Culture

Transformations in the Meaning of Unemployment

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Article abstract

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Transformations in the Meaning of Unemployment

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Au cours des dernières années, le discours des responsables de politiques gouvernementales en ce qui concerne l'emploi s'est transformé. Alors qu'il traitait de justice sociale et des droits des citoyens, il met maintenant l'accent sur la nécessité de l'emploi pour la construction d'une économie plus efficace et sur son utilité pour contrôler l'inflation monétaire. Ce changement résulte d'une tension soutenue entre la justice sociale pour le citoyen, de toute apparence libre et égale, et la préservation d'une économie efficace. Cette modification du discours de la part des responsables de politiques gouvernementales dans le cadre de ces thèmes culturels a influencé l'optique du public sur l'emploi.

Over recent years the discourse of government policy-makers on the issue of unemployment has become transformed from a moral problem of social equity and the rights of citizens to an economic cost, necessary for a more efficient economy, useful in controlling inflation. This shift represents one outcome of a continual tension between social equity for the ostensibly free and equal citizen on one hand and preserving the "efficiency" of the economy on the other. The shift in the discussion of these cultural themes by policy makers has had an effect on the perspectives of the larger population.

Introduction

Culture, according to Bellah, et al (1985), consists of "dramatic conversations about things that matter to their participants"; of "argument(s) about the meaning of destiny its members share" (1985:27). Such a definition is particularly appropriate in western industrialized societies where the values of individual freedom and equality are central themes in the various domains of rhetoric of their cultures. They are especially salient in political rhetoric.[1]

While the definitions and interpretations of "freedom" and "equality" are highly varied in political discourse, the central context for their expression in industrialized societies has been gainful employment. Gainful employment is the means by which individuals attain social and moral stature in industrialized societies. Thus, debates about individual and public welfare invariably involve questions about the right to secure employment and the fairness of the rewards obtained from that employment. The first deals with the moral rights of participation in society as citizens. The second deals with just rewards.

These are economic questions as well. Gainful employment is the means by which collectively produced wealth is distributed among individuals. As social theorists and commentators at least since the classical economists of the 18th century have pointed out, the political rhetoric of capitalist industrialized societies has become fused with questions of economic well-being. Thus, lack of sufficient gainful employment among a nation's population raises questions of wasted resources of labour. The issue of fairness of rewards obtained during employment invokes concern over cost efficiencies.

There are then, two sets of meanings running along beside each other in "conversations" among policy-makers: a set of meanings stressing the moral issues of the rights of citizenship and a set of meanings stressing the efficiencies of the economy. These are not always mutually reinforcing and indeed are often in conflict.

In this paper, I wish to show how, over recent years, in the "conversations" of government policy-makers, the issue of unemployment has become transformed from a moral problem of social equity and the rights of citizens to an economic cost, necessary for a more efficient economy. Embedded in this concern of economic efficiency has been the preoccupation with the control of inflation. My interpretation is that this shift represents one outcome of a continual tension in the culture of industrial societies between ensuring some sense of social equity for the ostensibly free and equal citizen on one hand and preserving the "efficiencies" of the economy on the other. I provide some evidence that the manipulation of these cultural themes by policy makers has also had an effect on the perspectives of the larger population.

The Meaning of Employment and Unemployment

The existence of unemployment and underemployment and their causes have been contentious issues among social commentators even before the more eloquently expressed concerns of Adam Smith, Thomas Malthus or David Ricardo. But what was once a problem of persuading people to submit to the discipline of a regimented paid labour force has become one of providing a sufficient number of jobs for those needing them, not only for economic reasons but for social and moral reasons as well.

The idea of a productive citizen embodying a moral virtue has had a long tradition in western culture (Arendt 1958), but with industrialization, the expression of this virtue has centered almost wholly on paid employment (Baum and Cameron 1984; and see Pope John Paul II n.d.). Gramsci's notion of "Fordism" encapsulates the idea that the mode of expression of the productive citizen is to take place as a paid employee within the industrial organization (Gramsci 1973). Not to be employed implies either a lack of moral virtue or "character" or the absence of opportunity to acquire these attributes (Gramsci 1973: 4).

One might advance the thesis that such a heavy moral "loading" is a consequence of institutional shifts in which the vast majority of employment takes place in autonomous settings of limited social responsibility (and liability) while formerly supportive institutions such as the family and community have been unable to absorb the economic and moral losses associated with the absence of formal employment.[2]

Government agencies, designed to carry the costs of unemployment, provide ameliorative social welfare, but in the process of identifying and treating the unemployed they may also create and reinforce negative social assessments of what it means to be unemployed (Burman 1988).[3]

Market-oriented economic models add to this imagery of isolation by assuming that individuals act on the basis of rational self-interest with no regard for the welfare of society at large. They assume that if incentives are not adequate, individuals will fail to maintain their commitment to employment. Indeed, assumptions about the most effective goads to maintain allegiance to employment and to generating wealth have been powerful influences in the choice of policies designed to combat unemployment. Representatives of various versions of neo-classicism argue, for example, that the threat of personal costs of unemployment are not only required to maintain optimal levels of commitment to employment, but they enhance the tractability of labour to ongoing technological change.

