



## Episode 640: Job Growth Doesn't Mean We're Getting Richer

Guest: Ryan McMaken

**WOODS:** Loved this article, so let's talk about it. Of course it'll be linked at -- let's see, this is 640 -- [TomWoods.com/640](http://TomWoods.com/640). Why is it that job growth is not necessarily an indication of economic progress?

**MCMAKEN:** Well, you could just think about how things are in your own household. Say you were in a two income-earning household, and you probably use up most of the money that you bring in through those two incomes. But say that you got to a point where one of you earned so much money and was doing so well that one of you could quit your job and pursue things like rearing children or doing charity work or whatever it is that people want to do that doesn't involve earning a wage. Then your household would cut down to one job. Now, in that case that doesn't mean you're getting poorer or that your personal income situation is worse; it just simply means that one job now is doing the work of two.

**WOODS:** So therefore, when we say there are fewer jobs in manufacturing than there were in the past, this doesn't necessarily mean that the world is coming to an end. This is actually how capitalism is supposed to work.

**MCMAKEN:** Well, yes, in the case of manufacturing, we produce more stuff now than ever before. The thing is that we need fewer people to do it because of robots and machinery and lots of other stuff.

**WOODS:** But if we need fewer people to do these things, then aren't we going to so-called run out of jobs?

**MCMAKEN:** Right, and that is of course what everybody brings up, and people have been saying that for hundreds of years, as, well, great, we invented this bulldozer and now all these people and all these ditch diggers with shovels are going to be out of a job, or we invented word processing for our personal computers and now all of our personal secretaries are going to be out of jobs. Of course if all those things were true, then there would just be unemployed dirt-poor people everywhere. The reality is two things happen when we replace people with machines: people get skills doing other things, other, more productive type of work in most cases, and the other thing is, even if they got wages at the same rate somewhere else or at a lower rate, the overall effect of replacing people with machines in most cases is that real wages go

up, because the cost of goods go down, because it's cheaper to produce goods with a machine than with someone who has a shovel. So your real wage is even going up, even if your nominal wage doesn't go up, because no stuff is cheaper.

**WOODS:** Yeah, exactly. So even if it's the case that in competing with machines I would have to offer a very, very low wage rate, the money that I earn, the purchasing power of it would be ridiculously, absurdly high, so I'd be able to command a whole lot of goods in the marketplace. Now, you dug up some really great, interesting statistics about, well, about a variety of things, but one of them was historical trends in work hours. We have this sense that people are working more and more and more and that there's something abnormal. It's just Americans just are consumed by work, and they're not like Europeans, who just enjoy relaxing on the beach.

**MCKEN:** Sure, right, yes. Well, maybe that's true. Maybe Americans are consumed by work, but it's not because we're so close to the subsistence level of living that we need to work more or else we're going to starve to death. That's just not the situation.

**WOODS:** It could also be that people just enjoy working. There are some people who work because they find it rewarding. I mean, you're talking to such a person right now.

**MCKEN:** (laughing) Yes, those people do exist, and you know, more power to 'em that they enjoy work so much. But yeah, as you say, it's correct, some people do just prefer to do wage work, and some people prefer to go to the beach and hang out all summer long if they can, and we know those sorts of people too. Even people who are not on the dole or anything, they just have a job that gets them enough money and they like to take a lot of vacations, and a lot of these people are like computer programmers in some cases, or a lot of people I'm thinking of, where there's a certain time of year where they just don't take on many jobs because they just prefer the leisure that time of year. And there's nothing wrong with that at all. The reason of course that people can do that now as opposed to 100 years ago is that, say a computer programmer, for example, is so productive in the amount of wealth they produce per hour is that they can afford to work nine months, a year, whatever, and take a couple of months off, where their ancestors never could have done that if they were a farmer or something like that.

