LESS WORK FOR LESS PAY

LESS WORK FOR LESS PAY

Why Economic Prosperity is Beyond the Ability of Central Bankers and Federal Governments to Accelerate through Stimulus Actions

RANDALL N. MARGO

Universal-Publishers
Boca Raton

Less Work For Less Pay: Why Economic Prosperity is Beyond the Ability of Central Bankers and Federal Governments to Accelerate through Stimulus Actions

Copyright © 2016 Randall N. Margo
All rights reserved.
No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without written permission from the publisher

Universal-Publishers
Boca Raton, Florida
USA • 2016

ISBN-10: 1-62734-060-2
ISBN-13: 978-1-62734-060-1

www.universal-publishers.com

Cover design by Ivan Popov

Cover image by kentoh/Bigstock.com

Publisher's Cataloging-in-Publication Data

Margo, Randall N.
Less work for less pay : why economic prosperity is beyond the ability of central bankers and federal governments to accelerate through stimulus actions / Randall N. Margo.
pages cm
Includes bibliographical references.
ISBN: 978-1-62734-060-1 (pbk.)
1. Foreign trade and employment. 2. Labor and globalization. 3. Globalization. 4. Fiscal policy. I. Title.
HD5710.7 .M37 2015
331.25—dc23

2015950958

SYNOPSIS

Marshalling an array of data, *Less Work for Less Pay* shows rather than tells why economic prosperity for Americans and other western nations is now beyond the ability of central bankers and federal governments to accelerate through creative stimulus actions. Instead, these government measures can often serve to delay the inevitable rebalancing of labor, debt, taxes and regulatory reform vital for greater economic competitiveness among these nations. Multinational corporations figured this out years ago, as they continue to aggressively pursue foreign markets and tax advantages available in the world economy.

Meanwhile, workers within western economies are grudgingly adjusting to a world of contingency, contract and part-time employment as opportunities for permanent well-paying jobs shrink, while businesses wedded to new technology increasingly rely on "free agents" to provide their services. Larger companies now frequently utilize flexible staffing to navigate the uncertainties of business cycles along with the ebb and flow of new products and services. This book offers remedies we should undertake to tackle these contemporary challenges.

TABLE OF CONTENTS

Prologue ix

Theories on Job Stagnation 11
From Self Employment to Dependent Employment 11
Income Disparity Between Rich and Poor Nations 14
Less Work - Less Pay 15
United States Accumulated Debt 17
Global Debt 19
Historical Perspective 23
Recent GDP Growth Trends in Developed Nations 25
GDP Disparities Still Significant Between Developed and Undeveloped Nations 27
World Population Growth 28
Labor Participation Rate 32
What Present Trends Reveal 34
Workforce Competency 35
How The Workforce Is Changing 37
Key Workforce Trend - From Independent to Dependent Worker 45
Demographic Changes 47
Wage Stagnation 49
Global Wage Differences 54
Data Digest 58
Current Policy Approaches 60
Why Current Monetary Policies Are Unable to Create Robust Growth 69
Why A Service Oriented Economy Cannot Maintain Jobs and Wages 77
Underlying Assumptions 83
Proposals 84
Conclusion 112
Notes 117

PROLOGUE

I hope I'm wrong!

This is doubtlessly not the most erudite introduction to a topic that is dominating our politics and more importantly America's historical optimistic verve. But, government efforts to fight high unemployment through quantitative easing, stimulus spending, lowering interest rates and extending or revising income tax rates since 2008 have not overcome our declining labor force participation rate or decreases in real wages. Nor have these undertakings boosted economic growth to levels commensurate with other recoveries over the past seventy years.

Why have these methods, used successfully by American policy makers during past recessions, resulted in such meager economic improvement, particularly for America's workforce? Have fundamental labor market changes occurred, limiting the effectiveness of federal stimulus spending and monetary policies meant to spur business activity and lower interest rates? Have workforce changes in both America and the global economy been evolving over several decades? Are these modifications now accelerating more rapidly, and now reaching a crescendo, thereby altering some of the underlying precepts of employment and compensation? If these observations are entirely or even partially accurate, what policies could be employed by governments to address these transformations? Moreover, since Europe and Japan are facing similar issues, and in some critical respects more dire circumstances then our own, can we benefit from examining their approaches to these labor force challenges? Consequently, statistics from Europe and Japan are included to broaden this analysis and to reveal whether the policies implemented in these other developed countries have been effective in countering their receding economic growth and prosperity.

Despite, or some might argue, because of unprecedented monetary policies, stimulus funding, austerity programs and tax changes - up or down - public policies in America, Europe and Japan seem unable to stem what appears to be persistent and prolonged economic stagnation ensuing in these developed regions. If these actions, however well-intentioned haven't worked, why not, and more importantly, is the scope of our economic problems beyond the ability of these public policies alone to reenergize our current economic fortunes? Furthermore, are there other alternatives which could be deployed that might be more successful?

Believing it is better to show rather than tell, this book provides a series of charts and tables generally available in the public domain to explain present and historical trends concerning economic growth, employment, income, and debt, providing readers with a graphic display of data enabling them to draw their own conclusions, or perhaps seek information that would dispute such findings. As always, the validity of any data or statistical constructs needs to be viewed guardedly and much of the information offered here should be considered more as estimates or approximations of actual or projected results. Nonetheless, the inferences made herein assume the general accuracy of the data presented.

Facts and figures provided here, and notably, among other recent books on this subject, serve to illuminate global marketplace trends that have seemingly surpassed the capability of public officials and central bankers in developed nations to adjust to the realities taking place within their own economies. As a result, monetary and stimulus policies, while still important components of economic growth, are playing a diminishing role in reviving job markets and compensation growth for workers in these industrialized nations.

Governmental policy recommendations proffered in this book are meant to commence rather than conclude what steps should be taken to mitigate the sparse economic growth, lack of employment and stagnant compensation currently being experienced by the United States and most other

industrialized nations. The data presented reflects not just a recent trend, but rather, a shift occurring since at least the year 2000, and in some vital cases commencing decades earlier.

Bluntly, the proposals reveal efforts to address the nation's employment and compensation issues as realistically presented by the data at hand, rather than trying to continue policies that hearken to a bygone era. Using the old golfing adage "to play the ball where it lies," we should recognize that we are not in the middle of the fairway, but in the rough, and must adopt government policies that reflect our current economic circumstances.