But the idea of a certain degree of social "embeddedness" of employment in a broader supportive social context is not entirely absent from economic models either (Granovetter 1985). Those who support schemes to ensure relatively high levels of employment, Swedish "institutionalists", for example, begin with the argument that the lack of institutional means to support widespread employment causes workers to become highly defensive and protectionist and thus less, rather than more committed to the demands of employment, and certainly less tractable (Aberg 1984; Schwerin 1984; Schott 1984; Osterman 1988. For 'classical' expressions of this approach see Commons 1918; Perlman 1949; Polanyi 1957; Kerr, et al 1960).

In the process of pursuing the idea of high levels of employment, Swedish policy makers have put in place a wide range of support services that mediate between states of employment and unemployment. But even they have had to deal with the high economic costs of such services. Meanwhile, in both Canada and the United States, with the continual increase of women in the labour force, especially over the past twenty years, and the resulting problems of care for family dependents, the consequences of the separation of employment from other institutions of social support have prompted expressions of increased concern over how these two opposing responsibilities can be reconciled (for example see Statistics Canada 1994).

Employment, Inflation and Government Policy

In Canada, the Great Depression of the 1930's was the first major shock to the assumption that the market economy was self correcting in dealing with problems of unemployment (although Marxists had warned that such a cataclysm was inevitable). Governments were forced to intervene in an effort to ameliorate its effects. It was because of the experience of that period that the groundwork was laid for most of the progressive social legislation that followed.[4]

Since the 1970's, however, these policies, once assumed to be fundamental, not only for social justice but also for economic welfare, came to be seen as economic liabilities. Some authors have attributed the abandonment of these priorities to a lack of political will (Bellemere and Simon 1988; Muszynski 1985) or to ineffective policies stemming from uncoordinated and uncooperative government agencies (Doern and Phidd 1983). Others have pointed to the inherent contradiction within "welfare states" (between the need to accumulate funds for social welfare programs versus accumulating funds for investment and hence furthering economic growth), as leading to increased concern over economic issues, and more particularly inflation (O'Conner 1973, representing the left and Bell 1976, the right). All of these accounts are plausible and, indeed, may be true. What I wish to argue, however, is that the historically unprecedented long period of economic growth after the Second World War, led government policy-makers to assume that almost alone, economic growth would enhance not only material standards of living but also ameliorate social problems as well. Thus, policies were directed toward insuring that the economy would operate relatively efficiently and, as a result, would serve the interests of social equity. The social costs of unemployment were viewed as short-term, a necessary means by which market efficiency could be regained.

After the Second World War, Canada, like the United States, braced itself for a re-enactment of the massive problems of unemployment it had experienced following the First World War (Muszynski 1985:254-256). They never materialized. The political exigencies and the nature of the responses to them were considerably different after the Second World War. Spurred by the massive demands in rebuilding the economies of Western Europe and meeting pent up demand in domestic markets, the years after the War were remarkable in the length of continued real economic growth. Except for a few faltering years in the 1950's, this largely halcyon period lasted for some 25 years.

It was also during these years that Canada, like many other western industrialized countries expanded programs of social welfare providing the basis for the often maligned "welfare state". Not only did these programs provide for the care of the aged, the destitute, the unemployed and later, those requiring medical care, they also included a variety of job training programs designed to reduce unemployment levels below what was then regarded as the unacceptably high rate of 3 or 4 percent. These policies were guided by the assumption that continued growth in the economy was the fundamental solution to social welfare and that the added government services could easily be afforded for those few who were unable to benefit from that growth.

In the late 1950's and early 1960's there were a number of signs that the economy was not adhering strictly to the conventional economic and political wisdom at that time, namely that increased demand would maintain high employment levels and countercyclical economic policies would diminish the negative impact of recessions on employment. This was a Keynesian view, an interpretation which had gained a reputation for reliability as a result of its application during the Great Depression. In this model, full employment could be maintained in an economy with stable prices up to the point where demand begins to outstrip the capacity to produce given quantities. After that point inflation with its erosion of real income is likely to occur. Other things being equal, inflation should be only a temporary phenomenon until production matches increased demand. But a recession in 1957-58 (modest by today's standards) and an upward creep in prices, seemingly independent of unemployment rates and before capacity had been reached, caused some apprehensions among economists and government policy makers (Riddle 1986:8).

Similar trends were noticeable in the American economy. Explanations for price increases focused on impediments to the operations of the market through price-setting and the impact of oligopolies (Garraty 1978:240). Unexpected high unemployment rates, surpassing a rate of three percent (extremely low by present standards) caused an examination of, and in retrospect a near hysteria about, the impact of automation in goods-producing industries, the most dramatic of which was the auto industry (Walker, Guest and Turner 1956; Riddle 1986:8). These rates also prompted inquiries into the degree to which clearing functions of labour markets could be enhanced by improved information services, training programs and support for easing the geographical mobility of labour.