**WOODS:** You cite a book that I have not read by Robert Fogel, *The Fourth Great Awakening and the Future of Egalitarianism, from 1880 to 1995*. The 1880 to 1995 timeframe that you're looking at, we find that in that period of time the number of hours spent on work during an average day, not an average workday, but an average day of the seven days for a male head of household went down from 8.5 hours to 4.7 hours from 1880 to 1995. Meanwhile, leisure time increased from 1.8 hours to 5.8 hours. Let me cite some -- in fact, let me just read this passage of your article:

"In a separate" -- well, let's see. So we also find more recently, 1965 to 1981, in a separate study, "'market work' hours per week fell from 51.6 hours to 44 hours for men. For women, market work rose from 18.9 hours to 23.9 hours. We would expect an increase for women over this period as women began to take on 'market work' at

higher rates than before. This was for wage work only, though, and if we include 'housework' we find that 'total work' for women during this time period fell from 60.9 hours to 54.4 hours. Women exchanged some housework for market work over this period, but overall, the work hours decreased. Total work for men decreased also, from 63.1 hours to 57.8 hours. (Housework increased for men over this period.)

"In yet another study by Mary Coleman and John Pencavel, average weekly hours worked fell for white men from 44.1 hours in 1940 to 42.9 hours in 1988." And then it fell even more substantially for white women, and yet the typical standard of living increased over these periods. How can that be? If I worked less, wouldn't I suffer?

**MCMAKEN:** Well, of course people are more productive with their work now because of all those machines and the stuff we can use now to do more. And also real wages are up also, because clothing is cheaper, and many types of food is cheaper. You remember the garbage we used to eat in the 1980s. People even say, oh, well, the good quality food is more expensive now. Well, that's not even necessarily true too. We just used to eat a lot of garbage back in the '80s, and it seemed more affordable.

But of course part of the overall problem is that people think in terms of work, just thinking about the last 30 years or something like that. They don't have the larger perspective at all, in terms of how much people used to work several generations ago. But even if you just ask your grandparents or even your parents if they're in their 70s or more, they can remember that people used to work half days on Saturday, was a standard thing, that it wasn't this whole, yeah, come on in and you get to leave at five always, and it's strictly an eight-hour day. Talk to anyone who started their careers in the '50s or '60s or '40s, I mean, they were working 50 hours a week if they were lucky. And on top of that, of course, you're working 50, 55 hours, but then what's your standard of living? You have, like, one phone line. The family has one car. You have a two-bedroom house with three or four kids. And it was a much lower standard of living than we have now.

**WOODS:** All right, even as -- let's talk about retirement, because people talk about saving for retirement, and we very rarely stop and think about what a historically recent phenomenon this is, the very idea of saving for retirement. The very phenomenon of saving for retirement tells you that the market economy has made things better, because nobody -- I'll tell you, nobody in 1607 was saving for retirement. Why not?

**MCMAKEN:** Well, for one reason, people expected to die usually sooner than they do now.

**WOODS:** Okay, that's one.

**MCMAKEN:** Which is of course why social security was set for 60 years old, because they expected most people to die after they collected maybe a few years of social security. But the other issue too, of course, is that there's an expectation now that you could actually earn enough to save some money and put it away, and we have

things now like stock markets and other investments. Of course a lot of those things are messed up now by central bank policy and so on, but certainly throughout much of the 20th century you could put money away in those investments and they would actually accrue over time. Companies started inventing things about 100 years ago called company pensions and stuff like that.

And those things were all made possible, because workers became more productive and they produced so much that we could actually take some of that and put it away and put it aside, and people could still have an improving standard of living over that time. So I could actually in, say, the mid 20th century, I could get more stuff every year, and still I wasn't even using all my income. I was sticking it away for retirement. That was totally different than for a standard worker in, say, the 1870s, 1880s, who needed everything they could get to get even basic comforts, and there just wasn't anything left over for retirement in most cases.

**WOODS:** Yeah, so the primary reason here that you're dealing with this retirement problem or that retirement is a recent phenomenon is that it would just be impossible for anybody to accumulate enough that you'd actually be in a position that you could stop working. The idea that you would stop working and then go around and play gold or fritter away the day would have been completely inconceivable to anybody.

**MCKEN:** And sometimes for 20 or 30 years even for some people. That's a lot of retirement.

**WOODS:** Yeah, that is, and I'll tell you, I mean, I can't speak for you, Ryan, but I enjoy leisure time as much as anybody, but I think I'm always going to feel like I need to be producing something. I need to do something that is valuable for other people. I just cannot imagine. I just can't imagine saying, all right, that's it, no more show, no more of any of the other things I do; I'm just going to sit. I'm just going to let life happen to me. I'm just not that kind of person.

