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BLINOV, Sergey

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Sergey BLINOV¹

Okun's Law, Employment Paradox and Impact of Unemployment on the Economy of the USSR and Russia.

Abstract

For effective economic growth, intentional "creation" of unemployment is required to be followed up by its «elimination».

From Okun's law one can infer an interesting corollary: growing unemployment without reducing GDP increases the economy's potential. This corollary can be proved theoretically (unlike Okun's law which is an empirical law).

There were two causes of the USSR's economic slowdown on the eve of its breakup. One of them was a shortage of labor which is identical to lack of unemployment. However strange it may seem, but the economic problems of modern Russia have the same root cause.

Key words: employment; Okun's law; economic growth; productivity.

JEL classification: E24; J01; J08; N14

¹ Sergey Nikolaevich BLINOV (blinov@kamaz.org or senib2005@yandex.ru), Advisor to General Director, KAMAZ OJSC, Russia, Naberezhnye Chelny.

Interesting Corollary of Okun's Law.

Okun's Law

Arthur Okun, Head of the Council of Economic Consultants of President Johnson's Administration (U.S.A.) during the 1960-s, analyzing statistics, established the linkage between unemployment and the volume of GDP. This correlation was later called «Okun's Law» (Okun, 1962). Strictly speaking, this is a law which has not been derived from theory, this is the so called «empirical» law (inferred from observations of actual data).

In accordance with Okun's law, the gap between «production volume in the economy with full employment» and «actual production volume» increases by 2% with each increase in unemployment level by 1 percentage point (Abel, Bernanke, 2010).

Let us now apply this law to the example (which is close to the parameters of the Russian economy).
Input data:

- GDP is 60 trln. Rbls.
- Actual unemployment level is 5%
- What will the GDP be if unemployment grows up to 6%?

Solution: Okun's law says that if the actual level of unemployment increases by 1%, i.e. up to 6%, the volume of GDP will decrease by 2%, i.e. by 1.2 trln. Rbls. (1.2 trln. Rbls. equals 2% of the GDP which is 60 trln. Rbls.). $60 \text{ trln. Rbls.} - 1.2 \text{ trln. Rbls.} = 58.8 \text{ trln. Rbls.}$

Answer: 58.8 trln. Rbls., 2% lower.

In very simple language, an increase in unemployment level by 1 percentage point «drops» the GDP by 2%.

Employment Paradox

Let us apply Okun's law in «reverse». For this purpose, let us assume that in the economy there has occurred growth in the unemployment level, however the GDP has remained at the original level. It is very easy to imagine people being made redundant without reducing production volumes: if a team consisting of 10 people, as a result of technical or organizational changes, manages to do the same work by using only 9 persons, that means downsizing 10% of the workforce previously employed. Production volume, despite that, will not decrease. If there are many such «teams» in the economy, there occurs an increase in unemployment without causing any reduction in the GDP.

Question: what, in this case, will the potential production volume (GDP) become, in the event of unemployment returning to normal level? Let us consider a similar example. Input data:

- GDP is 60 trln. Rbls.
- Actual unemployment level is 6%
- What will the GDP be, if unemployment goes down to 5%?

Solution: Okun's law says that the current level of GDP is 2% lower than the GDP level at 5% unemployment. That is «GDP at 6% unemployment» = $0.98 \cdot$ «GDP at 5% unemployment». Hence, the GDP at 5% unemployment will equal $60 \text{ trln. Rbls.} / 0.98 = 61.22 \text{ trln. Rbls.}$

Answer: 61.22 trln. Rbls., 2% higher.

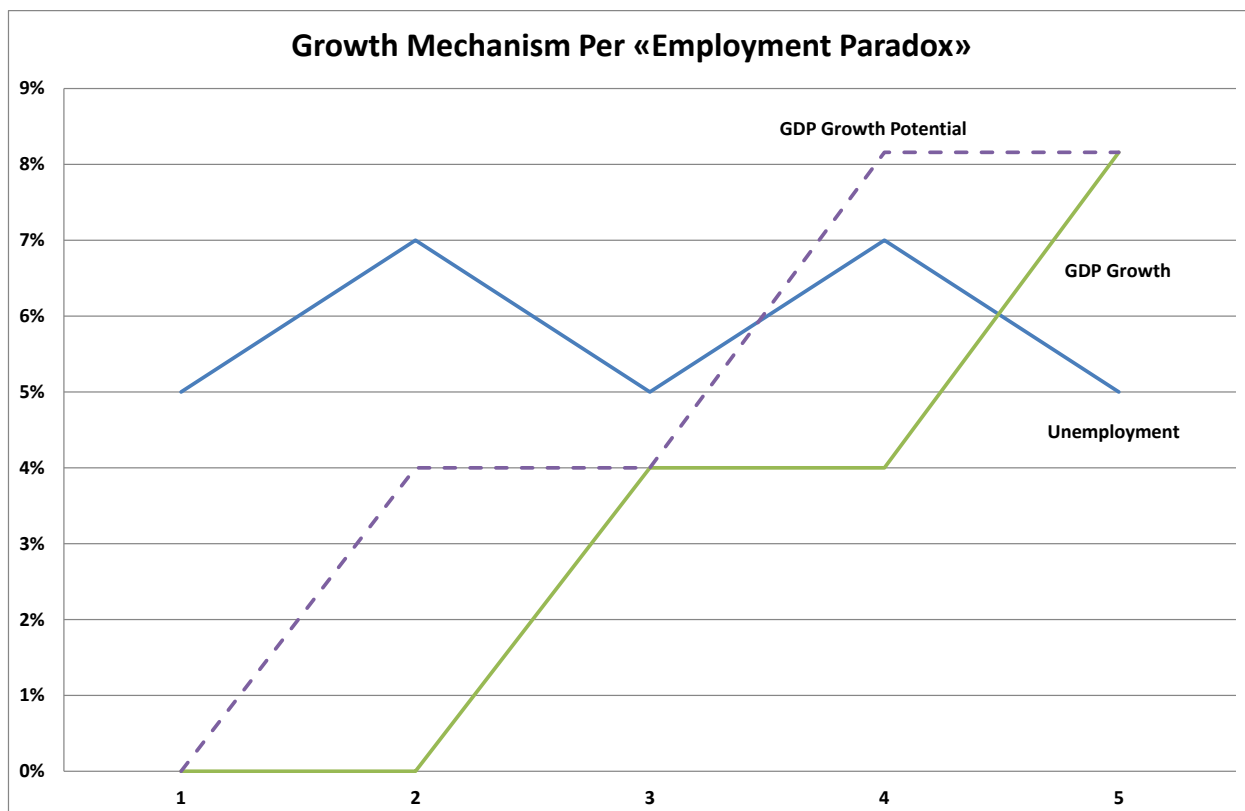
What is paradoxical is that, having made redundant 1% of the labor force capable of work, without reducing production volumes, we increase the economy's potential by 2%!

