ECONOMICS, LABOR & BUSINESS

Off the Books

"How Big Is the Irregular Economy?" by Edward L. Feige, in *Challenge* (Nov.-Dec. 1979), 901 N. Broadway, White Plains, N.Y. 10603.

In Washington, bad economic data may result in bad policy. Feige, a University of Wisconsin economist, finds the federal government's statistics on the U.S. economy so incomplete as to be nearly worthless.

The main problem: the official data exclude "irregular" economic activity—from illegal drug trafficking and gambling profits to moonlighting and "off-the-books" bartering. Economist Peter Gutman pegged the U.S. "underground" economy at nearly $200 billion in 1976—an amount then equal to roughly 12 percent of the official U.S. Gross National Product. But Feige says even these figures are too low. He compared the total volume of on-the-books cash and credit transactions in the U.S. with the total income declared by individuals and businesses. The difference between the two indicated to him the amount of irregular economic activity in America. His calculations point to an irregular economy of $369 billion in 1976, equal to 22 percent of the measured GNP.

In 1978, he says, this figure rose to $704 billion—fully one-third of recorded output. (High taxes and inflation appear to be behind this phenomenal growth, nudging individuals and businesses into under-the-counter and sometimes illegal activities.) Put another way, the irregular economy is growing about four times faster than the regular economy.

Feige admits he could be several hundred billion dollars off—either too high or (more likely) too low. Still, if his general assessment is correct—and the irregular economy grew 91 percent between 1976 and 1978—then the total U.S. economy expanded by a spectacular 22 percent in real terms during that period (not 9.9 percent, the official rate).

In any case, employment and real growth are much higher than government statistics indicate. Given this cushion, economic policymakers can probably afford to fight inflation with tighter fiscal and monetary restraints than they are using now, according to Feige. The "recession" that could result is likely to exist only on paper.

Help Wanted

"In the 1980s: A Dramatically Different Labor Force" by Arnold R. Weber, in *Across the Board* (Dec. 1979), The Conference Board, 845 Third Ave., New York, N.Y. 10022.

The American labor market faces unusual shifts in the 1980s. During the past decade, young people from the Baby Boom of the late '40s and early '50s, and unprecedented numbers of women, flooded the job market. The work force expanded by 2.3 percent annually, nearly double the rate of increase during the '60s. Unemployment hovered between 7 and 9 percent throughout the mid-'70s.

But during the '80s, says Weber, professor of economics and public administration at Carnegie-Mellon University, the labor force will grow by only 1.1 percent annually. And the American work force as a group will age. The proportion of workers in the 16-to-24 age bracket will decline from the current 23.9 percent to 18.4 percent by 1990. And, although the number of people age 55 and over will rise from 44.1 million in 1980 to 47.1 million in 1990, fewer of them will be working or seeking work.

Declining birth rates are one reason for the shrinking labor supply. The trend toward frequent holidays and early retirement plans—pushed by unemployment-conscious unions—is another. (The United Auto Workers union secured 12 additional days of leave in 1976 alone.) Employers now need more workers per job.

Meanwhile, more generous federal disability benefits and unemployment compensation provide alternatives to job-hunting. Between 1972 and 1977, the number of individuals receiving disability payments shot up 45 percent, to 2.8 million. Weber suggests that more workers with minor handicaps today choose disability payments rather than test the job market.

Nominal "full" employment (4 percent joblessness) is possible by the mid-'80s, says Weber. By then, illegal immigrants will be badly needed as unskilled labor. Yet, the number of Americans in the 25-to-44 age group will swell by one-third—making up 33 percent of the work force—as the Baby-Boom babies grow up. The better-trained workers in this group will have to "jostle and elbow" for white- and blue-collar jobs and promotions. The competitive pressure here will probably produce more opposition to federal affirmative-action programs, a frantic scramble for graduate degrees to embellish job credentials, and growing political demands to retire older workers.

The Many Paths Out of Poverty

"Country Experience in Providing for Basic Needs" by Frances Stewart, in *Finance and Development* (Dec. 1979), International Monetary Fund Bldg., 700 19th St. N.W., Washington, D.C. 20431.

During the 1970s, economists and wealthy aid-giving nations learned that economic growth and new industry alone do not raise living standards in the Third World. In countries such as Brazil and India, for example, impressive advances in manufacturing and trade coexist with hunger and desperate poverty.

Stewart, an Oxford economist, reports on recent World Bank findings that contradict most theories variously linking high living standards to capitalism, or socialism, or even growth itself. In practice, a capitalist country is just as likely as a socialist or communist regime to provide