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***Last Updated: 06/14/2023***

Economy

# REVIEW & OUTLOOK

## The American Job Machine

Jobs traditionally have been one of the horses Democratic politicians ride into office. Jesse Jackson, for one, has been applying the spurs. "We're caught between cheap labor at home and slave labor abroad," he says. But former Mondale adviser George Perry looked at the economy recently and said, "I'd tell Democrats, 'Find other issues.' "

The U.S. economy continues to create new jobs at a fast clip. According to the Bureau of Labor Statistics, some 320,000 jobs were added in December, the 61st consecutive month of job growth. That makes 15 million new jobs since 1983. Unemployment was 5.7% in December, its lowest point of the decade. The proportion of the working-age population holding jobs was 61.9% last month. More Americans are working today than at any point in history.

Yet it's unlikely that Democratic candidates will take Mr. Perry's advice. They have a favorite explanation for all this job growth, and sympathetic commentators repeat their repetitions of it. The explanation goes like this:

The extraordinary job growth of recent years reflects America's deindustrialization. Most new jobs are in the service sector, with only a minimal contribution from the goods sector. There may be more jobs but their "quality" is lower.

The Joint Economic Committee of Congress is mainly responsible for this pessimistic view. A widely publicized JEC study published in 1986 indicated that 60% of the growth in total employment between 1979 and 1984 was attributable to the creation of low-wage jobs, compared with roughly 20% between 1973 and 1979. This development, the study concluded, resulted largely from the rise of the service sector at the expense of the manufacturing sector, and from employers' increasing emphasis on part-time work.

But the JEC study's authors had selected five troubled years that would yield the desired conclusion—that the U.S. was in the midst of deindustrialization. Implicit in their conclusion was the suggestion that the U.S. needed an "industrial policy" that would arrest the decline of the manufacturing sector. This was behind the push by congressional Democrats last year for a plant-closing law, a higher minimum wage and new trade restrictions.

In fact, the economy has been producing more high-wage than low-wage jobs. Between 1981 and 1987, according to the BLS, more than 40% of the jobs created were in the high-wage category. Fewer than 10% were low-wage. By contrast, more than 40% of the jobs created between 1977 and 1981 were low-wage, and the economy actually lost 10% of high-wage jobs.

The BLS says that of the new jobs created during the current 61-month-old economic expansion, three-quarters were in the three major, highest-paying occupational categories—managerial and professional; technical, sales and administrative support; and precision production, craft and repair. Low-end, minimum-wage jobs were a minor factor.

The 15 million new jobs were achieved without major expansion of what the Democrats like to call "job creation" programs, meaning the federal projects so much in vogue in the stagnant 1970s. The government contributed, to be sure, but by means of reduced tax rates, reduced regulation and reduced inflation. That clearly demonstrates that jobs are most effectively created by private individuals and corporations and that government's most effective contribution is to supply a healthy environment.

It's also worth noting that the American Job Machine hasn't gone unnoticed in Europe. The U.S. record on creating jobs has been a large inspiration behind the trend toward free-market policies such as privatization and tax reduction in Spain, Portugal, France and, to some extent Britain.

This being an election year, various members of Congress no doubt will submit again their favorite "jobs" bills. The bills that mandate new labor costs or artificial wage levels for employers will in fact be job-destruction bills. It would be so much more productive if the politicians running for office and the ones sitting in Congress simply left the "jobs" issue alone this year. Instead of throwing monkey wrenches into the American Job Machine, Congress ought to show some ability to improve the economic climate by doing productive work on its own job—managing the government's trillion-dollar budget.

## Karamba

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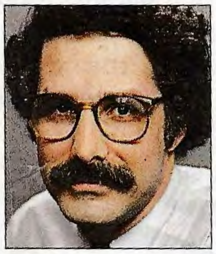
# Stagnation in Europe



## No one talks about it, but it may be the central problem of a weak world economy

Viewed from the United States, Europe's economy increasingly resembles a Rolls-Royce in disrepair: a comfortable contraption that won't go very fast. Much of the Continent is prosperous and, as always, full of culture and charm. But the economy is dawdling. It's growing at a meager rate of about 2 percent a year.

What's remarkable is that this sluggishness—best symbolized by nearly 16 million unemployed—has become a nonevent. Many Europeans accept it as inevitable and desirable. They've created the good life for the majority and an expensive welfare state to support everyone else. Even the United States is muting its efforts to spur faster European economic growth, particularly in West Germany. But don't be deceived: Europe's slow growth may be *the* central problem of the world economy.

Although Japan dazzles us, size still matters. The economy of the European Community (population: 322 million) is almost as big as ours and twice as large as Japan's. A sluggish Europe implies a sluggish global economy and more protectionism. It means poor export markets for the United States and developing countries. It makes Europeans reluctant to spend more on defense or to stop protecting their farmers at the expense of more efficient American, Australian and Argentine farmers.