Current Theories Explaining Why Monetary and Other Public Policies Haven't Delivered More Permanent Jobs and Better Pay

A number of recent books have in various ways, identified some of the underlying reasons why government economic policies of stimulus spending, low interest rates and extending low income tax rates for most workers have had less than desirable effects. For example, Erik Brynjolfsson and Andrew McAfee in *Race Against The Machine*[i] argued that technological advancements are resulting in machines and computers replacing humans in a myriad of occupations, and at an increasingly rapid pace, as the prowess of robotic machines, software and computer technology proceeds at a compounding rate. Tyler Cowen in *The Great Stagnation*,[ii] put forth the premise that the prodigious economic growth resulting from the Industrial Revolution has peaked. Instead, he sees a productivity plateau because there have been few scientific breakthroughs in the past 50 years to rival those that occurred between 1855-1955. Robert Gordon takes this viewpoint further, noting that innovations such as the iPhone are not "fundamental transformations" but rather a combination of existing technologies that have been miniaturized.[iii] And, other writers like Harry S. Dent, Jr. in *The Great Crash*[iv] note that demographic changes occurring in the United States and most western industrialized countries will create overwhelming economic turmoil as mounting numbers of workers retire, causing significant public spending for social security and healthcare while these retirees simultaneously reduce expenditures for products and consumer goods.

A common theme running through these books is that labor is going to be less necessary than in the past to increase productivity, thereby resulting in a chronic oversupply of labor. Dan Alpert specifically addressed this issue in his recent book, *The Age of Oversupply*,[v] arguing that a labor glut exists in the world market today, and will likely be with us for a number of years.

However, whether one concurs or rejects any or all of these ideas causing this economic malaise, what appears indisputable is that economic growth as measured by GDP slowed dramatically for most European countries, Japan and the United States during the past decade despite extraordinary monetary policies, taxation reductions and stimulus spending by their respective national governments. Most alarming has been the reduction in labor force participation, which in America is now at a level not seen since 1977, and intolerably high unemployment rates in the 17 Euro-zone nations that now averages nearly 11 percent. For nations such as Spain and Greece, their current unemployment rates exceed 25 percent rivaling the worst joblessness statistics of the Great Depression era during the 1930s. [vi] Even Germany, often portrayed as a successful model for industrial countries during the past decade, experienced a decline in GDP in the second quarter of 2014.[vii]

In addition to the aforementioned theories presented by these talented authors, two other key trends are working against a rebound in wages and employment in developed nations and consequently construct the primary thesis of this book: Existing monetary, regulatory, educational and taxation policies cannot counteract these shifting developments and frequently exacerbate their results.

Transformation From Self-Employment To Dependent Employment – And Why It Matters

A chief observation of this book is to reveal how the nature of work has fundamentally changed for developed nations since the advent of the industrial revolution. To state it simply and clearly, we have evolved from societies where individuals formerly worked for themselves as self-employed farmers, tradesmen, and merchants, to ones where the vast majority earn their living as employees of small or large organizations. The United States Census dramatically exemplifies this change in the nature of work. During the first census in 1790, roughly 90 percent of the population, (excluding slaves and indentured servants) were self-employed. Today those figures are nearly exactly the opposite. Less than 10 percent of the population is currently self-employed.

This historical shift from a populace primarily self-employed to one where the vast majority of adults owe their livelihood to an employer has driven much of economic and public policy both within the United States and among most developed nations since the dawn of the industrial revolution, although not transparently, because it has never been contextualized in a manner that shapes a true debate on the options required to address this transformation. The economic downturn and anemic recovery over the past half dozen years within much of the developed economies helps illuminate this situation. Worsening this condition are the changes the aforementioned authors have identified, including demographics, technological advancements, and conversely, a lack of modern breakthroughs on par with the industrial revolution that can accommodate the employment needs of the developed countries. To the extent technology improvements have been made during recent decades, and for that matter, historically, they often have resulted in reducing instead of increasing overall labor requirements. Consequently, the public policy prescriptions utilized by central bankers and elected officials to juice stagnant growth as they have in past recessions appears to be having a diminishing effect on employment, wages and economic growth within these developed economies.

This decline in self-employed Americans since just 1950 is vividly displayed in the chart below. Regardless of whether the economy was vibrant or depressed, self-employment has fallen. As a result, a greater percentage of workers relied on some other entity rather than themselves to sustain their standard of living. If factors such as technological advancements and demographics are resulting in more meager economic growth and corresponding reduced employment opportunities, shouldn't we reexamine the effectiveness of our current public policies, and perhaps develop new approaches to this changing economic environment.

Figure 1 (Source: research.stlouisfed.org)

One area where there appears to be a political consensus is the support and promotion of small business in generating jobs. Yet, the chart below conveys a disturbing trend revealing that among U.S. startup companies in business for five years, over 80 percent have less than 10 employees, a trend that has intensified over the past decade. Whether this is due to unaffordable labor costs, regulatory issues, technological advancements or other factors, this development raises doubt to the perception that small business growth is likely to be the employment driver anticipated by its proponents unless impediments to such commerce are identified and addressed.

While this data suggests an on-going trend toward employer based employment, later information uncovers that self-employment, or perhaps a more illuminating term, **'free agency'** could actually reverse in direction, and that it already has if one takes a broader view of today's workforce. What hasn't occurred is an acknowledgement through public policies of this workforce adjustment, which may be retarding economic progress and greater self-employment.

But, more on that topic later. For now, let's just focus on the self-employed workforce as discernible through small business startups. According to the federal government, not only are the self-employed numbers diminishing, but small business startups are employing less people as shown in the accompanying chart. Since small businesses are perceived to be a critical component of overall job opportunities, this happenstance is arguably detrimental to improved employment opportunities. Yet, even some of the most successful technology business startups such as Snapchat, which has reportedly rejected offers of $3 billion from Facebook and $4 billion by Google, has just 35 employees as of February 2014, while Instagram had just 13 employees when it was purchased by Facebook for $1 billion.[viii] Clearly, technology startups are stingy when it comes to hiring. More importantly, it demonstrates that billion dollar companies can be created with just a small number of employees.