The effects of supply "shocks" on the economies of western industrial societies in 1973-74, caused primarily by OPEC-induced higher prices for oil, higher commodity prices and world-wide shortages of grain, undermined the assumption that steady growth rates in productivity and real incomes could be permanent features of western industrialized societies. Faced with sudden increases in inflationary rates and the erosion of investment values as well as a slow-down in gains in standards of living, the efficacy of past policies regarding public welfare was in serious doubt.

In the debates among economists about the causes of inflation, one factor became prominent—the cost of labour.[5]

These costs appeared to respond rather quickly to upward swings as product demand increased but did not respond as quickly, if at all, to downward trends in the market. Some, neo-classical economists in particular (Friedman 1962), argued that there were too many institutional barriers in place such as union labour contracts, government labour protection policies such as minimum wage laws, health and safety standards, pension contribution requirements, etc., which obstructed required downward trends in wages during downturns in the economy. These were arguments based on the necessity to preserve the "freedom" of individual actors; of firms to raise or lower their wages and of persons to adjust their expectations.[6]

Based on these assumptions, there emerged the common, though not entirely validated, assumption that because money wages were positively associated with inflationary rates, they were also a primary **cause** of those rates (Barry 1985). However, even when wages were not held to be the primary cause of inflation and sufficient recognition was directed toward other factors such as demand shifts, supply shocks or excessive government spending, or a combination of all of these, an orthodoxy that emerged was that increased unemployment levels was the price to be paid for reducing rates of inflation. Keeping inflationary rates low was necessary to divert income from immediate consumption and toward long-term investments in productive enterprises which in turn would create employment (see also Smith 1992; 17, 34-35; 64-65).

In the "conversations" between Keynesians and neo-classical economists, the latter insisted that supply factors determined long-term trends not demand, a mainstay of Keynesians. In the neo-classical view if there were no impediments to the downward push of wages, the increasing supply of labour would force a lowering of its costs. "Impediments" such as minimum wage laws, cost of living clauses in labour contracts and so on merely served to ratchet up wages during periods of increased demand while freezing them during periods of contraction. If markets would clear as they should and if prices and wages were completely flexible then an over-supply of labour should drive wages down while employment rates are maintained. Unemployment would be a temporary phenomenon depending upon wage stickiness and structural impediments.

Unemployment, according to this view is a consequence of voluntary decisions on the part of workers. It is their choice to remain unemployed or to be employed at offered (and variable) wage rates. If the impediments to markets were removed, involvoluntary unemployment would not be a possibility since employers would be free to vary their wage rates and the absence of supports for the unemployed would increase the incentives to seek employment (Lindbeck and Snower 1988).

"Monetarists" added a new dimension to the debate and in so doing incorporated some of the arguments of both the Keynesians and neo-classicists. They returned to the assumed motivations of individual actors. Contemporary actors in the market for employment were not ignorant. If they were aware of existing rates of inflation, if they were cognizant of the effects of external shocks to both supply and demand, if they knew about the effects of government interventions, then they would behave on the basis of **expected** rates of inflation. These expectations would intervene in the trade-off between unemployment and inflation. Wages and prices would be set by expectations regarding not only current rates of inflation but also government interventions. As long as actors expected that government interventions or other shocks to the system would raise rates of inflationary growth they would simply hedge their bets by taking these possibilities into account (e.g. costs of living clauses in labour contracts, enhanced benefits, etc.). If actors came to **believe** that inflation rates were steady or kept at a minimal level, this spiral could be stopped.

In taking the idea of expectations into account, the important element was "credibility"; that the government really meant what it said as it set about to curtail expectations about rates of inflation. Such restrictive policies were necessary only as long as it took to change expectations about inflation rates. The cost, of course, would be a period of high unemployment coupled with a considerable number of business failures. But these were to be balanced against long-term gains. The seriousness of the cure depended upon different ratios of employment levels to inflation. In Sweden, in 1990 it was estimated, for example that a reduction in inflation rates there would require an increase in unemployment from 1 1/2% to 2 1/2% ("Survey", *The Economist*, March 3, 1990: 9), while in Canada various pronouncements of the governor of the Bank of Canada at that time estimated that an unemployment rate of at least 8% was required to contain inflation within acceptable limits (McGillivray 1990).

In Canada as in the United States policy-oriented economists thought that the size of the trade-off between controlling inflation and subsequent effects on unemployment could be minimized through judicious government interventions in the labour market such as facilitating the speed of information about supplies of labour and availability of jobs, and job training programs during periods of industrial restructuring (Pal 1987; Rice 1985; Muszynski 1985). Further, from the point of view of government policies, the judicious application of monetary and fiscal policies could be an even more effective means to minimize these trade-offs in the long-term, if not in the short-term (Riddell 1986).

That relatively high rates of unemployment for relatively long periods of time should be tolerated in the interests of controlling rates of inflation (short-term for neo-classicists, depending on barriers in the markets for labour; indeterminate for Keynesians, depending on factors other than labour supply) represents a significant change in the meaning of unemployment when translated into government policy (Keyssar 1987). It indicates a change in the role of governments, from providing supports for social welfare and thus assuming the costs of market driven waste in "human capital" to serving as a moderator in the market, acting in the interests of ensuring the reliability of investments in productive enterprises. In the first instance, unemployment is recognized as a frequent failure of markets to absorb labour and requiring the government to step in as an agency of "last resort". In the second instance, the assumption is that employment is contingent on the reliability of the market and when the reliability of the market is preserved, employment is earned as a matter of free choice rather than assured as a matter of equitable right.