What's frightening is that Europe's high unemployment and slow growth are now self-perpetuating. In 1986, 63 percent of unemployed men in Belgium had been without a job for a year or longer. The comparable rate was 46 percent in France, 32 percent in Germany and 46 percent in the United Kingdom. Women's long-term unemployment was almost as high. (By contrast, only 11 percent of unemployed U.S. men were jobless for more than a year.) So much long-term joblessness may corrode the capacity to grow.

"Skills decay. Workers get despondent. They've been out of work so long that no one wants to hire them," says economist Robert Lawrence of Washington's Brookings Institution. "Employers get used to slow growth and are reluctant to make new hires."

What's happened in these countries is a breakdown of the conventional mechanics of job creation. Normally, high unemployment would depress wage gains. Relatively lower labor costs would make it more profitable for businesses to increase hiring. But in Europe the process works poorly.

Consider Germany. The pool of long-term unemployed is increasingly separated from the regular work force. Unionized workers with secure jobs successfully press for higher wages. Although only 30 to 40 percent of workers are union members, many nonunion firms are forced—either by law or custom—to adopt the same wage gains, reports Harvard economist Jeffrey Sachs. Government restrictions on firing further deter companies from adding more workers.

To U.S. pleas for faster growth, the Germans have responded: lowering interest rates or raising government spending would only spur inflation. The rebuttal is overstated. German consumer prices have risen 0.4 percent in the past year. Some faster growth, at least temporarily, is possible. But the basic point—that high unemployment doesn't indicate an economy with huge excess capacity—is correct.

Most Germans like their orderly prosperity. Americans view Germany as a bastion of the free market. It isn't. German society is highly regulated. There are strict closing hours for shops in the evening and on weekends. Subsidies are widespread; in 1987 Germans will spend more than $5 billion to sustain inefficient coal mines. Unemployment benefits are among Europe's best and can last indefinitely. These payments pacify the jobless, and everyone else fears higher inflation.

"Many Germans today can't believe how well they're doing," says Klaus Friedrich, a German economist who has lived in the United States since the 1960s. "They're puzzled when [Americans] say they should take higher risks to get an extra 1 percent growth."

**Trade imbalances:** Slow growth in Germany, the Continent's largest economy, affects everyone. Moreover, German problems and attitudes are shared elsewhere in Europe. Well, so what? If Europeans don't mind high unemployment and costly welfare, who are we to complain? The answer is that Europe's sluggishness could tip everyone into recession.

Part of Europe's growth has stemmed from exporting to the United States. But the trade imbalance—our deficit, their surplus—may lead to a further depreciation of the dollar. In Europe, then, exports would fall (because they would be more expensive) and a recession might follow. In the United States, inflation would rise (because imports are more expensive) and a recession might follow. To reduce this risk, Europe needs to grow faster and import more.

That seems unlikely. Among many Europeans, there's a huge complacency. The United States has quieted its criticism of Germany in part because it seems so futile. Faster economic growth requires political changes that Europeans reject. It's a classic Catch-22. Faster growth—by allaying fears of change and demands for security—would make it easier to reduce the subsidies, restrictive regulations and high welfare benefits that hamper growth.

There's a standoff. Politically, Europeans crave stability. But the economy may be unstable. They ought to repair their creaky Rolls before it stops altogether. Sadly, they aren't.

### Sky-High Unemployment

Unlike the U.S. economy, Europe's isn't growing fast enough to reduce joblessness.

| | UNEMPLOYMENT RATE IN PERCENT 1973 | 1982 | 1987* |
|---|---|---|---|
| France | 2.6 | 8.1 | 10.9 |
| Italy | 6.2 | 9.0 | 10.7** |
| United Kingdom | 3.0 | 11.3 | 10.1 |
| **United States** | 4.8 | 9.5 | 6.0 |
| West Germany | 0.8 | 6.1 | 7.0 |

*JUNE. **THIRD QUARTER, 1986.
SOURCE: ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

# How to find the best wagon without spinning your 車輪.

There seems to be a mini-boom.

Nearly every car maker now has a small wagon. And while they're all designed to be more roomy, one is also designed to be more *you:* the 7-passenger 1988 Colt Vista.

To begin with, it's the most versatile wagon in its class. With seats that fold into more different configurations than anybody else's. To hold just about any combination of family, friends and freight in grand style.

Its trim size means it's easy to maneuver and park.

And it's full of thoughtful features like a center console, map pockets and underseat storage to keep everything in its place.

Vista even offers you an optional push-button 4-wheel drive

4WD to help make sure snow and steep hills never stand in your way.

And Vista's sticker price is hundreds less than Nissan's 4WD Stanza wagon.* Even though Vista has more standard seating and offers options you can't even get on their wagon.

For excellent reliability, Vista is built by Mitsubishi in Japan.

You can test drive the new Colt Vista at your Chrysler-Plymouth or Dodge Dealer.

Which is nice.

Because owning a wagon that caters to your every 希望する事 is even better when it's sold by a dealer who does the same.

## 優秀 Colt

It's all the Japanese you need to know.


olts are built by Mitsubishi Motors Corp. and sold exclusively at Chrysler-Plymouth and Dodge Dealers.

icker price comparison of base models. Standard equipment levels vary.