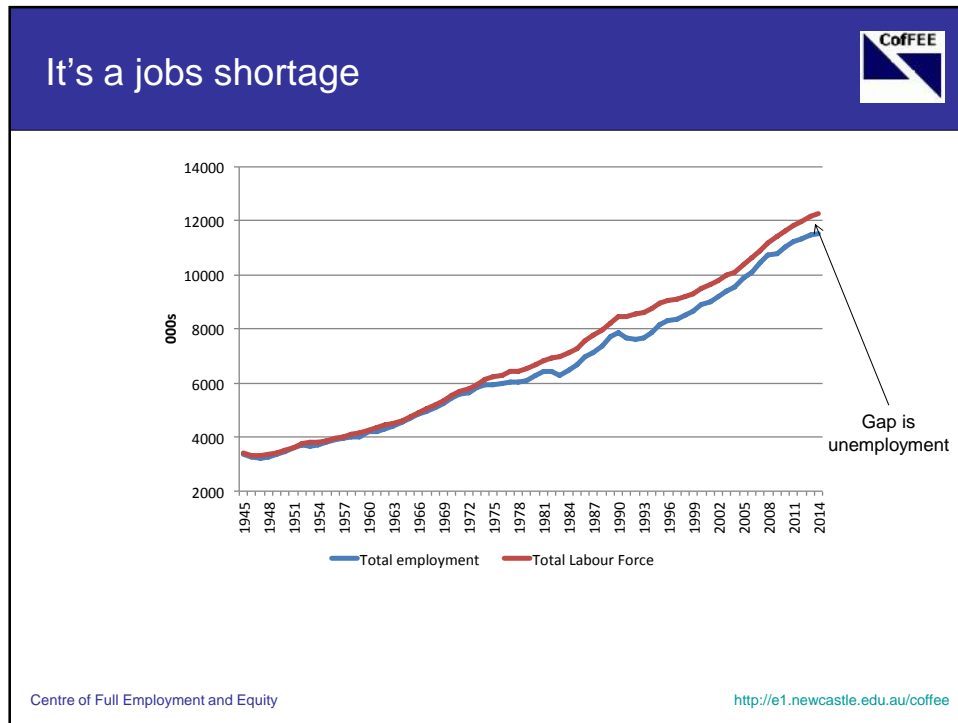
## A longer view of unemployment ...



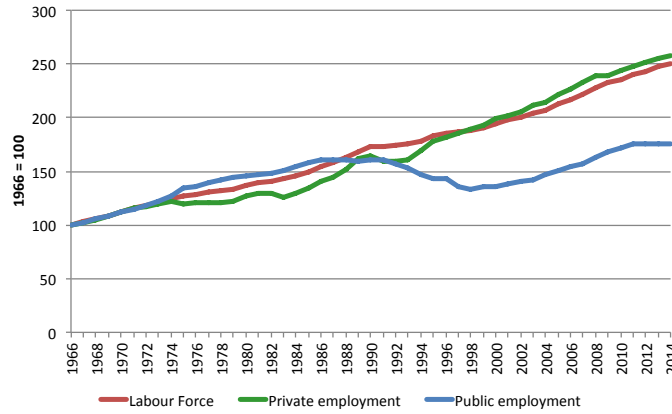
A major paradigm shift in economic thinking and policy occurred in the mid-1970s – neo-liberalism dominates

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## The mindless pursuit of fiscal surpluses ...

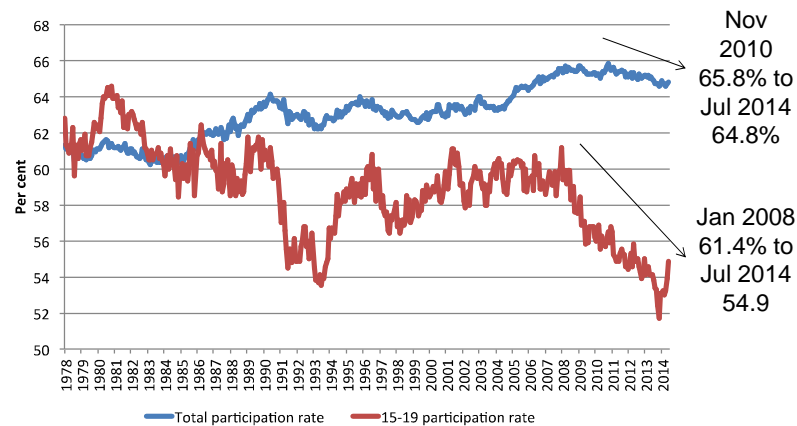


- Private and public employment grow in proportion with population.
- Private employment failed to keep pace.
- Unemployment rise
- Public employment played an attenuating role
- Public employment fails to keep scale.
- Reinforces the increasing precariousness in private sector.

