Five Minutes with Robert Pollin
An Interview with Campus Progress on a Full-Employment Economy

Nine percent unemployment. A shrinking middle class. The decline of unions. This is our new normal.

And, like the public, economists aren’t looking for the new to become permanent. They say the economy needs to ‘get back’ to five percent, the status quo. But progressive economist Robert Pollin is calling for more. Getting back to the ‘old normal’ of five percent unemployment is undershooting our potential. The United States should have full employment, according to Pollin. People should have access to jobs—and not any job, but decent, good paying jobs.

It may seem obvious that full employment is a good thing, even if it's almost impossible to achieve, but many economists question whether it would actually be a positive. The biggest argument against full employment is excessive inflation. Secondarily, there are fears that workers won’t be driven to produce if there is no fear of unemployment, causing an economic slowdown, and, ironically, unemployment.

But in the lead article to Boston Review’s January forum on employment and the economy Pollin says full employment, or at least near-full employment and good jobs, is possible—without harming the economy. Campus Progress talked with Pollin earlier this week about his thoughts on full employment policies, the recovery, the recent State of the Union, and what lessons the United States can learn from Swedish history.

**CP: Why is full employment better than the standard 5 percent unemployment as a goal to reach?**

Well, for one thing, we are not at five percent [unemployment.] We are at nearly 10 percent. In a time of crisis like this, it seems appropriate to start thinking big. Why do we always have to think small? Let's think about a transformative agenda that will create a more decent economy—and [an economy] that is also good for business. It is good for business, but at the same time good for all the people that have jobs.

That is kind of the underlying idea.

**CP: Full employment used to be a policy goal, what happened?**

The real reason full employment broke down in the 1970s as a central policy goal is inflation control. It was argued that an economy pushing up to full employment would be highly inflationary, and therefore, you need enough unemployment so that workers' bargain power does not get out of hand—creating a wage-price 'spiral.'
Commentary from

why, in the *Boston Review* article, I spent a lot of time thinking about ways to think about inflation control that will enable the economy to get to full employment and stay there.

**CP: Can you talk a little about Sweden in the 1980s and 1990s, the example you used of a fully employed economy?**

It's not like I'm obsessed with Sweden. Some people think it is the leftist paradise, and I can't really judge that. But the thing that is important in my view, the lesson to extract from Sweden, is that during the time they were committed to full employment—and it was a 20-year period when they were strongly committed and keep employment at around two percent—they were also concerned with inflation control. And it was not just the government, but the unions who were concerned, because they understood that, if they could keep inflation low, they could sustain the full employment policies. That was the key idea.

[Swedish unions] argued that pushing the unemployment close to zero through macro-policy—through government spending and monetary policy—could indeed lead to uncontrollable inflation. The unions were in favor of macro-policy to get inflation in the range of three to four percent and then using specific labor market interventions to keep the unemployment rate down further, to closer to two.

That meant very aggressively helping people connect with jobs. Job training, transportation, child-care—all the things that we call frictional sources of unemployment, the things that make it harder for people to get jobs. The Swedes spent a lot of effort in those areas. That can absorb 1 to 2 percent of the official unemployment rate. You need macro-policy to get the unemployment rate down to the range of 4 percent. That's the overarching view.

Obviously the United States is not Sweden, and we can't just copy what they did. But, the general framework is viable and worthy of studying carefully and seeing how the model can apply. **CP: Do you want to talk about the reinvestment proposals you have advocated for? (Pollin suggests taking a portion of government spending on the military and fossil fuel industry and reallocating it to education and the green sector, which he says would produce more jobs.)**

**One of the things I focused on is—again, to not be entirely dependent on macro-stimulus policies—more structural change, changing the economy towards more labor-intensive activities. That is, for every dollar of spending, or every million dollars of spending, more would be spent on hiring people, and relatively less on things like land, buildings and energy.**

It turns out that a way to move towards a more labor intensive economy is to invest in a green energy—which a lot of people are for, including quite vehemently President Obama in his State of the Union speech last week—and education—which Obama also stressed in his speech.