The transformation of "unemployment" as a social problem to its status as a cost, necessary in the service of the economy, is captured in the concept of the "natural rate of unemployment" or, more technically, the "Non-accelerating Inflation Rate of Unemployment" (NAIRU). These concepts convey the meaning that there is some point at which additional employment produces labour scarcity resulting in a rise in wages and subsequently an increase in inflation.[7] These levels may vary in different societies depending on the mix of technology and labour, on established government policies that influence the flexibility in the costs of labour, etc. It is this idea, that given rates of unemployment must be accepted, in controlling for inflation that captures most clearly the transformation of unemployment from a problem of social welfare to an economic factor whose social cost is required for the sake of "the economy" (Gordon 1987; Shulman 1989). There is no concept of a "natural rate of inflation" or a "Non-accelerating Unemployment Rate of Inflation" which would suggest that some inflation should be tolerated in the interests of maintaining higher rates of employment.[8]

The "Market" as a Cultural Icon

The idea of "the Market" as a metaphor for capitalism is a wonderful fusion of the post-Enlightenment ideas of freedom and equality and the pursuit of self-interest with the hope for the improvement of public welfare.[9] Everyone, it is held, has both the freedom and the equality of opportunity to maximize his or her returns and in acting on these pursuits society at large benefits. The imagery resolves the perennial dilemma of individual versus collective welfare. (But see Bell's view of the ultimate consequences of this classical liberal view and the transformation of "needs" to "wants", 1976: 220-227).

The dark side of the metaphor is that there are losers as well as winners and left unchecked, the winners can continue to maximize their returns as the losers continue to lose. As Blinder has pointed out, the market emphasizes efficiency, not fairness. Indeed, only to the most self-satisfied "winner" can the market be perceived as meeting any ethical standard of fairness (Blinder 1987: 27; Schor 1991). The winners continue to win as they produce what others in society want. The losers have less or nothing to offer and they must overcome far more obstacles in achieving those attributes which others desire. The principles of the market assume that there must be adequate incentives to make individuals want to achieve ever greater amounts of economic welfare, but incentives also promote inequalities.

Unemployment and inflation are two "evils" that economists have identified as inefficient outcomes of the competitive process. In their ledgers, every person unemployed represents productivity foregone and thus, a lowering of a potentially higher standard of living for all. But inflation, particularly if the rates of inflation are unpredictable, robs returns on investments already made and prevents a stable calculation for future investments in anything that has risk attached to it. The debates regarding the relative costs of attempting to minimize unemployment rates versus controlling the rates of inflation are eminently sensible among economists where efficiencies are crucial. Is investor confidence to be preserved with the implication that such confidence will eventually be translated into more productive capacity and hence more jobs or is demand and thus employment to be encouraged even though this will foster inflation and thus make the value of investments less secure?

The neo-classical economists have argued that it is investments that are crucial in eventually creating jobs; that the "supply" of capital is what drives the economy and that its value must be protected against inflation. More "liberal" Keynesian economists argue that job creation is what stimulates demand and it is demand, not supply that drives the economy. They argue further that there is no guarantee that investments will be directed toward employment-creating enterprises that will benefit the population as a whole and they cite the growing disparities of wealth that have occurred during the period of aggressive controls of inflation.[10] In addition, others point to the huge social costs of unemployment such as increases in petty crime, mental illness, domestic violence, etc. that should be taken into account in any assessment of comparative costs (Liem 1987; Sharpe Voyer and Cameron 1989).

The control of money supply is the principal means by which governments and central banks can control inflation and/or employment. However, as these matters are now conceptualized there are necessary trade-offs. Tightening the money supply in the interest of controlling inflation reduces demand by driving up interest rates, reducing investments in goods and service producing enterprises and finally, reduces employment. Loosening the money supply sustains effective demand (in part because individuals are induced to make purchases quickly in order to minimize later perceived increases in costs), and maintains higher employment levels but at the cost of controlling price levels (Hibbs 1985: 179). Since about 1975, the federal government has chosen to make inflation its "problem of choice". Along with the Bank of Canada, it has sought to control inflation, with the idea that by restoring "investor confidence" any problems of unemployment would eventually be resolved. But the controls designed to restore investor confidence impose costs that are not equally shared. Since the principal consequence of these controls is greater unemployment, it is the more expendable skills of labour that bear the burden of these costs (Blinder 1987: 55). Debates continue over the relative costs of inflation versus unemployment. But if rates of inflation remain relatively steady and moderate, it is hard to appreciate the seriousness of its negative effects relative to the costs of unemployment (Barry 1985: 316). After all with fairly predictable rates of inflation, contractual arrangements, taxation policies, wage and pricing levels can all take these rates into account. If equity is an issue, then as Keynes once pointed out, inflation is a great equalizer. Indeed, there is some evidence that at the bottom of the scale, real incomes rise faster, relative to those at the top during inflationary periods (Blinder, 1987: 55). Controls on inflation clearly benefit the wealthy and their investments as well as those living on fixed incomes. The effects on those living on wages, particularly wages from low skilled jobs, are, in the short term, severely negative and, in the long term, less certain in their positive effects.[11]