**MCKEN:** (laughing) Well, you and I have so many children, too. It's going to be forever before I even have the option.

**WOODS:** Oh yeah, yeah, the children. I know, but -- (laughing). But honestly, where would my life be without these children? I don't even know; how many children do you have?

**MCKEN:** I have four.

**WOODS:** Oh, so you're right behind me.

**MCKEN:** Yeah, I'm less productive than you, but -- (laughing)

**WOODS:** Well, yeah, I could have said -- yeah, yeah, yeah, by -- I guess by 20%, but that's okay (laughing). That's okay. What's the boy/girl mix? We're getting a little personal here.

**MCKENNA:** It's two boys, two girls. The oldest is 10, the youngest is 1, so I've still got plenty of time to go.

**WOODS:** Oh, how about that? Our youngest is 2 --

**MCKENNA:** Yes.

**WOODS:** -- so close-ish. Yeah, pretty darn close.

**MCKENNA:** You know, in 20 years you can revisit this whole kind of take-up-the-rocking-chair thing, though.

**WOODS:** Yeah, that's right. I mean, yeah, I may -- (laughing). It's a little premature for me to be planning out what I'm going to do in my 60s. All right, let's pause for just a minute to thank our sponsor.

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I want to talk about the use of job creation as kind of, frankly, a lazy proxy for overall economic health, because we get that all the time. Oh, well, there are a lot more jobs, so things must be better.

**MCKENNA:** Right.

**WOODS:** So that's a problem. We shouldn't necessarily think that way. I mean, obviously if people who were trying to find remunerative work can't to the point where 80% of people can't find work, okay, that's a pretty good indicator something's wrong. But just to look at jobs, just to look at that raw number and say that tells you something about the health of an economy, that's a trap.

**MCKENNA:** Yeah, those headline, the headline rate, the main one-sentence description of the job situation that the feds put out and which gets repeated on CNBC and stuff is basically useless. If you talk about, oh, the unemployment rate is X, well, the unemployment rate reflects not only people who are trying to get jobs, but also you could have the unemployment rate go down just because people retire. You don't need any job growth at all. And so you need to look at both how many people want jobs and how many people have jobs, and on the job growth side, when you're just looking at jobs, how many of them are full-time, how many of them are part-time, and so on. But when you aggregate all of that into one sentence, it just tells you nothing. You have to look at, well, how many people retired, how many people left the workforce to raise children, how many people went back to school.

Now, sometimes if people are leaving the workforce -- and I would argue that right now the job situation is not great, and so people are perhaps leaving the job force in higher numbers than they would otherwise do. Nevertheless, it's impossible to know exactly what those details are, and so you've got to approach any of these claims, like, oh, we've created millions of jobs since Obama became president -- well, first of all,

the number isn't even that great, but the question is, well, are people retiring because they want to or because they have to? Did they get enough money to really just withdraw from the workforce? Are households doing well enough that one of the people can become a stay-at-home parent? And so all of those things need to be considered when you're looking at jobs data, so I just hate it when you're watching some like Bloomberg TV, and somebody rattles off some one-line, talking about how great everything is. Once you dig deeper, you start to see that it's a far more complex situation on that.

**WOODS:** When you look at the unemployment rate, they're trying to factor in the fact that somebody who's not really looking for work won't be factored in, because if I decided, let's say someday that I've had my fill of doing all this and I have all the goodies I need, and I was just going to go relax somewhere, it obviously wouldn't be fair to classify me as unemployed, so they try in a clumsy way to account for that. But if you're looking at just the raw number of jobs, which we get every quarter or so -- there were this many hundreds of thousands of jobs created -- when we look at those raw numbers, then we have to deal with the fact that they could be an indication of bad times, because maybe my wife doesn't work outside the home. You know, I'm just a regular, average Joe, and let's say I've somehow managed to earn enough that my wife can stay home and she doesn't want to go out to work. But then she does start going out to work, because we're desperate because the economy is so bad and my wages are stagnating. She's got to go out and work. That would be viewed as a sign of wealth: look, that household, the number of workers has doubled. But not by choice.

