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Helpful Inefficiency

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I have never spoken of happy globalization. Globalisation is efficient because it is painful. More painful for the weak than for the strong.

Pascal Lamy,¹ *Trump fracture l'Occident* in *Le Monde* (Paris), 13th June 2018.

The downside of our efficiency obsession

The odd title of this little essay is not of my invention. It is due to my old friend Ronald Dore, emeritus professor at the London School of Economics and an expert on Japan. He is the author of various texts that criticize the obsession of conventional economics with efficiency, and with the competition that helps generate it. He has described² how, at a conference in Tokyo in 1996, he and some others argued that *competition and efficiency are not the only ends in life*. But he and his supporters were *greatly outnumbered by Japanese economists with PhDs from Berkeley and Chicago, true believers in the supreme virtues of competition*. This, Dore observed, is the worldwide neoclassical economics consensus. And he asked, *will America's social problems eventually become so serious that that consensus changes?* One may well ask the same question for Europe and other regions too.

Twenty-two years later, there are signs that the consensus among professional economists is changing, but the changes are only beginning to get through to decision-makers in business and politics. And meanwhile, people who are fed up with the nasty practical consequences of the consensus are growing more and more discontented and angry.

Our efficiency obsession has a long history

Ever since the beginnings of modern ("classical") economics in the eighteenth century, economists have vaunted the benefits of making goods, or providing services, more efficiently. Thus, Adam Smith gave us a famous account of the division of labour in a pin factory. By making each worker carry out just one small step in the pin-making process, it became possible for a group of pin-makers to make *hundreds of times* more pins per day, than if each pin-maker carried out all the steps (about eighteen of them) in the process, making one pin at a time from start to finish.³

In the twentieth century, this principle has been exploited to the full by manufacturers of all kinds, for example in the production of cars on an assembly line, a technique developed by Henry Ford in the 1910s. This highly-developed division of labour can indeed be remarkably efficient; but it is notorious for creating extremely boring and unsatisfying jobs. Higher efficiency enables us to produce and consume more; but, as the distinguished Czech economist Tomas Sedlacek has noted, *in our constant desire to have more, we have sacrificed the agreeable aspects of work.*⁴

The basic advantage of "more efficient" use of labour is that we can generate more output without doing more work, or the same output with less work. Certainly, our persistent pursuit of labour-saving techniques has enabled us to enjoy greater abundance of consumer goods ("higher standards of living") without putting in more and more hours of work; indeed, with fewer hours of work. The nineteenth-century grind of twelve-hour working days and six-day working weeks had, by the middle of the last century, given way to the five-day forty-hour week. But today, certain employers are doing their utmost to return to nineteenth-century habits, striving to generate more output, bigger market share and higher profits by means of harder work, for thinner pay, by fewer people, under worse conditions. They justify this on the ground that it is "more efficient"; but, as Pascal Lamy observes, this efficiency is painful for the workers involved. It is also painful for the redundant workers who are no longer involved. At France Telecom, in recent years, the stresses induced by the cult of efficiency made many workers seriously ill, and even drove some to suicide.

One of the main ways of doing things more efficiently is to do them on a bigger scale. The huge industrial brewery can fill a barrel of beer with less human effort than is required in a small traditional "craft" brewery. The large-scale intensive farm needs less labour than a small farm to produce a given quantity of wheat or milk or beef. A hypermarket can sell more goods per person employed than can a small shop. For this reason, big firms can generally sell at lower prices than small firms; thus they can drive

smaller competitors out of business. The long-standing trend towards larger-scale enterprise has been encouraged by economists and governments, on the ground that it offers "benefit to the consumer"; it allows us consumers to buy everything at lower prices, and thus to buy more of everything.

Overefficiency leads to overconsumption

However, this trend is growing more and more problematic. We have succeeded so well at expanding output through greater efficiency, that now we are producing and consuming too much for the good of our environment. We are severely damaging our planet, not only by using up its resources at unsustainable rates, but also by polluting it with indestructible junk. A century ago, much of our junk was relatively harmless because it decayed and disappeared naturally and quickly, while metallic and glass junk could be melted down and recycled. Today, in many of our goods, natural materials such as wood, leather, metals, glass, cotton . . . have been replaced by plastics and man-made fibres that decay extremely slowly and are not easily recycled. Why this transition to new materials? Partly because some of them have useful properties that the older substances lack. But largely because they are "more efficient" (cheaper to produce and use) than those they have replaced.