Regardless of the position one takes on these issues, what is important for the thesis of this paper is the transformation in the meaning of employment: from an issue of social welfare, the concern for which was rooted in the experience of the Great Depression, to apprehensions about economic costs to ensure "full" employment. In the process, "employment" has become primarily an economic counter-balance in opposition to inflation. What is of special significance is that in government policy agendas, employment has been sacrificed in the interests of controlling inflation rather than the other way around.[12]

The Market and Institutional Arrangements

One factor contributing to the aversion against inflation may be the distribution of influence between labour and capital.

Where labour organizations are weak, individuals lack institutional support for challenging the employment costs of anti-inflationary policies. The strong influence of labour organizations in Sweden provides some credence for this view. The idea that employment should be available to everyone who seeks it has played a central role in government policies (van den Berg and Smucker 1992; Smith 1992). In contrast, labour unions are relatively weak in Canada and even weaker in the United States. There are no organizations of sufficient power to defend the principle of "full employment".

Anti-inflationary policies are most likely to be favoured by individuals representing the interests of financial institutions such as federal reserve banks (Hibbs 1985: 194). Their influence is particularly strong where these banks remain relatively impervious to political influence.[13]

Insofar as policy makers are concerned, the absence of stable institutional arrangements that emphasize the central importance of employment suggests that the only options available for resolving the twin problems of economic efficiency and social welfare are those of a broad technical nature. Unemployment thus becomes a part of a larger technical problem; of abstract market forces gone wrong. Thus, attention becomes focused on the use of macro-economic instruments designed to control inflation (e.g. tight monetary policies). These policies also have the appeal of simplicity and technical elegance. They are less controversial than are attempts to aid different sectors of the population which are differentially affected by unemployment.[14]

Further, the use of such macro-economic tools enables policy makers to relegate responsibility to abstract market forces rather than to specific policies of the government. Finally, just as inflation affects a broader and more influential constituency, so the remedies for inflation are also likely to gain greater public acceptance where institutional support is lacking to challenge the assumptions of individualism embedded in the cultural icon of "the market". Some evidence for the validity of this last explanation follows.

Institutional Arrangements and Public Views

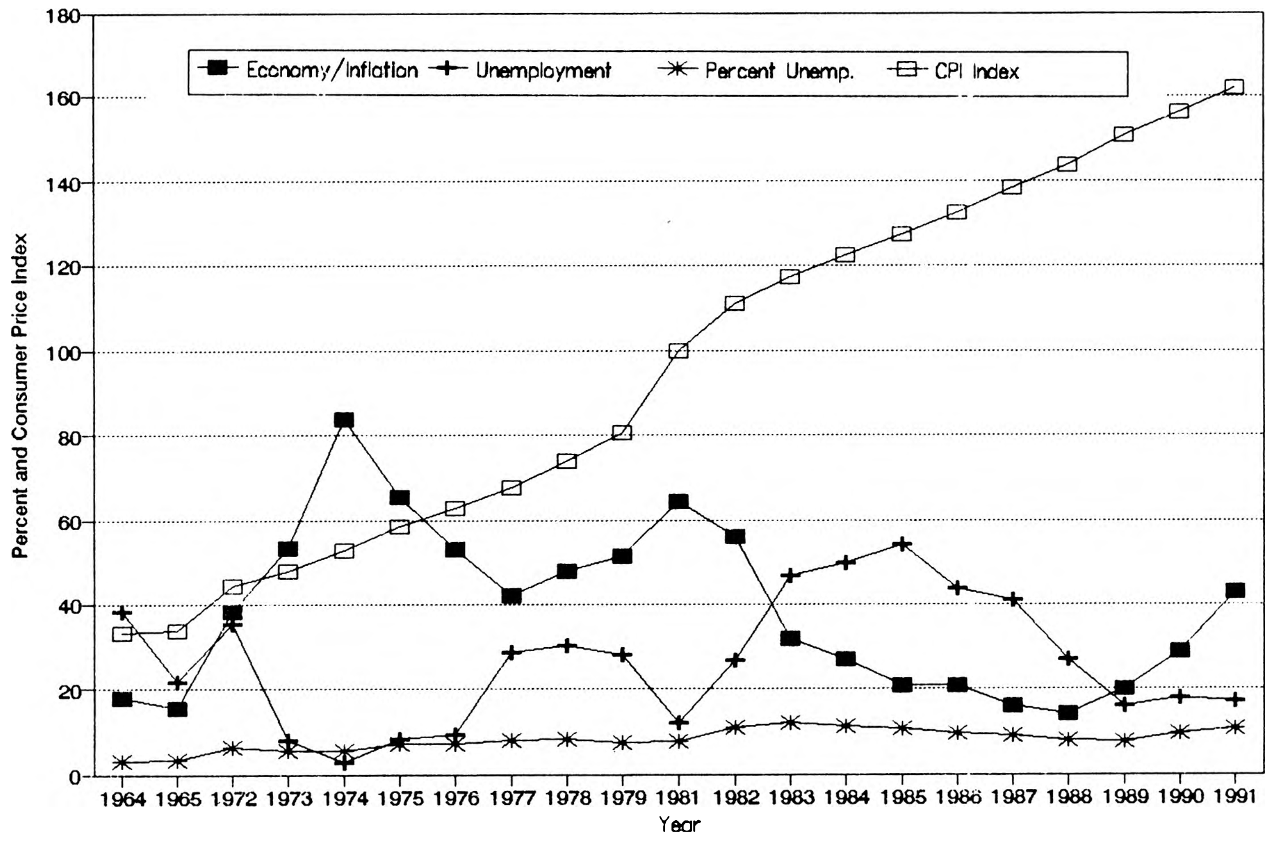
It should be made clear that inflation does exert real costs and it is a legitimate concern for economists and policy makers. But it is questionable whether the effects of steady and moderate rates of inflation are more costly to most individuals than is unemployment. I have suggested some reasons why high rates of unemployment have been tolerated by policy makers in the interest of controlling for inflation. I suggested that without institutional interventions aimed at protecting employment in the marketplace there are few incentives to pursue these objectives directly. By choosing inflation as their "problem of choice", policy makers have converted the meaning of unemployment from a major source of social identity, moral worth and social equity to an expendable economic cost, even though, in economic terms it is recognized as a necessary condition for the creation of wealth and its distribution. A final question is whether this transformation in cultural meanings among policy makers has influenced the outcomes of "conversations that matter" among the population at large.