I know the speech has been criticized for various reasons, but the fact is, the two things he stressed the most: investing in a clean energy economy and education, are outstanding ways to create more employment, because they require relatively more people per dollar spent than other sectors of the
Commentary from economy. Building a green economy requires more investment than maintaining a fossil fuel economy. Investing in education means more people are employed than spending on the military.

**CP:** I noticed that Obama's State of the Union mirrored your policy. What was your broader opinion on the speech and the “Winning the Future” message?

I have mixed feelings about it. I thought there were some good things, but framing it in terms of beating the foreign competition—I don't find that very helpful. I think we should for the most part celebrate the fact that China is growing into an economy with a lot more opportunity for a lot more people. There are a lot of problems with China, but they have lifted hundreds of millions of people out of destitution. They have got a lot more to go, but I don't really see them as the enemy. Nor do I see any of the developing countries as the enemy that we have to beat out.

Of course there is competition, and the U.S. needs to be successful in building up new areas of the economy, but there is plenty of room for a lot of economies to be successful. That is the first thing that I found unfortunate—I know a lot of this is political. If you don't say it that way it might not sound as interesting. It's got to sound something like the Super Bowl.

But, that said, in terms of the substance, focusing on public infrastructure, clean energy investments as public infrastructure in particular, is something I have been advocating for quite a bit. I was very impressed by that focus.

The second thing I was impressed with was the focus on education. Education intrinsically is good for people. And it is a great way to create jobs and promote productivity and opportunity in the economy. Here are the things I was not happy about—other than the focus on competition. There was really not much said in terms of how we are going to get out of the recession—and we are not out of it. President Obama breezed over that.

There really was not much said about unemployment and pushing the economy out of the 10 percent official unemployment rate. By the way, we would be above 17 percent unemployment if we included discouraged workers and people working part-time who want full time work.

We have a severe employment crisis that is ongoing.

The third thing [Obama] really did not say anything about [is that] we still have a serious problem of making sure the financial markets do not get over-speculative.

We have a new bill, the Dodd-Frank, and that generally can be a positive, but a lot of the provisions in Dodd-Frank are quite vague and only getting specified now through the regulatory process. It is important that Dodd-Frank deliver a stable financial system that will enable us to maintain an industrial policy for clean investment and a focus on infrastructure and education.

**CP:** To get back to jobs. You're talking about good jobs, but a lot of the jobs that have been created in the aftermath are not good jobs. Even in a recent story in the *New York Times* all the families featured had parents making half or a third their former salaries. Adding the word 'good' is adding a lot to the equation.

This is something I feel really strongly about. In [the *Boston Review*] article, I go through this anecdote. When I was working on employment policies in Bolivia in the 1990s, I was at the Office of the Planning Minister. [At the time] I said, "So, let's deal with unemployment."
[The officials there] said "we have no unemployment; everybody has a job."
So, I said, "Let's look out the window at the people begging."
They said, "Well, they are working, aren't they."
He was right, of course; they were making money. So, if that is their definition, you have to be more specific.

One of the tools of creating decent employment, not just any old employment, is a minimum wage that sets a good minimally decent floor. We could be at around a $12 dollar minimum wage without any significant negative employment effects. The argument against raising the minimum wage is that it is going to do more harm than good by causing lay-offs. But, I think we could be at a $12 minimum wage.

The second thing is unions. Obama himself ran [for president while supporting] the Employee Free Choice Act, to strengthen unions and give them a stronger hand to bargain on behalf of ordinary people in this economy. It’s very important. Unions have had a really tough time over the last thirty years and they need more support. [Ed. Note: The rate of union membership is at its lowest point in more than 70 years.]

When businesses come into bargain, they have lawyers; they have accountants, they have PR firms; they have strategists and so forth. At the very least, the workers deserve the same to make the bargaining a fair situation.

The third thing is the mere fact of getting near full employment—and this is the most important thing—will drive up wages. We saw this at the end of the 1990s. When the last bubble pushed the economy below a 4 percent unemployment rate, guess what happened. Wages went up. Especially wages for the bottom 20 percent. Having that demand for employment is going to be the best thing for wages.

The argument against full employment is that the jobs will just move somewhere else. But if we are creating jobs that need to be done here, like education and building green infrastructure, then you will get more employment focused on the domestic US. That will be good for bargaining, which will drive up wages and create more decent jobs.