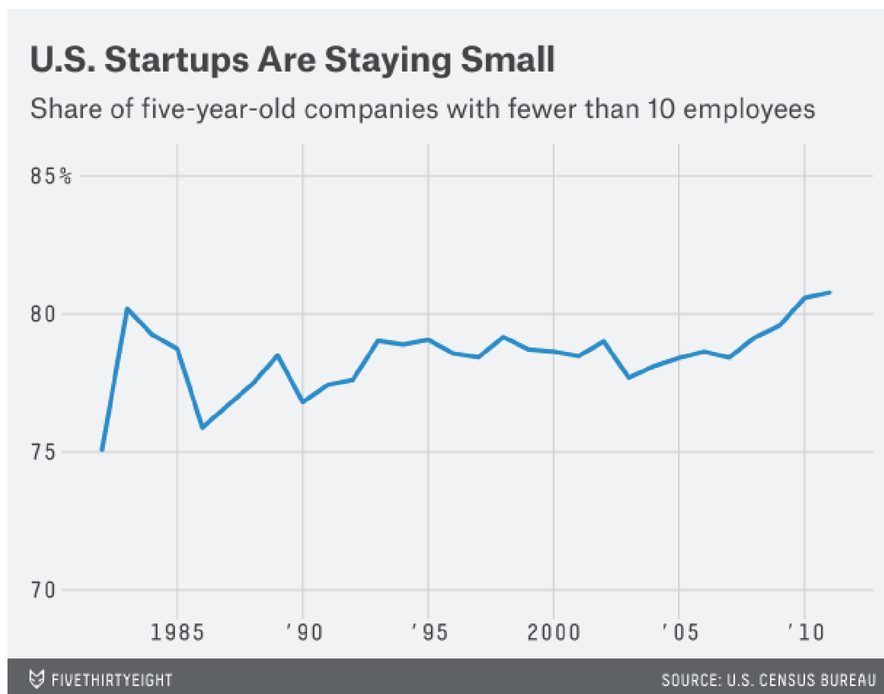

Figure 2

If self-employment and small business prolongs its decline as a significant source for jobs in the United States and other major western economies, the primary alternative for private sector employees is to work for larger employers. In past generations, this option frequently provided workers with good wages and benefits along with stable employment. Alas, the conditions that led to these opportunities for elevated compensation and steady job retention have changed. Among the most prominent reasons for this alteration is this book's second main observation: Income disparity and demographics between the industrialized nations, which represent less than 15 percent of the global population, and the rest of the world's population.

Income Disparity Between Rich and Poor Nations
The other key assessment this book formulates is that income disparity between the approximately 1 billion people living in developed economies and the 6 billion living elsewhere is an issue largely ignored or ineffectually addressed by public policy makers within the developed economies. Instead, it is being driven primarily by multinational corporations expanding to underdeveloped nations, and conversely, by residents from these regions emigrating to more affluent nations primarily for economic reasons.

Because global commerce today is increasingly integrated and viable, historical deviation of labor rates and living standards between developed and underdeveloped nations is more critical to multinational corporations who seek to maintain a competitive edge and traditional profit margins. Nonetheless, there appears to be a gradual decrease in labor rates between developed and emerging economies when developing nations have been able to incorporate contemporary production practices, such as South Korea, Taiwan and now China. The question therefore, may not be if, but when, how, and to what extent this prosperity gap will continue to close in other nations that heretofore, have been less capable of creating or adopting modern technological methods of production. For western nations, the difficulty may revolve around the need to reduce living standards in order to compete in international markets, or more optimistically, enable underdeveloped countries to shrink these income disparities through rapid accession. Another possible scenario. and perhaps more plausible, is that a combination of gradually diminished living standards in the West will occur, in conjunction with a prolonged rise in the rest of the world's nations. Other circumstances which might lessen this income disparity include greater levels of economic migration, such as occurred in America during the late 19th and early 20th centuries, and is presently taking place again in the United States and Europe. As these immigrants transfer a portion of their earnings back to their home countries (called remittances), this source of additional capital is available to expand economic development. The World Bank currently estimates that $400 billion a year in foreign remittances is transferred from developed to underdeveloped countries, rising to a projected level of $516 billion by 2016[ix].

If this thesis is accurate, there will need to be further rebalancing of wealth between developed and emerging economies before living standards and employment opportunities in the aggregate will improve for the majority of workers in developed countries. Meanwhile, there will continue to be inadequate private sector employment during this transition period for workers in developed nations as multinational companies relentlessly pursue labor rate advantages favoring less developed countries; and concurrently, if most of the economic growth for these multinational companies comes from emerging nations due to demographic trends, is mostly or even partially accurate, it suggests that current government policies in many western nations including the United States will need to be reconsidered to account for and hopefully address these factors. To the extent these issues can be obviated by government policies may well determine if, when, or how they are resolved, and represents the ultimate purpose of the remedies proposed.

Mitigating against this scenario is the propensity of greater protectionism by nation-states, whereby the developed nations pushback with attempts to "level" this compensation playing field through high tariffs or other trade barriers. Such actions took place during the 1930s, and by many accounts, intensified the economic troubles of that era. Certainly, approaches of this nature would oppose the relentless tide of free trade agreements and globalization of commerce that has taken place since the end of World War II, and truncate the expansion of these multinational firms based primarily in the developed nations. Today, critics of free trade point to corporations operating in developing nations neglecting environmental, labor and safety regulations while hiring labor at low costs, and that even those countries obtaining jobs and investments trade off employment opportunities in other sectors of their economies. In essence, it is argued that multinational corporations succeed at the expense of workers and environmental concerns. However, it's hard to envision how refusing to entertain free

trade agreements would enhance job growth or increase wages in the developed countries, as overall global commerce would fall. Therefore, a more probable circumstance is the continuing attempts by nations to entice these multinational firms to locate within their borders through separate tax cuts or regulatory relief as a trade-off for investments and jobs, unless multinational trade agreements can preclude and enforce such efforts.

Instead, a more logical case can be made to change certain public policies in the United States and other western economies that acknowledge and alleviate several significant global economic trends: Increasing globalization of commerce favors lower cost labor in developing economies; technology advancements reduces labor requirements while boosting productivity; and demographic changes requires higher taxes to support aging populations, cutting discretionary income for the working population. Consequently, a different approach to employment, training, regulation, and government spending is imperative if government policies are going to effective manage these events.

Less Work – Less Pay

The graphs below summarize labor force trends occurring over decades, but have become more vivid recently as western economies attempt to rebound from the past recession utilizing extraordinary monetary and stimulus policies. Clearly, average American working hours have dropped continuously since the early 1950s regardless of how well the overall economy was performing.

