

Participating & Enforced Idleness Due to Covid-19 (I)

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We've experienced accelerated negative economic impacts of viral contagion in real time, spiking the unemployment numbers up to around 9 million in the last two weeks.



(Figure 1.1)¹

As of now this unemployment is not seasonal, frictional, structural, or cyclical. This is a different kind of unemployment rooted in executive orders from States in which the labor force either participates in idleness or idleness upon specific sectors is enforced.

The hesitation to shut things down sooner was rooted in trying to figure out how to pay for it. They came up with the CARES Act.

The unemployment insurance component of the CARES Act promotes participating idleness, "By withholding labor, the workers receive a sum over and above what would have been the competitive (natural scarcity) value of the total work supplied. But instead of some of the workers moving out to other jobs when the amount of work is thus cut down, they participate in the extra revenues by sharing the reduced supply of work."²

The business loan component of the CARES Act was designed to take the edge off of enforced idleness. "Enforced idleness exists when specialized resources have (a) been driven out of one productive employment by legal enactments, by physical violence, by threats, by "moral suasion" by strikes, by boycotts, or by the use or threatened use of

¹ (Federal Reserve Bank of St. Louis, 2020)

² (Hutt, 1939, p. 58)

discriminatory charges and yet (b) have not taken other employments because of some “participating” rights conferred by idleness.”³

When participating idleness and enforced idleness due to the Covid-19 pandemic are lifted, there is a real danger that the adjustment period associated with such idleness, will have reallocated and transformed resources in a way that structural and cyclical unemployment are chronic.

Structural unemployment occurs when workers do not have the skills employers require and their specific skills are no longer in demand⁴.

Cyclical unemployment occurs when there are not enough jobs to go around due to an “inadequate demand for goods and services and thus for labor.”⁵

Will the productive value of those currently subjected to participating idleness and enforced idleness be able to generate enough revenue to pay their wages and make the employer a profit when the dust settles from this, despite the reallocations and transformations taking place during this adjustment period?

Or will the reallocations and transformations taking place during this adjustment period find many of the people currently subjected to participating or enforced idleness, structurally or cyclically unemployed?

Works Cited

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³ (Hutt, 1939, p. 73)

⁴ (Schiller, 2009, p. 220)

⁵ (Schiller, 2009, p. 220)