Employment Paradox: making redundant 1% of the labor force capable of work without reducing the GDP increases the economy's potential by 2%.

«Any economy, ultimately, boils down to economy of time» - said Karl Marx.

What economic growth looks like in the model using the «employment paradox» is shown in Fig. 1.

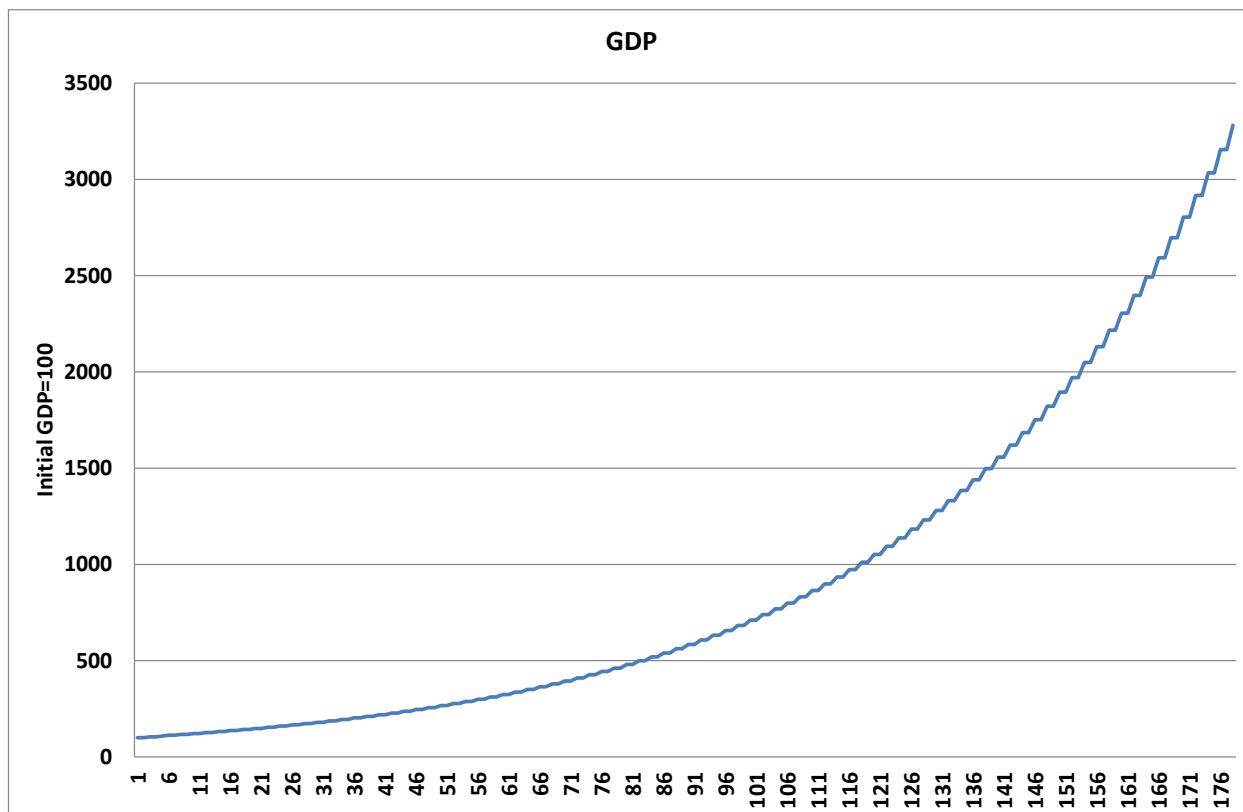
Fig.1. Growth Mechanism in the Model with the «Employment Paradox».