**MCMAKEN:** Right. It could go either way. And those particular statistics you're talking about include part-time jobs, so actually you could have two jobs if you were desperate and you really needed more household income, you got a second part-time job, a second job, maybe even a third job in some cases. And that would then come back and show that, wow, our household now has three jobs. How great we're doing. So it tells us nothing.

**WOODS:** I want to talk about the standard of living in the U.S. I mean, I know there are even some libertarians who want to say that things are really bad and we have not such a good standard of living or it's deteriorating. And I just don't see how you can say that. And I say that, even though I know what they say about wage rates, but when you add in fringe benefits, even in this hampered market economy, things are better. You would really rather be driving a Pinto in the 1970s with no Internet, with no microwaves, no -- I mean, things we just absolutely take for granted. You want to be typing up your letters on a manual typewriter? I mean, factor these things in, you'd have to be insane to want to live in the 1970s. Even if you had an equal standard of living you'd be insane to want to live in the 1970s anyway, for cultural reasons and everything. But it's just -- I mean, you've got to be kidding me that you would say that.

So let's look at that. When we talk about what constitutes poverty, talk about the American experience with poverty. It's not to say that people aren't having difficulties. Of course people have difficulties. But the fact is that the nature of the difficulties

just can't compare with what the vast majority of mankind experienced, so we always have to recognize and appreciate that.

**MCMAKEN:** Right. You've got to look at it in two ways if you want real world context on this issue. People are not working harder to avoid a subsistence level existence, because we're so far above that. If you look at World Bank data on extreme poverty, which is the sort of thing where you're living in a hut and there's no healthcare and that sort of thing, that simply doesn't exist in the U.S., not even in the worst places in Appalachia. And so you've got to then compare really just the U.S. to other developed or industrialized countries, and even in that case the U.S. is of course near the top.

And if you look at amenities, in terms of what poor people have, most poor people, a majority -- and by that I mean over 50%, and of course in some cases you're looking at 60, 70% in some parts of the country of people who are classified as poverty level, they have things like air conditioning, they have things like a cell phone, they have things like cable TV, they have automobiles. There's just simply no comparison to either the United States of the past or to other countries -- and I don't mean other, like, dirt-poor third world countries; I just mean places like China, for example, where people share bedrooms with multiple other people, where they're working 10 to 12 hours a day in many cases, where they definitely do not own automobiles in, say, the middle classes in many cases. And so it's just a completely different situation.

**WOODS:** Any time you talk about material standards of living, and you know, you've got all the numbers to back you up, you are likely to encounter somebody who will say, oh my goodness, you free market people, all you think about is material things. But you know, there's more to life than material things. Do you have an answer for that?

**MCMAKEN:** Well, of course we can point to the fact that being poor is a very unpleasant situation in a variety of ways. There are lots of social pathologies that come with being poor: broken homes, crime -- although crime is overstated in most places in America -- and other issues having to do with, of course, domestic violence, and all those sorts of issues. But those aren't -- pointing to the fact that those things exist isn't really an argument against the economic system in the United States. Those things demonstrate a problem with the social system in the U.S., with families, and with the sorts of values Americans have, but I don't see how letting people compete for work in a market system and then of course having all of these amenities and being well above subsistence level can somehow be blamed on the fact that some people have miserable lives, in terms of their family members and the fact that their parents aren't around to raise them.

If you look at how much parents were around in working class households 100 years ago and stuff, I think we've heavily kind of idealized what the situation was back in the old days. People actually have far more leisure now to spend with their families, even if you're working class, lower middle class, than they did 100 years ago, but the problem is a lot of people choose to spend their time in ways that are not good for their families, whether it's on substance abuse or just watching TV six hours a day and

so on. People have far more freedom to spend time with their families and to do good things with their families, but they choose to not do so.