In a comparison of the United States, West Germany, France, the united Kingdom, Japan, Italy and Sweden, over a 30 year period, from the late 1950's to 1978, Hibbs found that electoral support for governments declined "drastically" as unemployment rates increased. An exception to this general finding was that in West Germany and the United States, the inflation rate in the 1970's had a larger effect on lowering of political support than did high unemployment rates (Hibbs 1985: 186).

It is customary to mark the first oil crisis of 1973-74 as the event which dramatized the growing fragility and vulnerability of national economies to international markets. Nevertheless, it is not obvious why in economies in which inflation and unemployment became major problems, inflation, rather than unemployment would have a greater negative impact on political support only in West Germany and the United States. It is possible that memories of hyperinflation in Germany during the Great Depression of the 1930's contributed to that continuing concern, but a similar explanation is not plausible in the United States.

Data from Gallup polls conducted in Canada reveal that in response to the open-ended question of "what you think is the most important problem facing this country today", "unemployment" was the most frequent response from the time this question was first asked in 1964 to 1973. After the oil and commodities price hikes in 1973 and through 1983, the state of the economy and "inflation" was the "problem" most frequently named by those in the Gallup surveys. The shift, beginning in 1973 is consistent with the findings from West Germany and the United States in Hibbs' research. From 1983 until 1988, "unemployment" was again the response given by the highest proportion of respondents in Canada. In the years since 1988, "inflation" became the response given by the highest proportion of respondents. Figure 1 illustrates the pattern of these responses up to 1991. Since 1991 and following the drop in rates of inflation, there has been a sharp upswing in the percentage of Canadians who think unemployment is the major problem to be addressed

Figure 1.
The Most Important Problem Facing This Country Today



in contrast to inflation. (In June, 1993, 79 percent of the sample believed that the government should curb unemployment rates in contrast to 18 percent who believed inflation was still the major problem. See *Gallup Report*, June 21, 1993).

Figure 1 also provides trend data on rates of inflation (the Consumer Price Index) and unemployment. As indicated in the figure, whether respondents choose inflation or employment seems to follow sudden changes in rates of inflation or unemployment rather than steady trends in these rates. Still this does not explain why, if our assumption about the central importance of employment is sound, individuals would choose inflation as the major problem even though unemployment rates have remained high ever since the mid-1970's and continued to slowly climb. After all, a loss of employment is a loss of income, of social identity and moral approbation. The social meaning of inflation, on the other hand, is more a matter of relative deprivation—that individuals perceive that either their increased income is not matched by increased purchasing power or that the worth of their savings is being eroded.

Hibbs (1985) offers a number of reasons why, in West Germany and the United States, after 1973 there has been more support for reducing inflation rates rather than reducing unemployment rates. These reasons may be instructive for Canada as well. First, he suggests that support for anti-inflationary measures may be a function of **variability** in inflationary rates rather than steady rates. These may induce personal insecurities. People may fail to take into account inflation-induced gains on fixed-interest liabilities (e.g. home mortgages) in their assessments of losses on money-valued assets such as pensions and life insurance. Second, Hibbs (1985: 188) points to some evidence that people tend to divorce their own increase in earnings from their purchasing power, perceiving that rising prices erode their real, rather than nominal earnings. Blinder (1987: 51-54) provides some additional evidence that makes this a plausible reason.