Sketch Description: At stage 1, the economy is in its initial state: GDP = 100 (the graph shows the GDP growth only, the GDP itself is not shown); unemployment equals 5%. At the second stage, the number of the unemployed increases up to 7%, without reducing the GDP – this creates economic growth potential of 4%. At step 3, this potential is realized: unemployment goes down to 5%, the GDP growth amounts to 4%. Subsequently, this cycle repeats itself, and growth occurs exponentially, that is, growth is exponential.

The sketch highlights the nature of growth more clearly (Fig.2), where more than 170 steps (stages) are shown instead of 5 in fig.1.

Fig.2. GDP Growth in the Model with the «Employment Paradox» Proceeds Exponentially



The workforce being made redundant only makes its growth potentially possible. But this potential remains untapped if the «new unemployed» are not provided with a job opportunity.

It is exactly in the ability to initially «make redundant», and then «to provide the most productive work» to unemployed people that lies the success of all successful economies, starting from England in the 15-18-th centuries (it turns out that enclosures, which «made redundant» a large number of people, played an economic role) and ending up with modern well developed economies.

Okun's Law Can Be Proved Theoretically

As mentioned above, Okun's law is «empirical», that is, it has not been derived from theory, it has been derived from observations of theoretical data. However, at the present time, there is an opportunity of justifying it theoretically. The article [«Time Is Money. Theory of Value Depreciation»](#) (Blinov, 2013) actually contains theoretical proof of the «employment paradox» described above. Since the «employment paradox» and «Okun's law» are just two views of the same phenomenon, it is obvious that Okun's law can be easily derived theoretically.

Below we give an extract from the above mentioned article.

Quote.

«3.2. Proof Two – using Becker's Theory of the Allocation of Time.

So, wealth, unlike «utility», grows at an accelerating pace rather than at a diminishing pace when the quantity of good available to somebody grows. We shall try to prove it using a different approach.

Suppose a man develops a need to do certain work at home (the example of that may be minor repairs or hanging pictures on the walls). The work does not require any special qualifications and can be done on one's own therefore the man is faced with the following two alternatives:

- Alternative 1. To do it on one's own. The costs will equal 1 hour of time
- Alternative 2. To call in (hire) a specialist. The costs will equal 100 Rubles.

Which of the alternatives will an economically and rationally minded person choose?

In accordance with Becker's theory of the allocation of time², this depends on «alternative costs», which would enable one to evaluate one's free time (speaking in simplified terms, «alternative costs» of leisure correspond to the amount of money which the man could gain if he worked instead of this leisure).

Let two persons find themselves in the situation described above: the first person with an hourly income of 20 Rubles an hour, and the second one with an hourly income of 500 Rubles an hour. The first person who makes 20 Rubles an hour, would prefer doing this work at home on his own to avoid paying 100 Rubles. This is logical because in the case of this person using the services of a specialist, he would then have to work 5 hours to compensate for the 100 Rubles spent on paying for the service. To spend one hour to do this work on his own is 5 times more beneficial. The person who makes 500 Rubles an hour would prefer to call in a specialist. And this is also logical because a 100 Ruble charge for the service would be compensated for by working on his regular job for only 0.2 hours (12 minutes). For him it is 5 times more beneficial to pay the specialist than do it himself.

Now let us present it all in productivity terms. The «productivity» of the first man on his regular job is 20 Rubles an hour. He will do the work himself because that would mean that his «productivity» goes up 5 times up to 100 Rubles an hour. The «productivity» of the second man is 500 Rubles an hour. He would prefer not doing the work on his own as his «productivity» in this case would drop down 5 times to 100 Rubles an hour.

Important corollary: free time is substituted for work if the productivity of its use is no lower than the labor productivity already achieved.

I mentioned above that I was trying to make conclusions as universal as possible. Such conclusions could be applied not only to modern money economy but to ancient natural economy as well. If we try to present our case in terms of ancient economy, then the analogies would approximately be as set out in table 2:

² In a less obvious context and without any linkage to the time, this was described by D. Bernoulli (ref. Galperin, 1993) as early as 1738: «For a poor man an income of one thousand ducats is of greater value than for a rich man while the monetary value is the same for both». Or «... in the majority of cases the same gain gives the poor man more benefit than to the poor man».

Choice of productivity in money economy and natural economy³.

Monetary economy	Natural economy
	Input data:
Rich man, salary is 500 Rbls. an hour	Rich man collects 8 measures of food in 8 hours
Poor man, wage is 20 Rbls. an hour	Poor man collects 1 measure of food in 8 hours
	Alternatives:
To work for 1 hour	To work for 4 hours for 1 measure of food
To pay 100 Rbls. (not to work)	Not to work for 4 hours for 1 measure of food
	Rational choice:
Rich man – to pay 100 Rbls.	Rich man – not to work extra
Poor man – to work for 1 hour	Poor man – to work extra

It is easy to calculate that «the poor man» will begin considering the possibility of extra work when the pay or result from work equals no less than 1/8 measure per hour (1/8 is his current «productivity», obtained by dividing 1 measure of food by 8 hours).

«The rich man» will begin considering the possibility of extra work when the pay or result from work equals no less than 1 measure per hour (this is the «rich man's» current productivity)

Conclusions:

- As the income/productivity goes up each subsequent unit of free time is valued still dearer and dearer.
- Goods acquired/produced in each subsequent unit of (previously free) time, are valued still higher and higher.