**WOODS:** I get this once in a while, especially from religious people. It's like once you've defeated them on the field of ideas, they come back at you with, well, it's purer to be poor or it's terrible to be focused on material things. But look, the point is if my material needs, and we all have material needs, if I can meet those needs with the least possible physical exertion and the fewest possible hours, that frees me up to do the very things that they say are meaningful in life. It frees me up to spend time with my family, to join a book club, to take up a hobby, to read St. John of the Cross, or whatever. I have the ability to do those things now. I don't have that ability as a peasant in the Middle Ages. I wouldn't have the opportunities. It would be impossible for me to do these things. I can't do things that are deeply enriching to our lives because I'm a slave to my material needs. The more your material needs are met, the less you have a slave to material things. It emancipates you from these things, because you're no longer in desperate need of them. You can go and do things that even the critics of capitalism would say are the higher or more pure or more spiritual things.

**MCMAKEN:** Well, the sociological data is clear that money does make you happy up to a point.

**WOODS:** Right.

**MCMAKEN:** So those of us who --

**WOODS:** I think --

**MCMAKEN:** Oh, go ahead.

**WOODS:** I was going to say, I think I would be equally happy with 10 yachts as I would be with 9.

**MCMAKEN:** (laughing) And of course, you know, the leftists like to point out, well, you know, being a millionaire doesn't make you happy, and that's true. It's like the yacht situation. Yes, I don't need 10 yachts to be happy. On the other hand, if I don't have any food or am worried about being evicted from my house, I'm pretty unhappy in that case.

**WOODS:** Yeah, yeah. Yeah, if you have a bunch of kids and you don't know where you're going to live next week and you don't know how you're going to feed them, I suppose you can still find interior joy, but I would suggest it's going to be a heck of a lot more challenging. So yeah, I just don't go for the "money can't buy happiness." People have heard me say this on the show; they're probably tired of it. It's not that I'm saying that you can literally buy happiness with money, but I'll tell you something: an ice cream cone makes me happy, a cruise vacation makes me happy, and I buy those things with money. And as I've said, I know you can't buy a true friend and you can't buy love with money. That's true. But you can buy a lot of nice stuff with money.



I mean, I guess these people have not gone out and looked at all of the things that are available. You can get a lot of nice stuff that gives you a lot of good times and good memories, so that's it, no, I am not accepting any of this. All right, what else? Is there anything else we have to hit that is related to your article? Do you feel satisfied?

**MCMAKEN:** (laughing) Yes, I think I would just like to emphasize that this is a real important poverty issue, is how much should people be working, do they really need to work, having some concept about how close are we to subsistence living. And of course the reality is we're not close at all. If we really want to focus on making poverty less unpleasant in this country, and of course no one should want to experience 19th century type of poverty, but if you want to make poverty less unpleasant, you need to focus on making goods less expensive, like housing, like automobiles, like air conditioning, those sorts of things that make your life a lot better.

And the way you do that is making it easier to start small businesses, to hire people -- anything that helps workers be more productive. And that's what this all comes down to, is worker productivity, making it so that people can make more stuff in less time and make more valuable stuff in less time. And so anyone who makes valuable stuff in a small amount of time is going to be much better off than someone who makes much less valuable stuff in longer hours during the day. So our focus should be single-handedly on increasing capital and access to it and on the ability to make more stuff with less expense. And any time we get distracted from that issue and we start thinking about, oh, we just need jobs or we need some other thing that supposedly will make people happy, then we're really getting away from what it is that actually makes life easier and better for people.

**WOODS:** Ryan, where should I direct people if they want to -- certainly I'm going to make sure that they read the article if they like, at [TomWoods.com/640](http://TomWoods.com/640), but is there any place I should direct them to to find out more about you or to follow you?

**MCMAKEN:** Well, of course they should go to [Mises.org](http://Mises.org), because I'll have articles there regularly. And poverty issues are an important issue to me, so we do try to focus on that more often. And then of course anyone can just follow me on Twitter; that's [@ryanmcmaken](https://twitter.com/ryanmcmaken).

**WOODS:** Okay, so I'll have your Twitter up also on the page. Okay, I just went there, and you and I are indeed following each other, so that's good. All is right with the world, that's good. So all your stuff and the article we talked about today will be at [TomWoods.com/640](http://TomWoods.com/640). Thanks so much, Ryan. We'll have to do this again.

**MCMAKEN:** Wonderful, thank you very much.