But a more adequate account of the causes for the variation in public concern for the issue of unemployment would have to examine the degree to which individuals believe that they are at least somewhat protected from the vagaries of labour markets, whether this is derived from a strong labour union presence, from practises by employers of employment security, or from government legislation. Where individuals perceive that they have little such protection, it is likely that not only will shifts in concern between unemployment and inflation be more pronounced, under varying conditions, but that inflation will be perceived as the more pernicious problem. In effect, institutional arrangements structure the options. Without institutionalized "buffers" to the vagaries of the market, concern is more likely to be expressed about the efficient operations of the market itself than about controls over its effects. Under such conditions, seemingly random effects of unemployment may not appear to be as immediately threatening for the majority of the population who remain employed. Rather, the effects of inflation on income become readily apparent to everyone: any rise in wages would not be translated into a similar rise in standards of living.

In his analysis of survey data on Canadians' choice of the more important problem, unemployment or inflation, Johnston concludes that Canadians are more averse to unemployment in the short run but they have an underlying permanent aversion to inflation (Johnston 1986: 124). The swings in aversion to unemployment appear to be more pronounced than aversion to inflation, he finds. That is, growth in unemployment rates result in more dramatic shifts toward unemployment aversion than growth in inflation produced in inflation aversion (1986: 127). This also means, writes Johnston, that concern about unemployment can evaporate more quickly than concern about inflation.

At a personal level, Johnston finds that individuals have a greater fear of unemployment than they do of the effects of inflation. But personal fears do not necessarily translate into definitions of national problems. Inflation may still be defined as the greater national problem despite the fact that an individual respondent may fear unemployment for him or herself (1986: 133). How might this be explained?

Again, the answer is likely to be found in an examination of institutional arrangements and the agendas presented by policy makers. Individuals in Canada are very much at the mercy of the vagaries of different labour markets. There are very few institutionalized safeguards for their employment. Thus, though they may personally fear becoming unemployed, there is always the hope that it will remain only a possibility. Inflation, on the other hand, is pervasive and affects everyone. In this regard, it is relatively easy to define it as a national problem when unemployment for each individual remains only a possibility, governed as it is by the indeterminancy of the market.[15]

Such an interpretation would account for the early support for the conservative governments of Thatcher in Great Britain, Reagan in the United States and Mulroney in Canada as well as the subsequent decline in that support as the costs of unemployment in the interests of reducing rates of inflation have mounted. What was ironic in the early support of the policies of these governments was that at the very time in which the virtues of productive paid employment were extolled, higher rates of unemployment were accepted as a necessary cost in the control of inflation.

Conclusions

There is no doubt that finance-led economic theory with its emphasis on investment behaviour has dominated the policy decisions of the federal government in Canada over the past 15 years. It is a major theme in the report of the Royal Commission on the Economic Union and Development Prospects for Canada (The "MacDonald Report" 1985). Of course the international fluidity of capital, the impact of other economies, particularly that of the United States, and the creation of new mechanisms of finance capitalism reinforce this dominance. Still, there appears to be minimal attention paid to the economic costs of unemployment and a total neglect of its social costs.

On these matters, employees tend to be defined simply as factors of production. In economic models the decisions of workers tend to be restricted to wage issues and these in turn are driven by desired levels of consumption. Some economists further argue that these decisions are largely responsible for rates of unemployment. By implication, some neo-classicists, for example, ask us to accept the idea that individuals made the decision to remain unemployed during the Great Depression (Lindbeck and Snower 1988: 28. See also Casson 1984 and Maital 1987: 222).

It is somewhat ironic that government policy in the past has been so heavily influenced by images conveyed by economic models which themselves are imperfectly validated. That individuals are inherently driven to maximize their personal economic welfare is highly doubtful (Frank, Gilovich and Regan 1993). Osberg reports that a majority of articles in major economics journals have no empirical content; that among those articles that do draw on empirical data, it is data that are gathered for other purposes by government statistical agencies (Osberg 1992; Osberg also cites Morgan in this regard, 1988; See also Swedberg 1987). This raises important questions for cultural anthropologists, since these models become part of a set of beliefs about how the economic world **should** operate. What is particularly interesting in the case of unemployment is the way in which these models have been the means by which it has been transformed in its meaning from a matter of social and moral welfare to an economic cost; a cost required to be paid in the interests of maintaining the value of investments and thus the economy. Within this transformation the market economy truly dominates the "conversations" of policy makers and they in turn influence the public's views.

Finally, one should be aware of another process at work here. What drives the transformation of meaning of unemployment is the metaphor of "the market". "The market" presents a simple imagery of the locus for the interpretation and practice of those values of freedom and equality. But in fact the meanings and behavioural consequences of the practise of these values are often contradictory and the resolution of these conflicts is as much a function of power and influence as it is of consensus (For an extension of this argument, see Bowles and Gintis (1993) and the responses by Williamson (1993) and Stiglitz (1993)). Still, it may be that the contradictions upon which the metaphor rests, are what prompts it to be so compelling, contributing as it does to the "public world" where people talk together, name things, make assertions and to a degree understand each other'" (Percy 1958, cited in Geertz 1973: 213).