Without going into mathematical details, let us note that this means exponential growth, i.e. the growth which at each subsequent moment of time speeds up⁴. A graphical representation of this is given in figure 5.

³ Assumptions: 1) There are no factors which limit the possibility of working with set productivity (for example, shorter working hours or limited plot of land, etc.). 2) Basic physiological needs have been satisfied, i.e. we presume that the person in the initial situation prefers free time to extra work. 3) By free time we understand the time free from sleep, meals, etc. and physiological needs (discretionary time)

⁴ For those keen on mathematical corroborations here is a small model.

1. Let a man, at the moment in time t_1 , work for 11 hours and the production volume for this time equals V_1
2. Before the moment t_2 comes, two events take place
 - a. First, due to a rise in productivity, the man produces the same volume V_1 in only 10 hours. One hour passes from the working time into free or spare time.
 - b. Then, the man finds use for this free time and gradually fills up this hour with work by producing an extra volume ΔV_1 .
3. At the moment in time t_2 the man is again working for 11 hours. The production volume amounts to $V_1 + \Delta V_1$
4. Since labor productivity during this extra hour must be no lower than the one achieved earlier (as was previously determined), then

$$V_1 + \Delta V_1 \geq 1,1 * V_1$$

(coefficient 1.1 shows the ratio 11/10, i.e. it reflects the work during the hour freed earlier from work).

5. For the general case, the production volume during the time period t_i will satisfy the following condition:

$$V_i \geq V_1 * 1,1^{i-1}$$

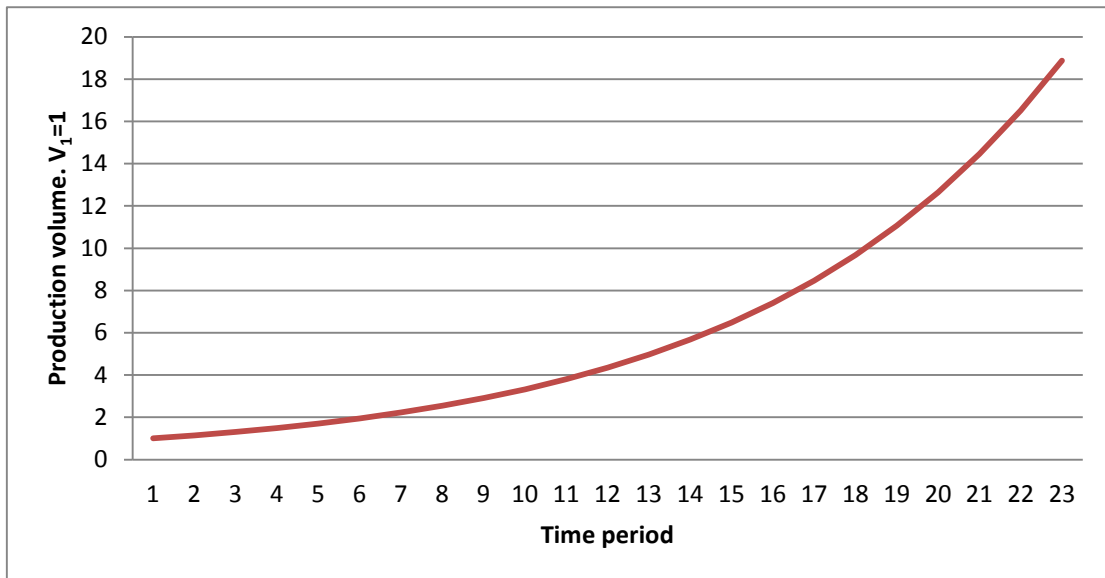


Fig. 5. Exponential growth of productivity.

The production volume in this diagram also reflects the growing wealth. Once again, using a different method, we have shown that the diagram of marginal utility does not reflect real growth of the man's wealth⁵.

(...)

4. Growth due to depreciation

Let us now proceed with the fourth and last of the key principles of the theory of depreciation. It says: **economic growth is helped by both forms of value depreciation**. We shall now try to illustrate this (Fig. 6)

-
6. In the case of minimal productivity (when instead of the sign «greater than or equal» we shall put the sign «equal») $V(i)$ – this is the exponential function.
 7. In other words, we have shown that growth of wealth/production can be an accelerating rather than a fading one.

⁵ An attentive reader will have noted that, strictly speaking, the function is exponential not of the time t , but of i , i.e. the sequence number of the period. For the function to be exponential of time, the time periods between any two adjacent t have to be the same ($t_{i+1} - t_i = \text{const}$). However strange it may be but for purposes of our discussion this does not matter. It does not matter in what time the freed hour of working time will be used to produce goods. It is important that this hour be used with rising productivity.