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## Plunging participation rates ...



Our future high productivity workers – leaving the labour force in their teens

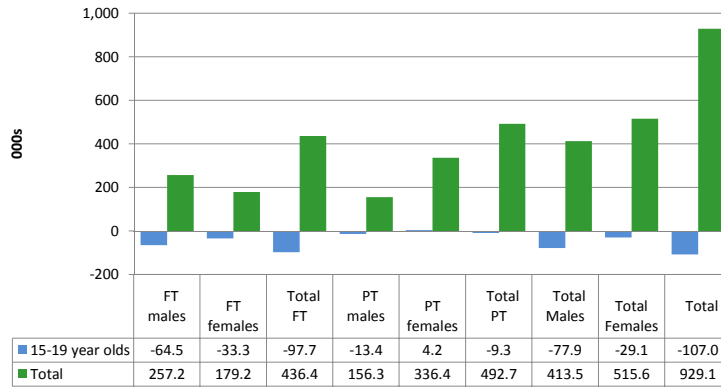
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## Teenagers excluded from any growth



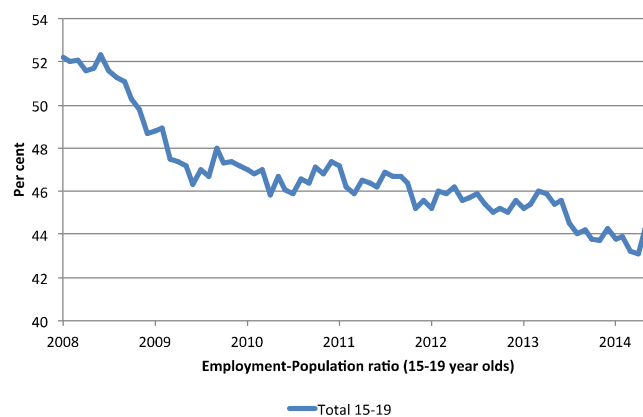
Changes in employment since February 2008



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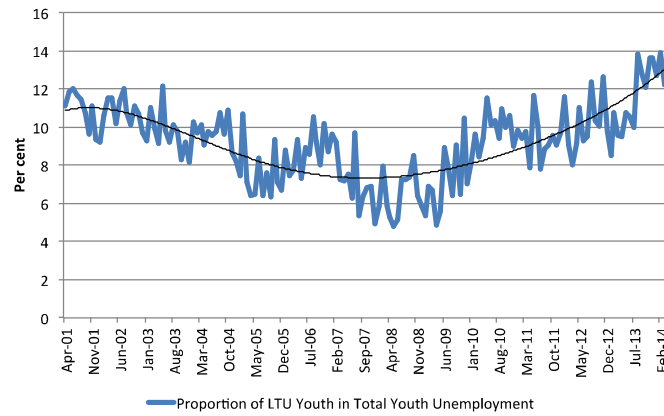
## Teenage employment-population ratio



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## Unemployed teenagers to unemployed adults

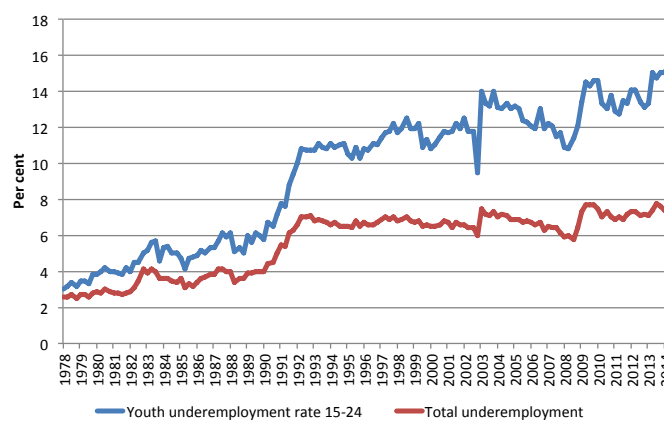


Long-term unemployment for teenagers rising significantly

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## Underemployment – trending up



