



## **Macro Problems Outstanding**

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Article citation:

[Gaffney, Mason]. "Macro Problems Outstanding." N.d. Study guide.

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MACRO PROBLEMS OUTSTANDING, 1991  
Rev. 14 May 91; 3 Jan 96

Some key words and new words: DINK; Luddism; cohort (age group); dilemma-bound; Phillips Curve; Laffer Curve; uncouple; anomaly; obsolescence; embodiment of technology; capital (produced wealth used to produce more wealth); concentration; distribution; maldistribution; inflation; commercial bank; GNP, GDP, NI; capital formation; Federal Reserve System; anomie; abstruse.

"Ideas are plans to solve problems that arise in a social context", said philosopher John Dewey. Macro-economic ideas were developed because there were unsolved problems. You'll understand it easier if you begin with this.

Fri. #1-1, Review Wed.

UNSOLVED MACRO-ECONOMIC PROBLEMS

1. Low job opportunities
  - a. Falling or lagging wage rates in the U.S.
    - i. Relative to several foreign countries
    - ii. In absolute terms. Modern need for DINK living.
  - b. Unemployment
    - i. The sanitized official measurement, concealing invisible unemployment.
    - ii. Growing tolerance for and rationalization of high rates.
    - iii. Long apprenticeship, early retirement.
    - iv. Two-tier labor market, underemployment of 2nd tier. Broken homes, the motherhood sabbatical, and the "feminization of poverty".
    - v. Crime. Highest crime rate among industrial, "advanced" nations. Highest % of population in jail.
    - / vi. Prostitution, exploitation of the flesh of children.
    - / vii. Welfare dependency.

- ✓ viii. Luddism, fear of machines bumping people.
- ix. Dependency on government (including military) employment, pressure for wasteful spending.
- ✓ x. Unproductive elderly cohorts forced into early retirement, high and rising burden.
- ✓ xi. Falling governmental concern with reaching full employment. During WW II it was down to 1.2%. During Viet war, 3.5%. (Korean War?) 1978, Humphrey-Hawkins Act proclaimed target of 4% (but this was swept away when dilemma-bound ecsts. came up with Phillips Curve). 1995, rising employment is treated as a curse; Fed acts to curb it. 1980s, it still hadn't dawned on most that employment was uncoupled from GNP.

2. Pressing on limits of the earth

- a. Closing of the frontier?
- b. Growing military spending to get and keep land.
- c. High cost of homes, in spite of massive subsidies.
  - i. Homelessness, the extreme case
  - ii. Unaffordability of housing for many entry-level buyers, in spite of decades of preferential tax treatment making America "overhoused" relative to other nations.
  - iii. Growing share of population that rent; growing share of renters who rent without leases.
- ✓ iv. High debts needed to buy homes, a lifetime to pay.
- ✓ v. Long commutes.
- ✓ d. Hunger, malnutrition: with us again.
- ✓ e. Anomaly: in the midst of land scarcity, idle land. How come? Deliberate sabotage of farm production by government policy, for alleged macro-economic gains -- does it make sense?
- f. World's most energy-intensive, <sup>+ land - wasting</sup> settlement patterns; dangerous dependence on imported energy, especially oil.

g. Environmental limits on economic growth.

3. Slow replacement/renewal and growing obsolescence of American capital stock. Are we headed for the fate of England? Slow embodiment of latest technology on production lines.

4. Highly concentrated distribution of wealth and income. Division of society into haves and have-nots.

✓ Divorce of labor from means of production and livelihood: land and capital. Growing concentration of land and capital in firms with few employees. Rural depopulation.

✓ 5. Persistent, unrelieved inflation. Dependence of government policy on inflation as the main policy tool to combat unemployment.

6. Boom and bust, (national and regional). History of severe crashes; fear that one is "overdue".  
Recurring minor recessions.

Wed 9 Jan. 7. Bank failures, a growing epidemic, reminiscent of past crashes. Collapse of large part of our financial system; shaky condition of commercial banks.

8. Massive growth of debt: Federal, state and local, private. High and rising share of interest payments in Federal budget. 1995, GDP is ca. \$7t; Fed debt about \$3.6t, so ratio is .51. (Eisner, **The Nation**, 11 Dec 95 p.744.) *Homeowners are heavier in debt*

9. Continuing deficit in foreign trade (import balance). Growing foreign ownership of U.S. industry, real estate, banking, corporate shares, national debt, etc.

10. Economic rigidity caused by grasping for security to avoid falling into the 2nd tier of labor market. *Cf Luddism*

11. Capital shortage.

a. Low rate of domestic capital formation.

b. Anomaly: idle capital in the midst of capital shortage -- how come? Excessive share of given capital stock frozen in fixed forms; too little liquid capital on tap.

c. Anomaly: massive export of capital in the midst of capital shortage -- how come?

d. Anomaly: complaints of inadequate investment outlets and incentives in the midst of capital shortage -- how come?

12. Centralized control over economy in hands of unelected Board of Governors of Federal Reserve System, dominated by private bankers. Is this democratic? Is it even constitutional?

(2nd kind of demand-side mgmt.)

13. Counterproductive disincentive taxation in the name of distributive equity and demand management. Is this deadweight necessary?

14. Growth of alienation, anomie, aimlessness, self-indulgence, passivity. High rate of personal breakdown from substance abuse. Decline of personal character, social responsibility, community-mindedness, sense of goals and destiny, personal and social.

15. Withdrawal of intellectual leaders into abstruse irrelevancies, exemplified by modern economic theory as taught in universities.

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