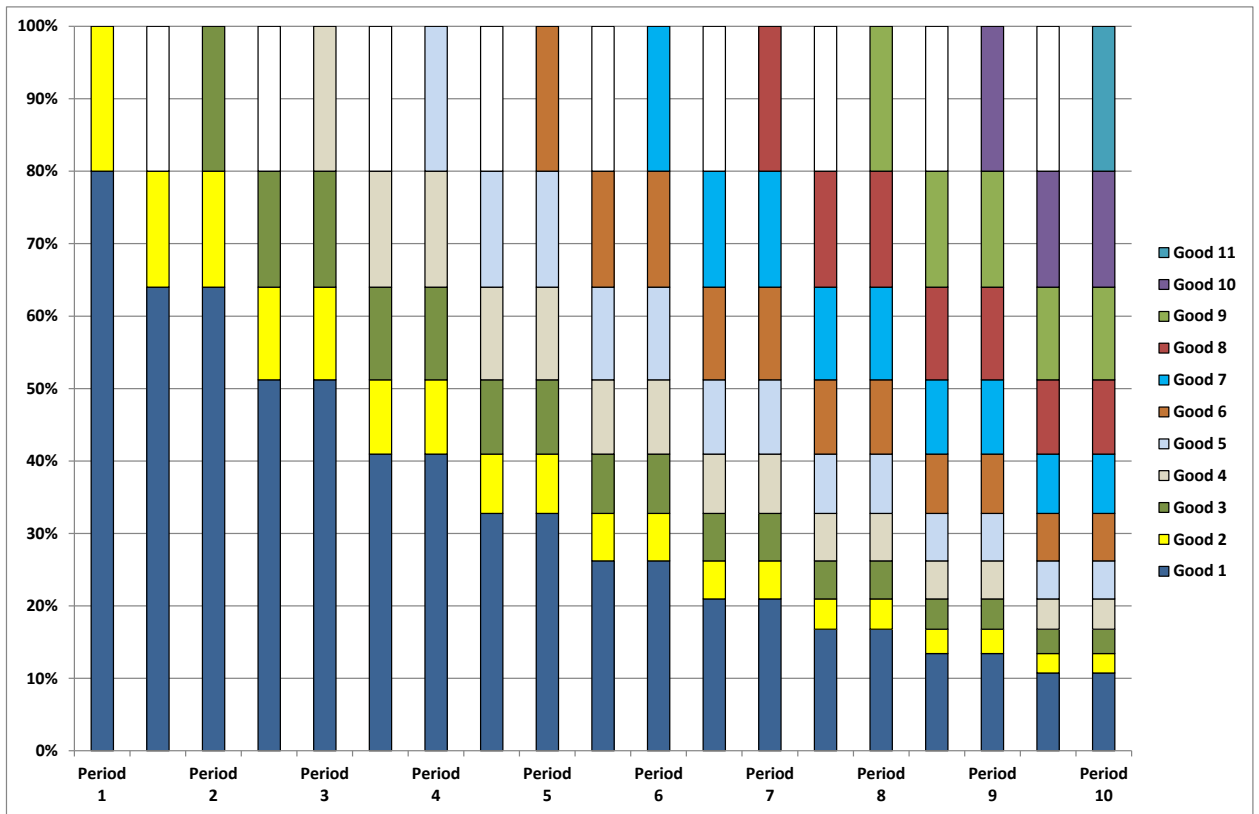


Fig. 6. Depreciation in two forms in the diagram. White color stands for the time liberated due to growth in labor productivity.

This figure assumes a 10 hour working day as 100% (though if you assume an 8 hour working day as 100%, it will not change anything fundamentally).

- In the first time period only two goods are produced (Good 1 and Good 2).
- Then, as a result of growing productivity, one can produce these goods in 8 hours only, while the two hours that are thus liberated are devoted to leisure (leisure is shown in white).
- During the second period, the man starts to produce Good 3, using for that purpose the 2 hours of time liberated earlier.
- Then again, as a result of growing productivity, the time necessary for production of the three goods decreases and two hours of time are liberated.
- During the third period, the two hours liberated for this started to be used to produce Good 4.
- Then this «two stroke» cycle repeats itself.

Each subsequent good (i.e. a «later», «newer» one) in this model has a higher relative value, relative to the goods «acquired» earlier»

Unquote.

Soviet Union: Causes of Its Economic Problems.

«Source» of the USSR's Growth

In the USSR, the problem of «making redundant» the work force, up until a certain point in time, used to be dealt with in a quite simple way, that is through migration of the population from rural areas into cities. We could have limited ourselves to this statement but it is worth shedding light especially on two different causes responsible for “redundant” labor to become available in the countryside.

First cause: continuous growth of productivity in agriculture. Mechanization, fertilizers, new species of agricultural plants with high crop yield; all these enabled a smaller number of people to provide food for the rest of the population.

While the second cause needs to be addressed in greater detail. Vladimir Mau (2014), a Russian economist, recently said: *«There is an old economic joke about two methods of producing American cars. One of the methods is called the Detroit way: giant manufacturers make cars which Americans buy. The second method is the Iowa way: residents of Iowa grow grain which they sell to the Japanese, and spend the money thus earned to buy Japanese cars. In the logic of the 19-th century and most of the 20-th century, the Iowa way is no good. But, as a matter of fact, one cannot say quite definitively either which of the two is better: one's own low quality cars or good imported ones».*

If we are to use this terminology, during the period of the tsar (before the 1917 Revolution), Russia used to produce the majority of goods the Iowa way. That is, Russia would grow grain which was exported. In exchange, Europe would supply industrial goods. Nefedov (2008) cites the following data:

«Let us take, for example, the data for 1907. During that year, 431 million Rubles' worth of bread was exported; in exchange, high quality consumer goods were imported for the upper classes (chiefly for the landlords, as always) in the amount of 180 mln. Rbls. and approximately 140 mln. Rbls. was the expenditures incurred by the Russians abroad; as it happens, some of the Russian aristocracy used to live abroad practically on a permanent basis. For comparison, during the same year, (only!) 40 mln Rubles' worth of machines and industrial equipment was imported, agricultural machinery – in the amount of (only!) 18 mln. Rbls. (Annual Bulletin of Russia... 1910: 191-193; Pokrovsky 1947: 383)».

