

## Are we unemployed or unemployable? That is the question

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Martin Wolf has one of his, usual, [excellent columns in the FT this morning](#). I recommend reading it in full, but the nub of his argument is a simple one.

Evidence suggests that we're 14% down on GDP now from where we would have been if we'd not had a crash. The big debate is whether we have we lost this growth permanently i.e. we're down because there is no capacity in the UK economy to recover, or whether we down because this is a cyclical downturn and we just need a recovery for us to bounce back, productivity to rise again and unemployment to fall.

Wolf argues the latter, of course, and so would I. We have about 9% unemployment. More importantly, as he notes, we have massive underemployment i.e. people doing part time work who want full time work and, as importantly, there are employers still keeping staff rather than sacking them in the vain hope that things might turn round despite George Osborne. I believe in the strength, ingenuity and skill of the UK work force in other words, as does Martin Wolf.

The government and the Office for Budget Responsibility do not. Their argument is that the capacity of the UK economy has been permanently impaired and, in effect, these unemployed people aren't going to get back to work again as they are effectively unemployable. They don't actually see an upturn coming (links in his paper).

This is a vital understanding. If you think we can employ the currently unemployed and underemployed in the UK then what we need to get out of recession is a stimulus to demand. So we would need, as I have long argued, a boost to investment in infrastructure, a Green New Deal and a temporary increase in government borrowing to start that process working so people get back to work, pay their taxes, get off benefits and so net contribute to repaying the deficit.

Alternatively, if you think that such spending won't create a boost because the people unemployed are unemployable then you have instead to clear the deficit using tax rises and spending cuts - which is Osborne's Austerian plan.

It's a stark way of explaining the pathways to the policy choices we face.

I believe in the people of the UK.

The Tories and other Austerians don't.

So what do you think?