Why are the fish in the sea becoming ever less abundant? Because we catch too many fish? No doubt we catch more than we need to eat, since significant quantities go to waste. But there is another, perhaps more important reason: our pollution of the oceans with discarded "efficient" plastics and other rubbish is killing off a great many fish, not to mention impairing the health of us fish-eaters.

The achievement of lower prices through greater efficiency is a benefit with a sting in its tail. When things are cheaper, we tend to use them less carefully and more wastefully. Pope Francis has observed that *there was a time when our grandparents were very careful not to throw away any left-over food. Consumerism has induced us to be accustomed to excess and the daily waste of food,*⁵ which, according to a recent scientific estimate, amounts to 30% to 40% of all food produced.⁶ If we are using foodstuffs and other materials more wastefully than did our grandparents, that is largely because more efficient production has made these materials cheaper.

The decline of customer service

In many organisations, customer service been downgraded in the interests of cost-saving efficiency. Try contacting your telephone, television or internet service provider, and you are in for a difficult time. These people have no wish to talk to customers; they expect you to solve your problems yourself by hunting for "frequently asked questions" on their site (assuming that your problem does not prevent your

accessing the site), or by going to an internet "forum" where you might perhaps, after a lengthy search, find some other unhappy customer with the same problem and, with luck, yet another who happens to know how to fix it. Likewise, instead of buying our tickets at the booking-office or with the help of a travel agent, we arrange our journeys online without any human assistance. All this is best described as *unhelpful efficiency*. It's the last thing we need in this age of ever-growing complexity.

The French economist Daniel Cohen has described this vividly: *automation gives consumers the means to exploit themselves*⁷ by making themselves work without pay, where in the past we paid others to do the work. This clearly inflates unemployment. But "inefficient" genuine customer service is just what we need to counteract the unemployment that the drive for "efficiency" imposes.

Farmers gain in efficiency by spraying their crops with pesticides and by keeping their livestock in degrading conditions. Too often they find it necessary to behave like this because powerful, highly competitive retail groups have forced down the prices of produce to levels at which many farmers can hardly make a living. But pesticides are harmful to the farmers who use them and to the consumers who eat their crops. Many people feel obliged to peel apples and peaches before eating them, to avoid ingestion of pesticide residues. This is time-consuming and wasteful; and it deprives us of some of the nourishment and enjoyment gained by eating the entire fruit. The trend towards organic farming, less efficient in economic terms, is healthy and welcome.

Efficiency redefined

In view of the many perverse consequences of conventional "efficiency", should we abandon the pursuit of efficiency? No, we should redefine it. Our obsession with the efficient use of labour generates rising unemployment, unless we endlessly grow our production and consumption; and such growth places intolerable strains on the earth's resources. Our emphasis should shift to *efficient use of natural resources*.

If we make long-lasting rather than ephemeral products, we are using resources more efficiently. If we repair or upgrade products rather than discard them, and recycle materials rather than dump them, then again we are using resources more efficiently. If long-term maintenance, repair and upgrading of products requires more labour than replacement, then we are using labour "less efficiently"; but thus we can reduce unemployment. You argue that we cannot afford "helpful inefficiency", because if we practice it, ruthless competition will sink us? My reply is that we need certain restraints on competition; we need to become less competitive and more cooperative.

¹ Pascal Lamy was director-general of the World Trade Organisation from 2005 to 2013.

² Ronald Dore, letter to *Financial Times* (London), 28th February 1996.

³ Adam Smith, *The Wealth of Nations* (1776), book I, chap. 1.

⁴ Tomas Sedlacek, *Economics of Good and Evil* (Ekonomie dobra a zla), trans. Douglas Arellanes (Oxford University Press, 2011), page 217.

⁵ Pope Francis, at general audience on 5th June 2013.

⁶ Report *Global Food: Waste not, want not* (Institution of Mechanical Engineers, 2013), see www.imeche.org.

⁷ Daniel Cohen, *S'appropriier les technologies nouvelles, sans les subir* in *Le Monde* (Paris), 11th September 2018.