However, this production method was not invented by Iowa or Russia. This is a typical relationship between Europeans and aborigines which took shape much earlier. Robert Allen (2013) in his book «Global Economic History» writes:

«In order to buy European boilers, axes and fabrics, the aborigines were to have something valuable to barter them for. In those cases when some resources which were in demand were found, the aborigines increased their production for export. The number of working hours increased correspondingly. In North America such a resource was furs. Approximately in 1680, an Indian from the Mikmaq tribes in his conversation with the French Franciscan monk joked: «To tell you the truth, my brother, a beaver is able to do everything you need better than all the others. It makes for us boilers, axes, weapons and knives. It allows us to have a drink and not to forget about our daily bread. In the meantime, we are rid of the need to work land».

As the quotation shows, the Indian means the exchange of beaver hides for all these goods supplied by the French. That is, the Indian «produces» for himself boilers, axes, weapons ,etc. by hunting for beavers.

There is no fundamental difference between these two examples if we do not consider the fact that in tsarist Russia the results of grain exports were likely to be more concentrated in the hands of the wealthy estate than the results of fur exports in the case of the Indians. However, in both cases the pivotal problem is that ***such a method of «producing» industrial goods has very low productivity***. In other words, Russia, while «producing» industrial goods by growing grain (the «lowa» way) was a very low productivity country. Just picture to yourselves, as an example, that grain, as the work done by five million Russian peasants is exchanged, say, for the work done by one million European workers. This would mean that the work done by the peasants is 5 times less productive than the work done by the workers.

Therefore, those people who admire the fact that Russia, before the Revolution, «used to feed the whole of Europe», do not fully understand that one can just as well admire the Indians who sell furs to European colonizers. Export of grain from tsarist Russia was evidence of backwardness rather than sophistication. To a certain extent, the famous reforms championed by Stolypin were putting the country on the «lowa» path.

The reverse is also true: food imports can be indicative of good condition of the economy rather than poor state of the economy (see, for example, Blinov, 2014). Britain, having been the first to carry out the industrial revolution during the first half of the 19-th century, with respect to sourcing all its foodstuffs, switched over to imports. At the same time, it was the manufacturing hub and the powerhouse for the whole world, supplying fabrics, china and other industrial goods and somewhat later, by 1860, it had begun supplying machine tools and machines, i.e. the products manufactured by the machine building industry. By the year 1900, from 75% to 90% of the requirement for key food groups of goods had started to be imported into Britain. And there was some logic to it: a British worker was manufacturing the products that allowed Britain to buy (from Russia, Poland, etc.) many times more grain than he could have been able to grow by doing the farming. Productivity (with barter or exchange opportunities taken into consideration) is the key economic criterion! (Another criterion is security. England, in both World Wars, found itself in dire food straits due to poor food self-sufficiency, food shipments were literally torpedoed by German U-boats)

What is the reason for such a long digression and such extensive quotations? The purpose of this is just to point out that, having accomplished the industrialization during the years of the first Five Year Plans, the Soviet Union made redundant the reserve work force which had been engaged in non-productive, lowa type activities to «produce industrial goods through grain production». This is exactly the second cause of making redundant the rural population in the Soviet Union mentioned above. The lowa method of production was abandoned and, as a result, a huge number of rural inhabitants were made redundant. Huge masses of peasants relocated to cities and, instead of non-productive lowa way of producing industrial goods, productive Detroit style production method came to be used.

Can the «lowa» production method fail to exercise negative influence on the country's economy? Yes, it can in certain cases as a minimum.

The first case: if productivity goes up. It is one thing when grain produced by, say, five million peasants is exchanged for industrial goods produced by one million workers. And quite another thing when good climate conditions, fertile soil, fields as level as a table, unscarred by ditches, powerful tractors and harvesters, use of fertilizers, etc. enable one million farmers to produce what used to be produced by five million. In this case, grain exports in exchange for industrial goods makes a lot of sense .

The second case: when there are no other sources of cash to bring off the «grand leap» into industrialization. During the first Five Year Plans in the USSR, grain export supplies were one of the important sources for purchases of imported equipment for plants and factories. The United States, by the way, used both scenarios in their history: while remaining a major exporter of grain, they, at the same time, were developing their industry and by the end of the 19-th century, they had overtaken Britain as the main industrial power in the world. For the second case, one can adduce the following metaphor: a commoner guy from a poor family does not spend the money he has made (modest money, by the way) on beer, entertainment, etc., he invests this money into his education which allows him to secure a much higher salary. Fundamentally, any business is of the same nature: invest now (to spend less on consumption), to gain more later.

