

VALUE DRIVEN

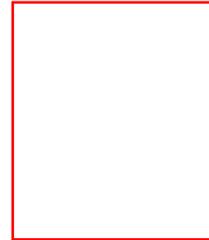
Worrying About Jobs Isn't Productive

Yes, the U.S. is losing factory jobs; so is the rest of the world. Here's why we shouldn't sweat.

FORTUNE

Monday, October 27, 2003

By Geoffrey Colvin



Geoffrey Colvin

What are people going to do with themselves?

That is a pretty deep question to ask about the world population, but it's hard to avoid in light of what's been happening. The U.S. economic expansion, officially underway for 20 months, has somehow managed to destroy rather than create net new jobs. Manufacturing jobs in particular just keep emigrating or evaporating. What is certain in this world if Carrier will no longer make air conditioners in Syracuse?

And then there's the stunning new report from Alliance Capital economist Joseph Carson showing it isn't just the U.S. that's losing factory jobs--it's the whole planet. Yes, we've been exporting jobs, but the more significant trend is that the global economy has been annihilating them. Carson found that the world's 20 largest economies lost 22 million manufacturing jobs from 1995 to 2002. Even China, which is supposed to be where most of our factory jobs are going, lost 15 million jobs in that period, vs. America's loss of just two million.

Fewer people are cranking out stuff, yet the world has much, much more of it--30% more, Carson found. Put those developments together, and you get what many people think is a productivity crisis: not too little productivity, but too much. Relentlessly rising productivity is the reason for America's jobless recovery, and the world's overall productivity is clearly galloping ahead at a fearsome rate.

Which makes you wonder: What will people do with themselves? With every passing day it takes fewer of them to make more stuff, and how much stuff can we handle? Fortunately, we've been here before. This is not a crisis, but the conventional answer--that future work is in services and information--is not especially helpful, though it's obviously true. The way forward is actually more mysterious.

The last time we thought we were in a productivity crisis was 30-odd years ago, when the outlines of the infotech revolution were just coming into view. That age's prognosticators got a lot of things right, foreseeing that a world of widespread, distributed computing, networked via fiber-optic lines, would turbocharge productivity.

What they got hilariously wrong was the effect. With everyone so darned productive, they reasoned, we'd face a grave social crisis of excess leisure time. People wouldn't have to work very much--so what would they do? Some of America's top intellectuals actually devoted

hours of premium-quality brainpower to that quandary.

They forgot something important and failed to foresee something critical. What they forgot is that human desires and human ingenuity are boundless. No matter how much we have, we always want more, and someone will always think up new ways to bring us what we want. Our wants needn't be material and frequently aren't. As Milton Friedman once observed, if the society becomes rich enough, we may all want personal psychiatrists to follow us around. I'm not so sure about the specifics of that one, but the general idea is undeniable.

What the forecasters failed to foresee is that while infotech would indeed make us awesomely productive, it would also blast away information costs and transaction costs that enabled uncompetitive companies to survive. It would spawn online reverse auctions in which suppliers pound the living daylight out of each other on price for the benefit of corporate customers. It would create an increasingly friction-free, nowhere-to-hide economy that is brutally Darwinian. Result: Instead of working less because we're so productive, we must work more in order to compete.

The forecast we can make with confidence today is that we aren't facing a general productivity crisis. America's factory workers do face a crisis of rising productivity, and they need help. They once accounted for over half of all workers but are down to 14%. How low can that number go? Agricultural workers were once more than half of all working people; they're now 2.5%, and we have more food than ever.

But as an economy we needn't worry about productivity getting too high. So what, specifically, will people do with themselves? Will tomorrow's jobs be in health care, programming, accounting? Massage therapy? Will we all work for Wal-Mart? We should finally admit that we do not and cannot know, and regard that fact with serenity rather than anxiety. As long as infotech keeps sapping friction from the economy and the world remains mostly on its path toward free markets and free trade, staying at least as busy as we want will be the very least of our worries.

Geoffrey colvin, the senior editor at large of fortune, can be reached at gcolvin@fortunemail.com. Watch him on Wall Street Week With Fortune, Friday evenings on PBS.

[SUBSCRIBER LOGIN](#) | [HOME](#) | [COMPANIES](#) | [CEOs](#) | [INVESTING](#) | [CAREERS](#) | [TECHNOLOGY](#) | [SMALL BUSINESS](#) | [PDFs](#)

Services: [Downloads](#) | [Customer Service](#) | [Conferences](#) | [Special Sections](#) | [Free Product Info](#) | [FORTUNE Education Program](#)
Information: [Current Issue](#) | [Archive](#) | [Site Map](#) | [Press Center](#) | [Contact FORTUNE](#) | [Advertising Info](#)

© Copyright 2004 Time Inc. All rights reserved. Reproduction in whole or in part without permission is prohibited. You may make a single printed copy of this content, solely for your personal use. For all other uses, including commercial and academic uses, please visit www.FortuneReprints.com and www.FortunePermissions.com.

[Privacy Policy](#) [Terms of Use](#) [Disclaimer](#) [Contact Fortune](#)