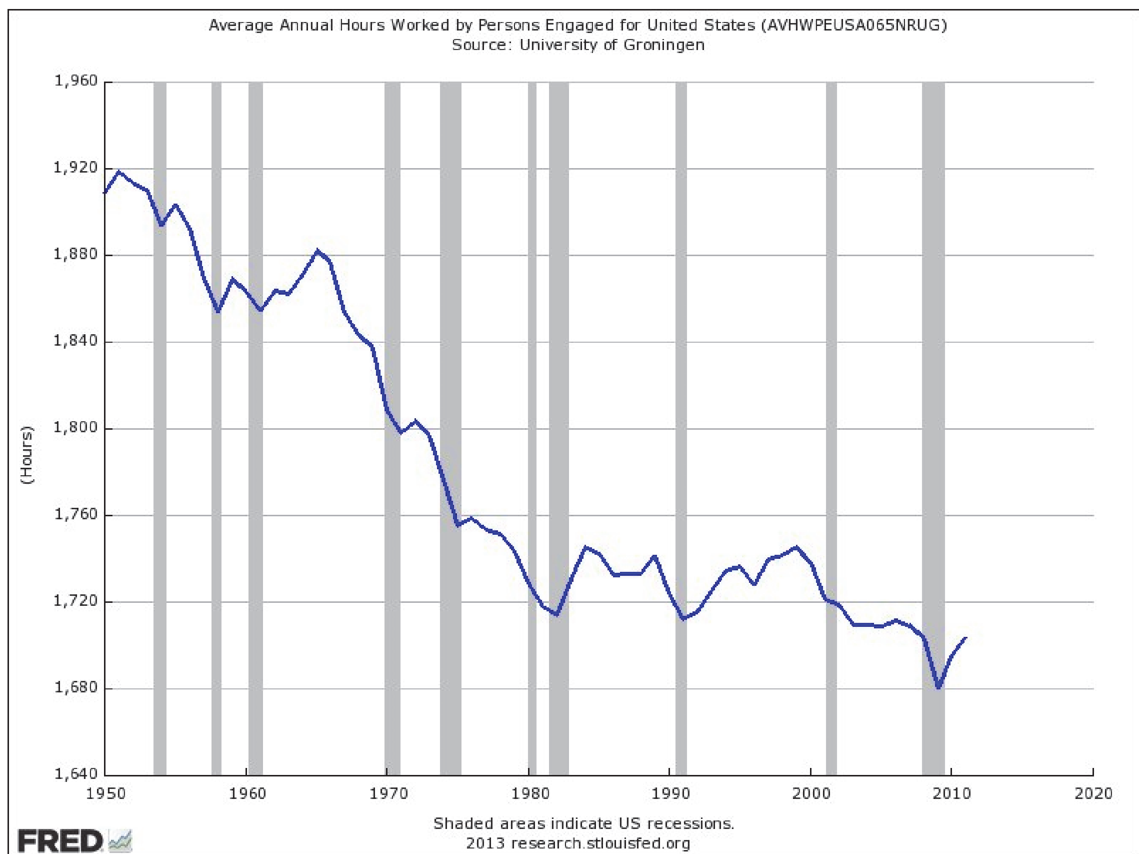

Figure 3 (Source: research.stlouisfed.org)

Furthermore, it not just the United States where this circumstance has prevailed. Major European economies such as Germany and France also have struggled with this condition, and unfortunately, have experienced an even greater loss in average working hours compared to the United States, as the following graph reveals.

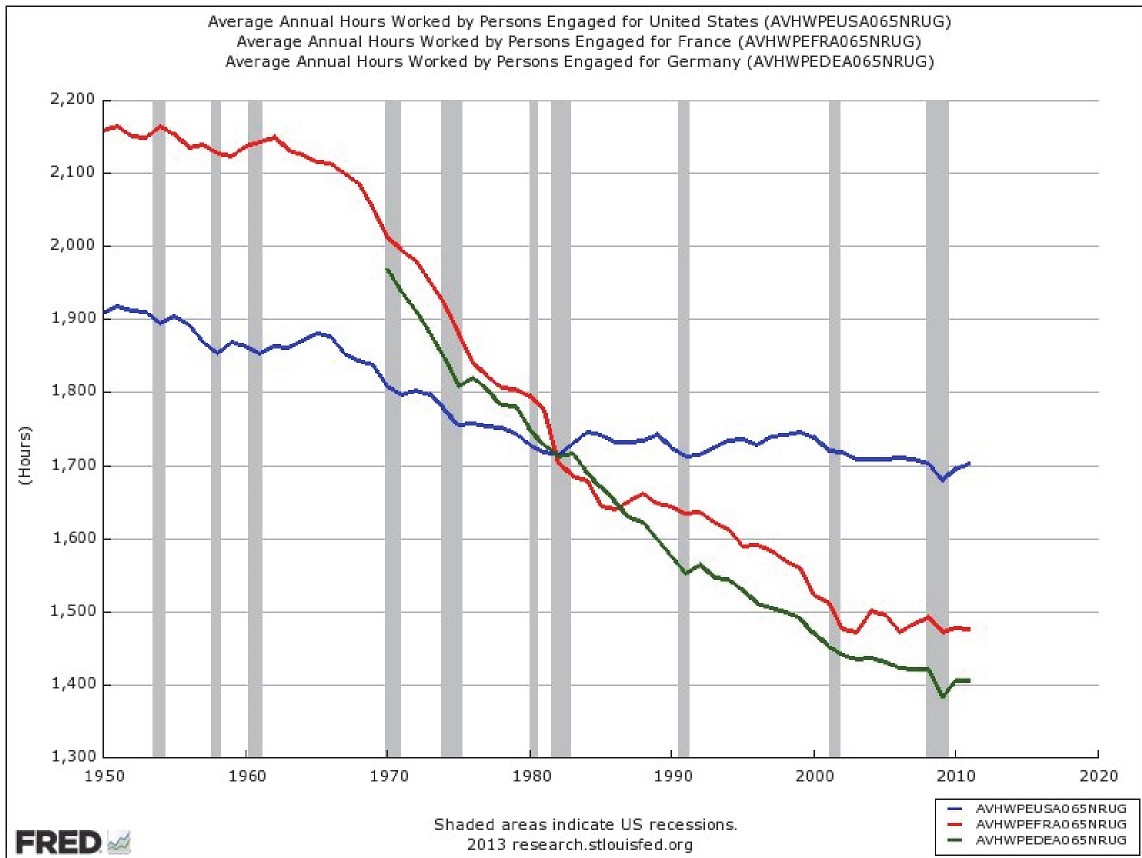

Figure 4 (Source: research.stlouisfed.org)

As it pertains to modifying public policies, the United States and other developed countries have either missed or disregarded these dynamic employment forces changing the nature of our workforce and, until now, America's failure or unwillingness to grasp these trends is postponing sorely needed new approaches to a changing world economy. Rather, national leaders appear to be simply continuing existing economic policies in the form of federal reserve quantitative easing, taxation policies that leaves rates similar to the past decade, and a continuation of deficit spending, which is causing troubling increases in the national debt. Elsewhere, many developed nations mimic our policies and in some respects have tax rates, regulations and deficit spending well beyond our own. More importantly, these measures delay discussion and perhaps implementation of more cost-effective approaches to our present situation as well as our future challenges.

A clearer example of how incomes have stagnated for much of the population is evidenced in the next chart. Based on U.S. Census Data, inflation-adjusted wages among all income groups have decreased during recent years. For the bottom-middle income groups, peak earnings occurred around 1999-2000, while the higher income groups reached their highest levels just prior to the recession in

2006-2007. One aspect seldom mentioned in most media reports, is the regression of compensation among those within the highest income groups since 2006.