The third case: when people need to be kept busy doing something. Metaphor: for a person who cannot read or write, even a person who is able to write, at least, his or her name or who is able to read syllable by syllable seems to be highly literate. Compared to a jobless person who produces nothing, even a man with very low productivity would appear to be more productive. «Let the two hands feed at least one mouth», as they would say dating back to the times of the Cultural Revolution in China.

It turns out that Vladimir Mau is wrong in saying (in the quotation above) that there is no certainty as to which of the two production methods is better, the Iowa or Detroit method. In each specific case, this can be done and the key to it is the growing or declining productivity.

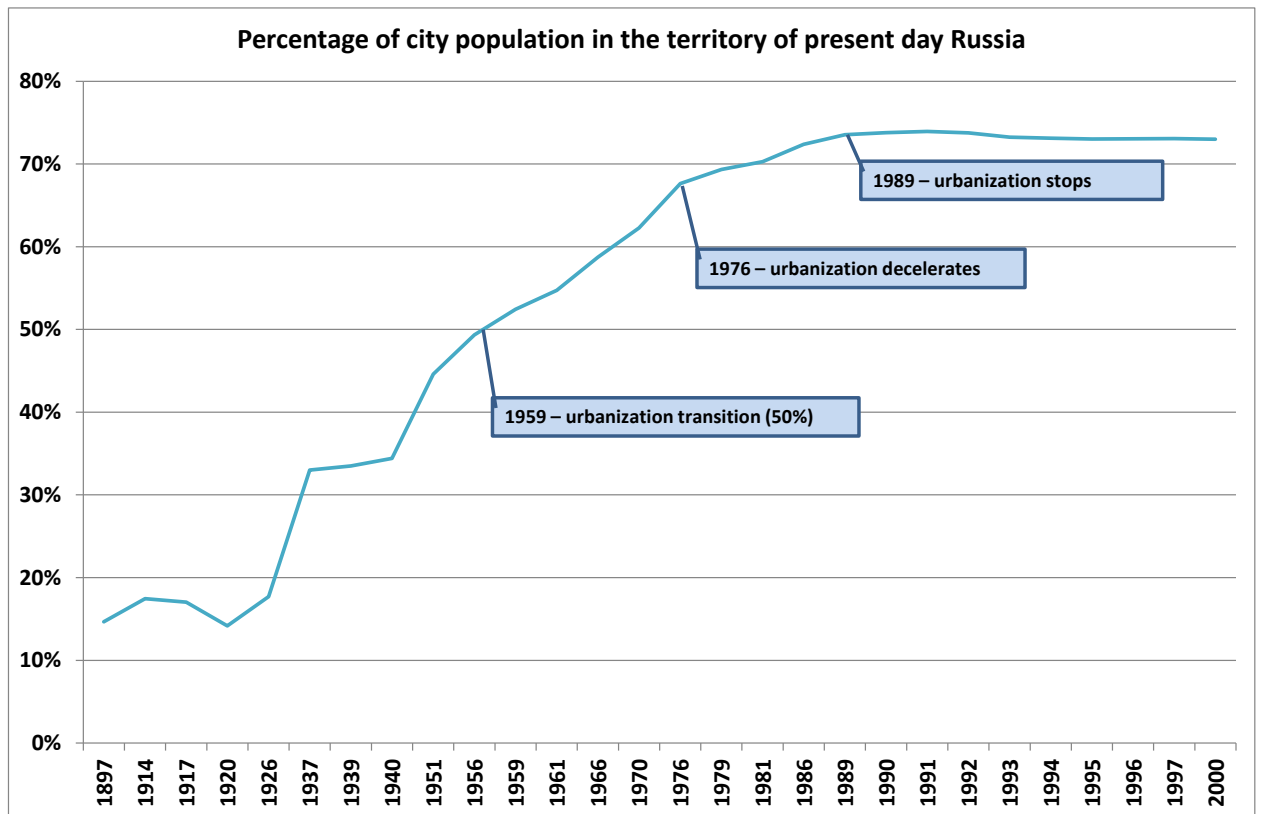
Let us revisit the subject of the Soviet Union. We have discussed the two reasons for people to be made redundant. The five year plans were also quite clear on how to keep people busy: the country needed steel – we shall build a metallurgical plant, the country needs electric power – we shall build DneproGES Hydro Electric Power Plant on the Dnieper, there were not enough tooth brushes to go around – we shall build a relevant plant, we need cars or trucks – we shall build VAZ and KAMAZ, we need roads – we shall construct roads. Industrialization was embarked upon in the heavy industry to make sure that the light industry is developed using primarily locally made equipment rather than imported equipment.

Approximately the same way, economic growth was helped by inflow of labor migrating from the rural areas and is still being helped in China, having been the case with China since 1978. It is only that production facilities are being set up with the sights set not on domestic market only but also the foreign market.

Source Depleted

However, such system cannot last for ever. The inflow of labor from the countryside tapers off first and then ceases altogether (ref. Fig.3). In the territory of modern Russia, urban population first started to exceed the rural population in 1959 (in China, for comparison, city population reached 50% in 2011). In 1976, urbanization slowed down considerably, having ushered in the beginning of «stagnation». By 1989, the urbanization process ground to a halt. And this had most serious economic implications for the Soviet Union. Plants were constructed: and there was no one to operate them. There is no unemployment, and labor productivity is twice (or more times) worse than the best world benchmarks.