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Notes

1. Since the Age of the Enlightenment, these two values have provided a justification for the struggles involved in the transfer of power from aristocracy to entrepreneur and the emergence of statism and parliamentary democracy. They have been employed to extend citizen rights to the propertyless and they

continue to provide the means by which arguments are advanced for the extension of social justice to additional categories of the population such as those based on race, ethnicity, religion, gender, and the disabled. They are also invoked by various groups seeking additional social, economic and political "entitlements". These include groups representing different business and labour interests, farm groups, environmental groups, AIDS victims, homosexual groups, and so on.

2. Pahl (1984:74) develops a similar interpretation by noting the consequences of the geographical separation of work from the household. The general thesis of the paradox of social isolation with "functional" or economic integration, was of course a major concern in the influential thought of Marx, Durkheim and Weber.

3. These negative effects may be a consequence of the way in which these services are perceived. They are most likely to be perceived negatively in a market system that stresses only individual initiative in the job search process. Where the use of government employment agencies is a requirement for both the job seeker and the employer such stigmatizing effects are less likely. An example of the latter are the government-run employment agencies in Sweden (van den Berg and Smucker 1992).

4. A document of major influence in developing social welfare programs after the Second World War was the *Report on Social Security in Canada,* or the "Marsh Report. It argued that social equity required, and economic principles made possible, an economic agenda of full employment plus welfare supports such as "supplemental occupational and training schemes", "social security protection", medical care, "children's allowances', and "public assistance". Other proposals submitted during this time included the Heagerty Report on health insurance, the Curtis Report on housing and urban planning, the environment and improved employment opportunities and welfare coverage for women (Guest 1980: 212-218).

5. A major influence in the focus on labour costs as a primary cause was the historical analysis of A.W. Phillips (1958) on the trade-off between unemployment and inflation. He discovered that during the period 1861 to 1957, the rate of change of money wages in Great Britain was inversely related to levels of unemployment. As unemployment rates decreased, the upward rate of change in wages increased. The relationship was fairly constant and did not occur at some endpoint of full capacity of production. Findings similar to Phillips', although with different rates of association, were reported for American data by Samuelson in 1959 (Garraty 1978:241) and for Canada by Bodkin et al in 1966 (reported in Riddell 1986:9).

6. According to the neo-classical economists, the more extensive the security measures for labour, the higher the costs of labour and the less are employers able to hire labour at desired rates. Thus, generous social welfare measures will create greater levels of unemployment even in the best of times. Unemployment, according to the neo-classicists is a consequence of voluntary decisions on the part of workers. If impediments to markets (such as social welfare measures) were removed, involuntary unemployment would not be a possibility since employers would be free to vary their wage rates and the absence of supports for the unemployed would increase the incentives for individuals to seek employment under offered terms. (Lindbeck and Snower 1988).

7. The estimates of levels of unemployment necessary to control increases in rates of inflation are based on an assumption of past clearing functions of markets in particular countries. The problem with these estimates is that they tend to neglect the myriad of factors that intervene between the supply of labour, wage levels and inflationary rates (Schulman 1989; Gordon 1987). Rather curiously, estimates themselves tend to follow current unemployment rates (Shulman 1989: 514-515; Fortin 1987; and Blinder 1987. See also *Globe and Mail,* 1988 and McGillivray 1990).

8. Followers of Bourdieu might see in this examples of his perceptions of power relations, particularly in his concept of "doxa" in which "both the real world and the thought world are accepted as self-evident" (Bourdieu 1984, 471).

9. I am viewing the market as a metaphor in the sense in which Geertz views the metaphor as attaining a certain "power" through its combination of discordant meanings (Geertz 1973: 211).

10. Evidence of these growing disparities is reported in Ross and Shillington, *The Canadian Fact Book on Poverty, 1989* (1989). One might also point out the existence of scandalously over-paid executives, many of which have been rewarded for "trimming" their work force.

11, Of course I do not mean to minimize the disastrous effects of high inflation rates or "hyperinflation", an example of which exists in Brazil with an annual inflationary rate of 1,500 percent in 1992. (But even here, one does need to examine the causes of such rates including excessive government spending in projects that do not support and encourage investments in productive enterprises.) My concern is with the choices that are made when control of **moderate** rates of inflation is assumed to entail a toleration of higher rates of unemployment.

12. For additional evidence of this change in priorities, see the annual reports of the Economic Council of Canada from its first report in 1964 to its final report

in 1991. A survey of the content of these reports is provided in Smucker (1990).

13. Smith claims that where central banks remain independent of political influence, inflation control policies are likely to be pursued with more consistent vigour than where they are subject to political influence (Smith 1992: 247).

14. These controversies are invariably based on questions of equity, for example the terms and coverage of unemployment insurance, the question of child-support payments and qualifications for social welfare payments.

15. An interpretation following the general thesis of Bourdieu might appear attractive here (e.g. Bourdieu 1984; 1990). However, while Bourdieu informs us of the subtle ways in which power is exercised, he has not explained sufficiently how individuals come to bestow legitimacy on the exercise of power or on what grounds they accept explanations as "reasonable".

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