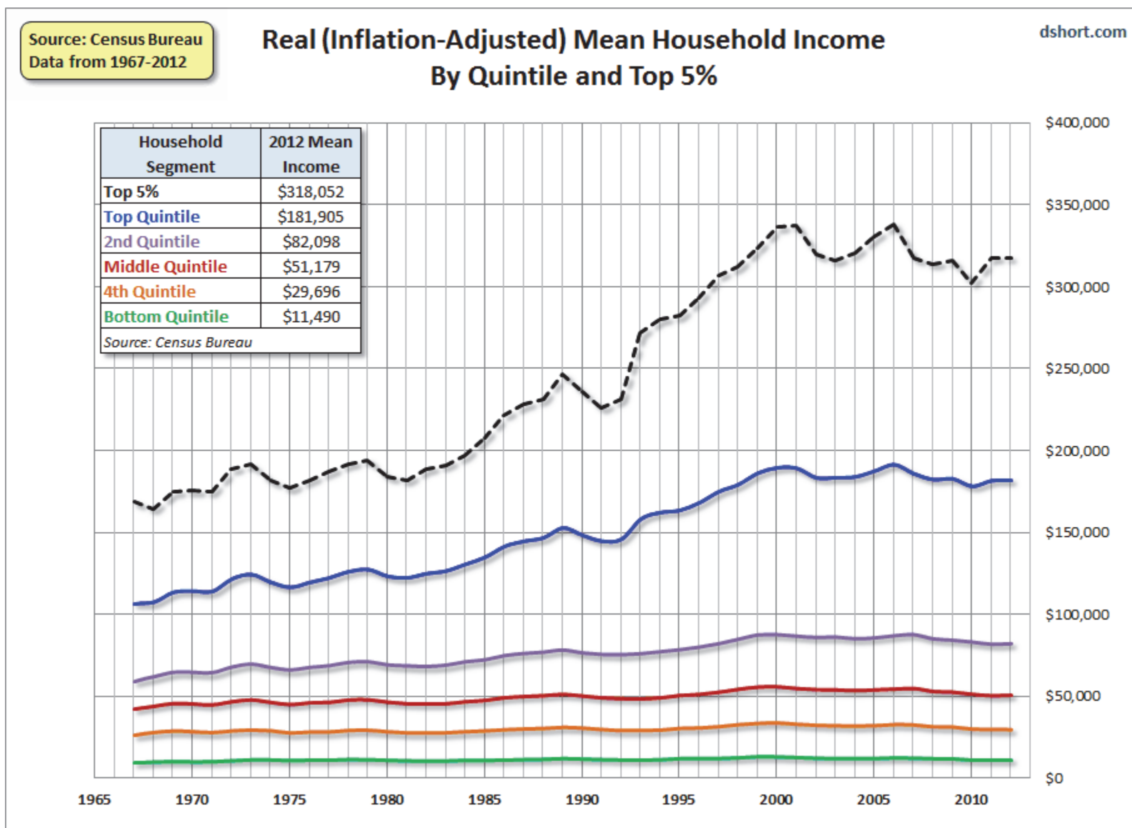

Figure 5

Real Household Income Declines from Peak Year				
Household Segment	Peak Year	Peak Income	2012 Income	Percent Change
Top 5%	2006	$338,686	$318,052	-6.1%
Top Quintile	2006	$191,513	$181,905	-5.0%
2nd Quintile	2007	$87,607	$82,098	-6.3%
Middle Quintile	2000	$56,311	$51,179	-9.1%
4th Quintile	2000	$33,815	$29,696	-12.2%
Bottom Quintile	1999	$13,663	$11,490	-15.9%
Source: Census Bureau, chained in 2012 dollars				

Table 1

Accumulation of U.S. Government Debt Limits Public Policy Initiatives

In order to comprehend the limits of government stimulus action, one needs to assess how deeply indebted the nation is at this time. The accrued financial debt already incurred by the United States is now over $17 trillion. Obligations under current law for the present value costs of social welfare programs, often referred to as unfunded liabilities, for Medicare, Social Security and federal pensions

over the next 75 years is now estimated at roughly $87 trillion. Many European nations and Japan confront similar if not larger public debt obligations. As a result, these debts constrain the ability of the United States, and as we will see later, other major industrialized nations to utilize more aggressive government funding to spur economic prosperity, assuming of course, that more public spending would actually address the realities of global competition and improve the economies of these developed nations. Moreover, it manifests the difficulty of returning to post World War II economic growth levels when so much of the nation's Gross Domestic Product (GDP) is dedicated to repaying just the interest on outstanding debt, which parenthetically, currently benefits from historically low interest rates. Every one percent increase in the interest rate will cost the U.S. Treasury over $170 billion annually in interest payments, which is one reason why the federal reserve is reluctant to raise interest rates. Going back to pre-recession interest rate levels between 2003-2008 would result in over $350 billion more in yearly interest costs to the government based on the debt outstanding at the end of fiscal year 2013. Current data show US outstanding debt above $18 trillion.

Year	Historical Debt Outstanding, US$[120]	Interest paid[121]	Interest rate
2013	17,023,234,543,635.67	$415,668,781,248.40	2.44%
2012	16,066,241,407,385.80	$359,796,008,919.49	2.24%
2011	14,790,340,328,557.10	$454,393,280,417.03	3.07%
2010	13,561,623,030,891.70	$413,954,825,362.17	3.05%
2009	11,909,829,003,511.70	$383,071,060,815.42	3.22%
2008	10,024,724,896,912.40	$451,154,049,950.63	4.50%
2007	9,007,653,372,262.48	$429,977,998,108.20	4.77%
2006	8,506,973,899,215.23	$405,872,109,315.83	4.77%
2005	7,932,709,661,723.50	$352,350,252,507.90	4.44%
2004	7,379,052,696,330.32	$321,566,323,971.29	4.36%
2003	6,783,231,062,743.62	$318,148,529,151.51	4.69%
2002	6,228,235,965,597.16	$332,536,958,599.42	5.34%
2001	5,807,463,412,200.06	$359,507,635,242.41	6.19%
2000	5,674,178,209,886.86	$361,997,734,302.36	6.38%
1999	5,656,270,901,615.43	$353,511,471,722.87	6.25%
1998	5,526,193,008,897.62	$363,823,722,920.26	6.58%
1997	5,413,146,011,397.34	$355,795,834,214.66	6.57%
1996	5,224,810,939,135.73	$343,955,076,695.15	6.58%
1995	4,973,982,900,709.39	$332,413,555,030.62	6.68%
1994	4,692,749,910,013.32	$296,277,764,246.26	6.31%
1993	4,411,488,883,139.38	$292,502,219,484.25	6.63%
1992	4,064,620,655,521.66	$292,361,073,070.74	7.19%
1991	3,665,303,351,697.03	$286,021,921,181.04	7.80%

Table 2 (Source: Treasury Direct website)

Public Policy Impediments
The impediments in suggesting any new or redirection of public policies from our current methods results from several factors: There is a lack of political consensus within many developed countries, particularly the United States, making it challenging to sustain any public policy for more than one election cycle; Any major alterations to existing policies could result in adverse effects for those who do benefit from the status quo, resulting in hardship for some segment of the population; And, any uncommon or unique schemes, no matter how potentially beneficial, often requires talented administrative oversight and judgment in order to successfully implement such plans or programs. Unfortunately, managerial skill within the public domain does not always meet this high standard. Accordingly, many of the proposals offered endeavors to build upon options presently available but perhaps underutilized or misdirected, thereby attempting to ease implementation of these recommendations.