Fig. 3. By 1976, the rate of urbanization in the territory of present day Russia had decelerated, and by 1989, the urbanization process had halted.



The Soviet Union was striding along the well beaten path of extensive «involvement» of labor into the production process, having overlooked the fact that there was no longer anyone to be involved. The «rural» sources depleted, while the Soviet Union was known to have no jobless people. That was exactly where the pivotal problem of the USSR lay: steps needed to be made to intentionally create «unemployment» in order to make sure that there is growth.

«During 1960, the living standards in Russia were not much lower than in the United States. But during the subsequent 30-40 years, when the United States and Western Europe ramped up labor productivity, the Soviet economy started to stall and, ultimately, it died» (Jack Goldstone, 2009)

Russia

«Problem» with Lack of Unemployment

In contemporary Russia, the problems are practically the same. Just like in the Soviet Union of the stagnation period, officials speak of low level of unemployment (quotations from speeches made at the beginning of 2014 follow). At the same time, low productivity (and low wages and salaries) evidence that there are undoubtedly labor reserves to be tapped.

Minister of Economic Development Ulyukhaev says that we «... still have **low levels of unemployment**». Nabiullina, Head of the Central Bank, talking about the current situation, stresses that «...**if the country has low unemployment, that means virtually all the work force is busy**», monetary stimulation would only hurt the economy. Prime Minister Medvediev claims that «... the government debt and **unemployment are low**» in Russia.

«Problems with lack of unemployment» are not typical of Russia only. «*In October (2013), the President of Belarus made a statement that the key problem of the country's economy is the shortage of population (under-population). "For our territory, we are short, at least, of as many people as there live in it now: we need 20 mln rather than 10 mln. We would be in a position to feed them quite easily. But they would be working and would produce a still larger volume of products", -he commented at the press conference for Russian media*» (RBK, 2013)

In the course of the period of the first Five Year Plans, among the enormous rural population of the USSR (it accounted for more than 80% of the total population, see Fig.3 above), a labor force reserve was discerned. Three quarters of the rural residents were moved into cities and took up high productivity work. Just like then, at this time, given that «virtually all the work force has been put to use», we need to discern millions of people who are engaged in low productivity work, are recipients of low wages and salaries. A way must be found to make them redundant. And new productive workplaces (with good wages and salaries) are to be given to them.

What would have been the right recipe for action for the USSR? If we are to proceed from the habits of the planned economy, it was necessary to set up «**a ministry for unemployment creation**». It had to be a complete system whose chief purpose was making people redundant in the industries and sectors with low productivity. In this respect, science also counts (search of the most important points to apply efforts to from the perspective of making people redundant), so do engineering and technology (mechanization, automation, robotization, new effective technologies).

One of the Levers.

At this time, it is impossible to use the mechanisms of planned economy. But the government does have a lot of levers. It is just the issue of «creating unemployment» must be raised. One can consider the labor remuneration as being one of the possible levers. Robert Allen (2013), just as many other researchers, underlines the role played by high wages and salaries or increase in productivity.

«*High wages and salaries in Western countries led to development of labor saving technologies the use of which results in rising labor productivity and a corresponding increase in workers' monetary remuneration*» (back translation from Russian).

«*Investments can pay off only if the investments in machines and equipment allow a large volume of capital used to pay for labor to be replaced, i.e. when wages and salaries, compared to the costs*

incurred in acquisition of fixed assets, are higher» (back translation from Russian; both quotations: Allen, 2013).

Let us assume that Russian business gets a signal from the government to the effect that the minimal pay threshold will be increased during the next three-to-four years, say, it will be doubled or trebled. That would be a natural incentive to get rid of surplus headcount, for investments into labor saving technologies, and finally, an incentive to raise labor productivity.

How to Keep People Busy?

It is easy to create unemployment, but how to keep people busy? This is fear. People's fear and politicians' fear.

«Extreme fear of unemployment ... given certain conditions ... also paralyzes rank-and-file citizens and politicians, precluding rational search of effective methods of combating unemployment», «fear of unemployment becomes a factor of its suppression. The price of this suppression is people's reduced well-being» say V. Himpelson and G. Monusova (2009). And, let us also add, that another price to be paid for that is low productivity.

In the Soviet Union dating back to the times of stagnation, the solution of the problem would, probably, have been the institution of the **«industry for employment creation»**. Initially one could have simply provided for the country what was in short supply (while everything was in short supply: passenger cars are a good example).

«The USSR died of suppressing natural, market elements in the economy, died of utter disregard of people's interests». This quotation from Vladimir Putin is relevant to what has been said above.

The research institutes (requirement for researchers) had to think of (if it had not been thought of already by others abroad) many various useful and just interesting things for people: washing machines and dish washers, game consoles (play stations), cell phones, tablets, etc. (in reality, this was done by others). After that, plants were designed (you need design engineers, process engineers, projects engineers) and constructed (you need construction personnel) to produce these useful and interesting items. This would require new materials, technologies, etc. to be created.

And what would you say contemporary Russia is supposed to do? Haven't the times of planned economy been long gone?... Fundamentally nothing changes. It is just that the tools for plan implementation were previously one set of tools and now they have to be different. Hasn't the leadership set the task of creating 25 million new highly productive jobs. This is a really timely task. Only it has to be understood that for this purpose people from non-productive industries should be made redundant.

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