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## Broad summary of the dilemma



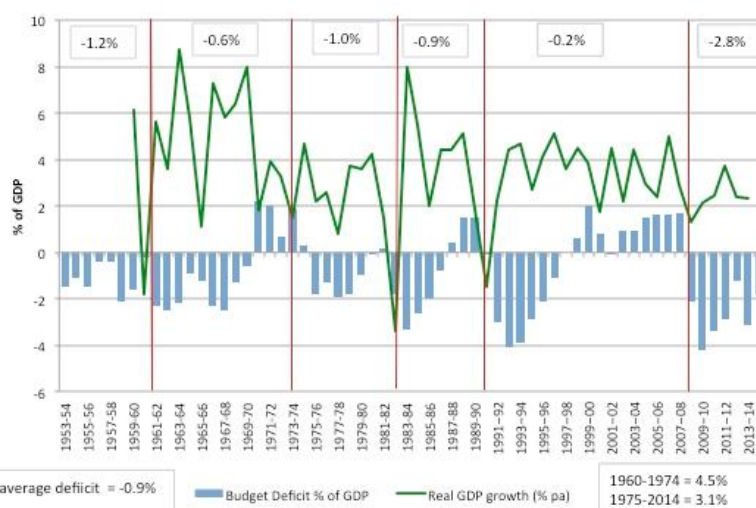
	Teenagers	All workers
Unemployment rate (%)	20.4	6.4
Change in hidden unemployment (000s)	92.7	185.1
Adjusted Unemployment rate (%)	28.6	7.8
Underemployment rate (%)	16.7	7.6
Broad Labour Underutilisation (%)	45.3	15.4

This is a **systemic failure of the economy to create enough work** and successive governments have introduced **policies** that have **exacerbated the situation**.

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## Australian Federal fiscal balance history



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## Government deficits are the norm ...



Cycle	Average Fiscal Deficit
Peak-to-Peak	% of GDP
1960-1963	-1.7
1963-1965	-1.4
1965-1973	-0.4
1973-1982	-0.6
1982-1990	-0.9
1990-2000	1.5
2000-2014	-0.6

**Atypical** – private sector record debt – dissaving

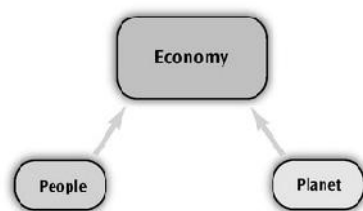
1953-54 to 2014: deficits 69%

82% of time if exclude Costello outliers

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## Two visions of economy – neo-liberal



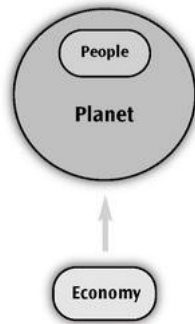
Individualistic –  
economy as a deity

- People/nature serve economy.
- Competitive, self-regulating maximum wealth if allowed.
- A “living entity” – gets sick.
- Self-governing and natural.
- A deity removed from us.
- We should have faith, work hard and make sacrifices for the good of the economy.
- Poor, unemployed are miscreants.
- Progressives can only bring themselves to propose a “fairer” austerity.

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## Two visions of economy - progressive



The economy is Us

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- People are embedded in nature.
- The economy is not natural – we created it.
- The economy serves Us!
- Economy is a constructed object – we create it – the economy is Us.
- Government is our agent – not a moral arbiter punishing those who do not sacrifice enough.
- Policy appraisal – functional finance - does economy promote well-being?
- What is the purpose we seek to achieve? Centre of economic debate.
- A collective vision – which alters how we see those who miss out.

## How did we get to this?



- Kuhnian ‘paradigm’ revolution in the 1970s – rise of Monetarism – self-regulated free market myth.
- Neo-liberals focused on winning the framing war – role of the think tanks.
- Cognitive linguistics and cognitive philosophy help explain why it is difficult challenge orthodox views.
- Thought is mostly unconscious – not logical in formal sense - we hold inconsistent views without being aware.
- Abstract concepts are largely metaphorical.