Global Debt
Exacerbating the difficulties of global economic growth is a mounting level of debt worldwide. A recent McKinsey Company study shows that advanced nations have accumulated an unprecedented level of public and private debt during the global recession, which has failed to slacken since the recession *officially ended* several years ago. Servicing this debt level already has become unsustainable for countries such as Greece and Spain, and going forward, is likely to be a significant impediment to economic growth for many other industrialized nations.

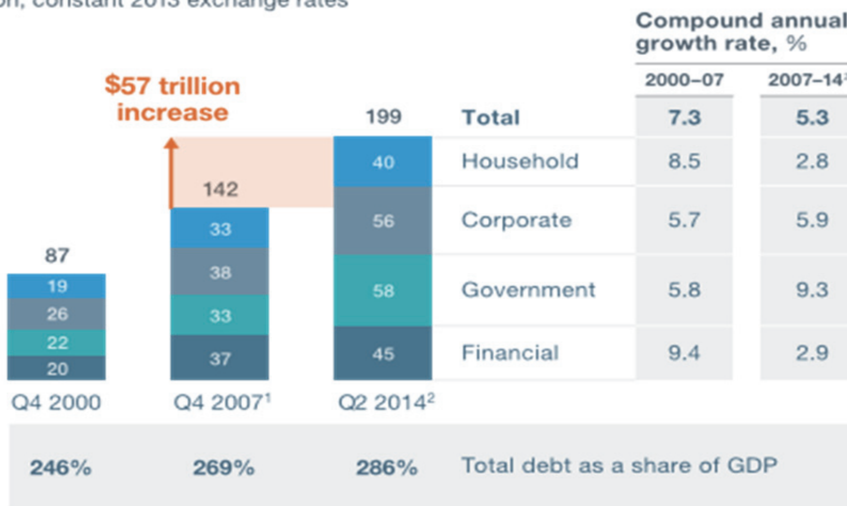

Figure 6

Consequently, in coming years, most of the world's major economic powers and their constituents are going to have to spend an increasing level of their GDP's to address the buildup of debt accumulated over the past decades. Most western governments have assumed that the growth rates of prior decades would return, thereby enabling their economies to repay these huge debt burdens. This reliance on borrowing to sustain the current economies as well as individual lifestyles in many western nations and Japan makes it harder to obtain the future growth necessary to repay these debts

because the money required to pay down these obligations must come from the private economy. Indeed, even some of the emerging economies such as China, Brazil and India are following the path of amassing high levels of debt. This accumulation of debt is likely to retard economic growth and prosperity in coming years, as governments and individuals will need increasingly larger shares of income to repay these financial obligations.

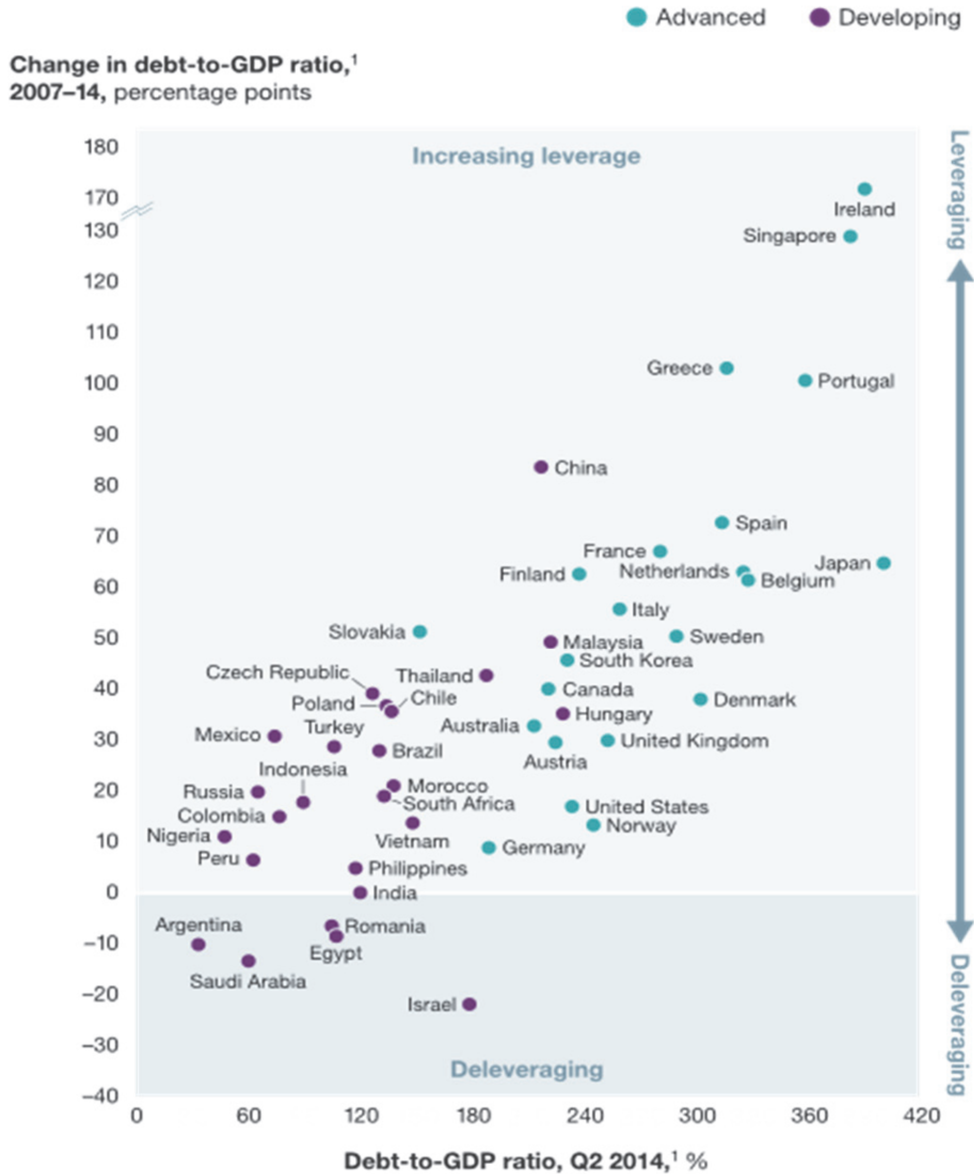

Figure 7 **Copyright (c) 2015 McKinsey & Company. All rights reserved. Reprinted by permission.**

The chart below provides some context for the scope of accumulated public and private debt in the United States, particularly in the past several decades. Debt amounts exceed even the worst years of the Great Depression during the 1930s, and will take many years of deleveraging to reach more typical levels.

