The Growth of Unreal Employment and Contemporary Capitalism

Keith Rankin, 27 Sept 2013

In an important article, republished by the Sydney Morning Herald, David Graeber (London School of Economics, author of *Debt, the First 5,000 Years*) argues that the widely-held mid-twentieth century prediction that "real jobs" would only require 15 hours per week per worker has actually happened. ("The modern phenomenon of nonsense jobs"; 3 September 2013)

The problem is that, instead of filling the freed-up time with leisure and other opportunities for self- and community-fulfilment, we've filled up this opportunity by creating unreal jobs, many of which are well-paid.

This problem of unreal jobs was one big criticism of socialism. Governments would create pseudo jobs in the railways or wherever; the costs would be borne by all of us through higher prices and import controls. Capitalism, unlike socialism, would respond to the force of demand, allowing us to buy what we wanted, and use the free time gained to work less and play more.

It's what the neoliberal revolution was meant to be all about; economic efficiency, with consumers rather than governments calling the shots.

To understand the "nonsense jobs" argument, we must appreciate that, in New Zealand and other developed economies, the huge growth of employment in recent decades has been almost entirely in business, management and ancillary services.

While under the previous Labour-led government this phenomenon included a lot of well-paid government employment, in general this growth has been in the corporate and financial sectors. Much of it has occurred in the government-managed health and education sectors where management payrolls have grown so much faster than the economy as a whole.

While Graeber, in left-wing fashion, tends to see this outcome as something of a wicked plot by the plutocratic bad guys, the main problem is that few capitalists actually understand capitalism. Insouciant capitalists may be reluctant, as most of us are, to question cherished beliefs.

By "capitalists" I mean the full set of free-market utopians, aspirant plutocrats, economists who apply their theory without nuance, and status-quo bureaucrats.

These nonsense jobs involve many professions – including management, law and finance – that are not bad in themselves. The issue is about the rapid growth of these occupations, and those occupations which represent mundane ancillary services to these over-populated occupations.

There has been no increase in market demand for the services of managers and lawyers. Rather, surfeits of these professionals have injected themselves into the supply chains of the goods and services that we buy. Their incomes represent costs to all consumers; much as the featherbedding in the railways did many years ago, though on a much larger scale.

Graeber focusses on two main service occupations: management and finance. Rather than focus on management as such, I prefer to think of a large and growing sector of 'problem-marketers', whose service provisions are not at all a result of increased market demand for their services.

Through techniques of self-promotion, professional groups are able to persuade organisations that they have problems that they were not previously aware of. These problem marketers are putative problem-solvers. Once such a problem-solving industry gets established, it has a survival interest in not actually solving the problems that it identifies.

Examples of these clearly include the tiers of management that David Graeber is acutely aware of within his own employment situation at the London School of Economics.

The expansion of financial services is a somewhat different phenomenon. The growth of the financial sector serves two real purposes, and is market-driven, unlike the growth of the management sector.

The financial sector provides services mainly to those who earn significantly more than they wish to spend. With growing inequality, there are now more of these people seeking high financial returns on increasing amounts of unspent income.

Money has a social value only when it is spent. Money serves its purpose when it circulates. Modern capitalism requires a mammoth effort by the financial sector to re-inject (as debt) the world's savings into the circular flow of spending and income. Without debt-facilitated investment and consumption, global capitalism withers.

These problems outlined, relating to the growth of management and finance, are central to an understanding of contemporary capitalism. They can be solved once we develop concepts (such as 'public equity' [see Keith Rankin, "Everybody owns water", *NZ Herald*, 5 March 2013]) that facilitate income distribution in highly capitalised economies. And we need other means, in addition to debt, to keep money circulating.

A high productivity economy is necessarily an economy with relatively high returns to owners of capital, and relatively low returns to labour. The solution is to ensure a more equitable distribution of capital income. Once we realise how much capital we are collectively (rather than individually) responsible for - the collectively inherited resources that makes rich societies rich - then it becomes obvious that capital income should become less unequal as productivity increases.

It's not rocket science. Yet the obvious is so little discussed, even by intellectuals. We would not waste our time doing nonsense jobs if we could support ourselves and our families on a mixture of wages from real jobs and public equity dividends.

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