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## Framing ...



- Neo-liberal framing deploys primary metaphors that reinforce assumptions which are largely incorrect.
- It is counterintuitive to think of a deficit as desirable in a very basic sense when we consider metaphors associated with less/down/bad/unhappy and more/up/good/happy.
- But we have the capacity to construe the same information in different ways.
- That is the domain of framing.
- Unemployment is about a **lack of jobs** – rather than a lack of search effort.

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Focus of Attack	Metaphor	Intent
Government spending	Living beyond means	Excess, Sacrifice needed Cuts needed immediately
	Nation has maxed out its credit card	Run out of money Irresponsible spending
	Spending like a drunken sailor	Wanton irresponsibility delinquent
Budget balance	Budget black hole	Astronomical analogy Collapse of massive star
	Deteriorating state of the budget	Health analogy – illness, emergency TINA – surgery
	Mushrooming budget deficit	Out of control and unbalanced
	The nation has run out of money, it is broke	Government budget is like a household budget – the economy is like us
Public Debt	Ballooning deficits and debt	Out of control
	The US is bankrupt	Nation is a badly managed insolvent firm
	The debt mountain	Huge, insurmountable, significant
	Burdening our grandchildren	Undermining family values
Income support	Mortgaging the future	Undermining future
	Welfare dependency	Drug addiction, ill health
	Dole Bludgers, Skivers	Laziness, undeserving
	Working families	The paragon

## Its 2014 not 1971 - most of us do not live in Europe



- Much of the mainstream macroeconomics reflects concepts which applied during Bretton Woods period.
- That system ended in 1971 and is inapplicable now – for most nations.
- In fiat monetary systems, the currency has no value – but we demand it because we have to relinquish our tax obligations with it.

## Implications ...



- Issuing government is not like a household which uses the currency – it has **no financial constraint**.
- The government **can never run out of money**.
- Voluntary constraints are ideological in motive.
- What are the limits on government spending?
- Mass unemployment is caused by a budget deficit that is too small.
- If the non-government sector desires to save income then the gap has to be filled by the government sector spending more than its ‘income’.

## Implications ...



- Taxes do not finance spending – they reduce the purchasing power of the non-government sector.
- The government does not need to issue debt in order to spend.
- It issues the currency!
- Increased deficits are not inflationary unless they drive the economy beyond full employment.
- Increased deficits do not squeeze funds available for private borrowing – banks lend to any credit-worthy borrower.

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## Budget deficits are neither good nor bad ...



- It all depends on the state of private spending.
- Understanding the context in which a particular budget outcome occurs is crucial to a reasoned assessment of the appropriateness of the fiscal position.
- Fiscal policy outcomes are not measured in deficit to GDP ratios or debt to GDP ratios – rather in terms of proximity to full employment and collective well-being.

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## Reframing the debate ...

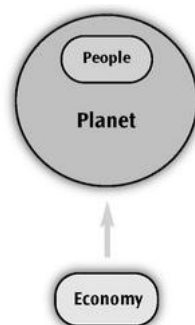


- The task – to frame a progressive macroeconomics narrative, which can overcome these challenges.
- Go back to the progressive vision ...

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## What goals do we want to achieve?



The economy is Us

- What is the purpose we seek to achieve?
- What do we want the economy that we control to do for us?
- Full employment – that is, enough jobs for all those who desire to work.
- Inclusive jobs for all.
- Reduced inequality?
- Wages growth commensurate with productivity growth?
- Fair minimum wage
- Social inclusion?

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## Job Guarantee ...



- What is the problem?
- A lack of jobs.
- How can supply-side measures address this problem?
- They just target the victim of the lack of jobs.
- The unemployed cannot search for jobs that are not there.
- Need for major investment in public sector job creation.
- A Job Guarantee is the minimum starting point for the federal government.

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## Conclusion



- We need to undermine the ideological hold that mainstream economics has on the debate.
- Elements of the challenge:
  - Adopt a new vision of the economy and Us!
  - Achieve a better understanding of what the government is and what it can do.
  - Reframe the debate to reinforce metaphors that support the vision and understanding.

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**END OF TALK**

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