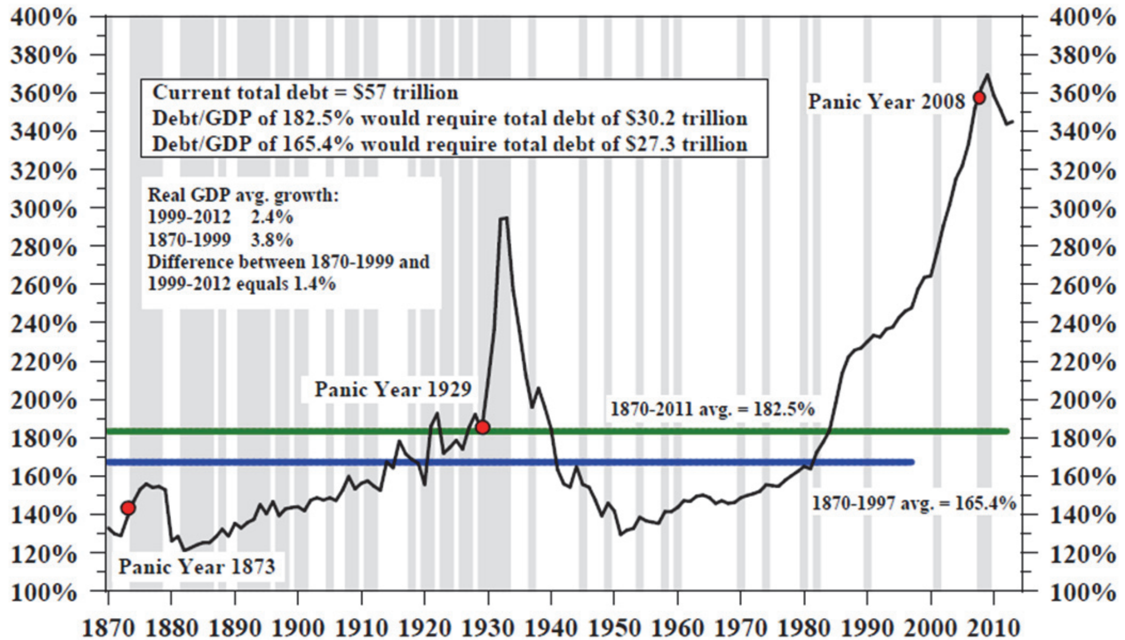

Figure 8

Furthermore, just in case you were wondering if many corporations, realizing record profits and stashing massive amounts of cash overseas are still issuing debt, the table below should clarify this matter for you. It is argued that this debt accumulation results from historically low interest rates as a consequence of Federal Reserve policies, high corporate tax rates in the United States compared to most foreign countries, and the ability for corporations to deduct whatever interest they are paying on their tax returns.[x] Eventually, this high level of debt is likely to limit future growth and investment.

Figure 9 (Source: Moody's Analytics & Wall Street Journal)

And finally, we can observe household debt in the United States over recent decades. While some progress has been made recently, we still are at unacceptably high levels, which is crimping demand for goods and services.

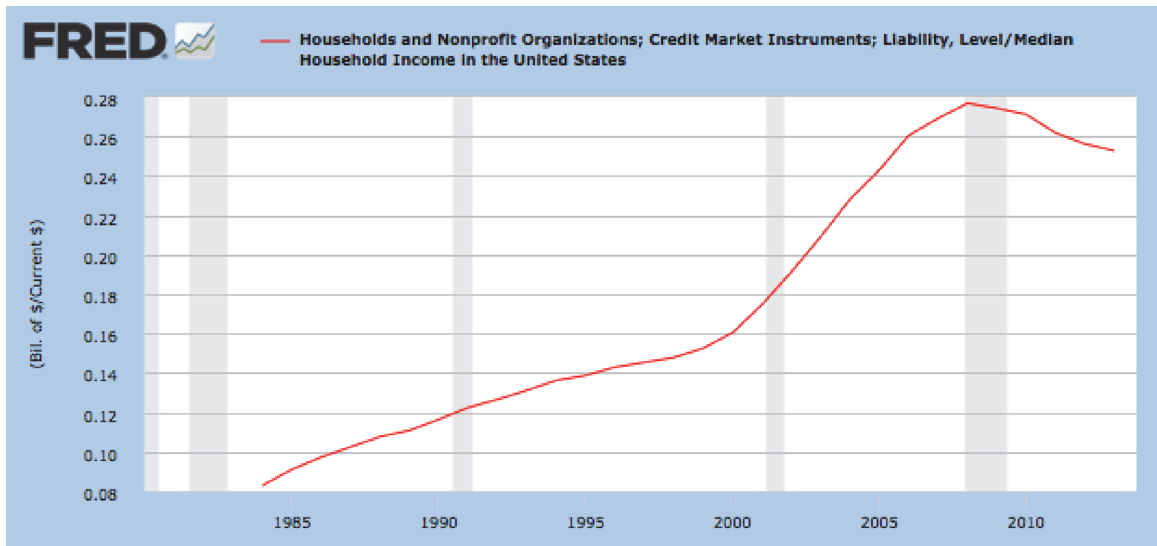

Figure 10 (Source: stlouisfed.org)

Historical Perspective

Our current economic and labor market challenges cannot be evaluated without reviewing some historical experience regarding gross domestic product, (GDP) labor force data, and living standards, as this provides the context and perspective concerning recent data.[xi]

Prior to the Industrial Revolution, which began in Great Britain during the mid-1700s, and spread to America and other parts of Europe during the first half of the 19th century, working life had not appreciably changed for most of the world's residents for several thousand years. Laboring primarily at farming, either as self-employed workers, if they were fortunate enough to own property, or for feudal landowners who employed them as workers, indentured servants or slaves, working life for these preindustrial workers consisted mainly of growing crops or tending livestock for the vast majority of all people. The methods used to grow and harvest crops and raise livestock also were similar over several thousand years. The balance of workers, generally around 10 percent, worked as tradesmen, such as blacksmiths, carpenters and weavers, as merchants providing services as bankers, tavern owners, general storekeepers and clergy, or as government employees, mostly as soldiers. In essence, and critical to this analysis, work, and the methods employed to perform these occupations remained mostly static from biblical times through much of the eighteenth century. Once an individual learned a job or skill, he could be secure in having the knowledge and skill to perform such occupation throughout his lifetime.

