How to Cut Unemployment in the Next Five Years

Allan H. Meltzer
Carnegie Mellon University, am05@andrew.cmu.edu

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If Thatcher wins...

How to cut unemployment in the next five years

By Allan Meltzer

The first Thatcher government succeeded in reducing the rate of inflation, lowering income tax rates, removing capital controls, denationalising parts of industry and reducing the real value of the subsidies paid to the remaining nationalised firms. Accompanying these successes, the government, in reducing its need for stabilisation, has been able to make fiscal and monetary policy much more contractionary than was the case under the previous Labour administrations. Consequently, this has helped to bring about a reduction in both inflation and unemployment.

The UK economy has many long-standing barriers to labour mobility. Factors such as the sex and age composition of the workforce and job characteristics, as well as the training and productivity of the workforce, have all contributed to high levels of unemployment. Moreover, the government's policies have had a negative impact on the rate of capital investment.

The most important barrier to labour mobility is the existence of a large number of part-time workers. Part-time workers are less mobile than full-time workers, and this has a negative impact on the rate of unemployment. Moreover, the government's policies have had a negative impact on the rate of capital investment.

The benefits of these policies include a reduction in the rate of unemployment and a reduction in the rate of inflation. Moreover, the government's policies have had a positive impact on the rate of capital investment.

The UK economy has many long-standing barriers to labour mobility. These barriers contribute to unemployment. Housing policies create some of the highest barriers. Rent control and housing subsidies discourage private construction and discourage workers from moving in areas where jobs are available. The government's policies should be replaced by incentives paid directly to individuals.

The world economy prospered in the 1950s and 1960s. Trade expanded at a rapid rate, and the developed world enjoyed non-inflationary growth. This was due to a combination of policies that promoted sustained growth and to the absence of significant economic disturbances. These policies were not replicated in the 1970s and 1980s.

Two policies are most urgent. First, tariffs and barriers to trade must be reduced or removed. Second, current low rates of inflation in the UK, Japan and Germany should be maintained. Each of these countries should announce a medium-term monetary target and adopt methods of monetary control capable of achieving the announced targets.

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