Everyone capable of working did so starting at an early age, generally prior to adolescence, and on a fulltime basis whether self-employed, or as a paid or unpaid laborer. Adam Davidson, describing the recent phenomenon of "boomerang kids," (actually these are young adults moving back home with their parents), wrote that "...for most of recorded history, a vast majority of people began working by age 4, typically on a farm, and were full-time by age 10."[xii] Since life expectancy during these millennia was typically less than the age of 40, retirement was an unfathomable concept.

This inert work environment also reflected a fixed and rather grim standard of living, particularly before Columbus' discovery of the New World expanded trade and commerce. Consequently, economic circumstances were not remarkably different among the regions of the world around 1000. Angus Maddison, the renowned British economist, estimated the global per capita GDP at $450 in the year 1000 with virtually no major differences of per capita wealth among the residents of the world's continents.[xiii] Between 1000 AD to 1820 Maddison attributed most of the per capita growth to a fourfold increase in population, although divergence occurred for those European countries that took greatest advantage of trade and commerce between 1500 and 1820. Subsequent per capita wealth was driven by the Industrial Revolution and later technological improvements, particularly for residents of those countries which most rapidly and successfully assimilated these improved methods of production and services. A significant limitation to per capita wealth occurred in those communist countries where government controlled the means of production and services. With perhaps a few minor exceptions, such as North Korea, nearly all of the former communist countries now practice at least limited forms of capitalism and participate partially or fully in the Global economy. Consequently, per capita growth as observed by Maddison has grown most rapidly in China, Eastern Europe and the former USSR between 1973 and 2006.[xiv]

Per Capita GDP By Region Between 1000 and 2006.

Country-Region	1000	1500	1700	1820	1870	1913	1950	1973	2006
W. Europe	427	771	997	1,202	1,960	3,457	4,578	11,417	23,320
E. Europe/ USSR	400	498	610	688	943	1,488	2,841	5,731	7,023
USA	400	400	527	1,257	2,602	5,301	9,561	16,689	31,049
Latin America	400	416	527	691	676	1,493	2,503	4,513	6,485
China	450	600	600	600	530	552	448	838	6,048
Japan	425	500	570	669	737	1,387	1,921	11,434	22,471
Asia (excl. Japan)	520	565	572	578	548	658	924	2,046	4,855
Africa	428	414	421	420	500	637	890	1,410	2,027
World	453	567	616	667	873	1,526	2,111	4,091	7,285
Source: www.ggdc.net/Maddison (2007a), p.382. (Per Capita GDP based upon 1990 international Geary-Khamis dollars) The Maddison-Project, http://www.ggdc.net/maddison/maddison-project/home.htm,2013 version									

Table 3

As industrialization took hold in Europe and America between 1820 and 1913, Maddison identified a rapid separation in the standard of living between industrialized economies and the rest, with per capita GDP two to five times greater in those places where industrial expansion was most pronounced, compared to where it was lacking. By 1973, this per capita GDP ratio was estimated to be roughly 20 times higher in the United States compared to China. When industrialization and capitalism became more prominent in China over the past three decades, it quickly closed its per capita GDP gap with other western industrial nations and now exceeds Africa and the rest of Asia excluding Japan, South Korea, and Taiwan. Still, the net effect of this industrialization showed over a tenfold increase of the World's per capita GDP between 1820 and 2006. In addition, the World's population grew sixfold from 1 billion in 1804 to 6 billion in 1999, further contributing to Global GDP growth.

Accompanying this industrialization was a historical transfer of occupation workers from agricultural employment to manufacturing, and more importantly, from self-employment, to employment status. As previously noted, in 1790 agricultural workers comprised approximately 90 percent of the United States population, falling to less than 2 percent by 2010.[xv] As a result, in roughly two centuries, America's labor force switched from one of primarily self-employed farmers and businessmen to a workforce made up almost entirely of employees. According to the Department of Labor, unincorporated self-employed workers now represent just 10.9 percent of the total workforce in 2009.[xvi] More recent data by the U.S. Bureau of Labor Statistics cited in an essay by financial writer Charles Hugh Smith indicate that self-employed ranks during the recession dropped by 1.6 million from 2007 through 2013.[xvii] This remarkable transformation of how we earned our living drove government actions to assume a broader role and responsibility in the economy, by providing more protective measures that curbed the most onerous difficulties faced by those either temporarily or permanently unable to be self-supporting. Through legislation government created unemployment and disability insurance, occupational work and safety standards, and a social welfare system that provided cash payments, food subsidies and health benefits.

Recent Trends in United States & Developed Countries GDP Growth Rates
Meanwhile, GDP growth for the United States slowed significantly during the past decade, to roughly half of its growth compared to the 1980s and 1990s. The question is whether this past decade portends a trend towards slower domestic growth or represents an anomaly that can be corrected through current federal action on such matters as taxes and monetary policy. The last decade's GDP growth in the United States was just one-half the amount of previous decades, according to the Department of Labor's Bureau of Labor Statistics.

Real Growth Domestic Product Growth for U.S., Past Six Decades

1950	**1960**	**1970**	**1980**	**1990**	**2000**
7.7	2.3	3.4	2.5	-0.2	1.1
1951	**1961**	**1971**	**1981**	**1991**	**2001**
3.8	6.1	5.3	-1.9	3.4	1.8
1952	**1962**	**1972**	**1982**	**1992**	**2002**
4.6	4.4	5.8	4.5	2.9	2.5
1953	**1963**	**1973**	**1983**	**1993**	**2003**
-0.6	5.8	-0.6	7.2	4.1	3.5
1954	**1964**	**1974**	**1984**	**1994**	**2004**
7.2	6.4	-0.2	4.1	2.5	3.1
1955	**1965**	**1975**	**1985**	**1995**	**2005**
2.0	6.5	5.4	3.5	3.7	2.7
1956	**1966**	**1976**	**1986**	**1996**	**2006**
2.0	2.5	4.6	3.2	4.5	1.9
1957	**1967**	**1977**	**1987**	**1997**	**2007**
-0.9	4.8	5.6	4.1	4.4	-0.3
1958	**1968**	**1978**	**1988**	**1998**	**2008**
7.2	3.1	3.6	3.6	4.8	-3.1
1959	**1969**	**1979**	**1989**	**1999**	**2009**
2.5	0.2	-0.3	1.9	1.1	2.4
1950s	**1960s**	**1970s**	**1980s**	**1990s**	**2000s**
3.55	4.21	3.21	3.02	3.12	1.56

Table 4 (Source: U.S. Bureau of Economic Analysis – March 2012)

This slowing growth trend is evident throughout Europe and Japan as well. Between 2004-2010 the European GDP growth rate averaged 1.3 percent. And, this modest growth trend has continued during the past two years, with at just 1.4 percent in 2011 and a negative 0.5 percent through the first two quarters of 2012.