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BY

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1. INTRODUCTION

Economic research has proven that labor productivity and economic growth rate in advanced nations depends on labor mobility, which is impacted largely by government laws such as labor laws and labor union activities.[1] The above conclusion shows how government has impacted the labor mobility. Recently, I have shown how activities in the private sector without having to do with government impacted the labor mobility and economic growth rate in advanced nations such as the U.S.[2] I have classified those activities (both in private sector as well as government sector) as activities of the redistribution of power and income. In this work, I have established the hypothesis which says, "Labor productivity depends (inversely) on activities of the redistribution of power and income." As an example of the above activities, I have discussed how the behavior of local hiring managers or district managers at Fortune 500 corporations or large corporations during massive hiring time hindered the mobility of labor, thus lowering the productivity of the nation.[3]

Up to this point, I have discussed the psychological characteristics of the behavior of hiring managers in order to prove that local hiring mangers are unwilling to hire new workers when massive hiring time comes (or GDP begins to expand) so as to prove the

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*The portion of this article has been published in the July under the title, "Destiny of U.S. Economy Depends on Lifestyle" in order to reply to the WSJ (June 3, 2017) article.

[1] R. Glenn Hubbard and Anthony Patrick O'Brien, "*Macroeconomics*," 2nd ed., updated edition (Pearson) p. 325-326.

[2] See Paul Kim, "Right Perspective for U.S. Growth Rate," (Google). This essay was written about the U.S. economy and published in 2015, preceded by an essay published one year before in 2014 about the activities in the private sector impacted Japan's economy. See Paul Kim, "A New Economic Growth Theory: An Obstacle to Economic Growth."

[3] The kinds and the type of the activities vary according to each firm and also vary according to historic period. I first identified such activities with "The test taking requirement for new job applicants" was the popular tactics used to by local hiring managers during 2011-14, to slow down or refuse to hire. See Paul Kim, "Right Perspective for U.S. Growth Rate," (3/15/2015). Then the firms' activities evolved since 2014, so I provided three case studies' examples for activities of redistribution of power and income since each firm was different in nature and features. See Paul Kim, "A New Economic Growth Theory #2: How to Overcome an Obstacle." p. 9-15.

hypothesis that (labor mobility and) labor productivity are inversely related to activities of the redistribution of power and income. This paper has two objectives.

The first objective is to reinforce the above proof of the hypothesis by presenting the new development of hiring practices by large corporations in the U.S.[4] I will reveal the behavior of the hiring mangers by looking at the fact in terms of what I call a *direct approach*. Instead of analyzing the psychological characteristics of the behavior of hiring managers during massive hiring time of Fortune 500 corporations, which impacts adversely the mobility of labor, I will present a new approach that has been adapted recently nationwide by large corporations or Fortune 500 corporations.

The direct approach investigates new methods undertaken by the large corporations during massive hiring time, which indicates that the firms or CEOs or executive offices have understood from their past experience that they would fail to carry out massive hiring if the hiring were left in the hands of the existing local hiring managers who are local district managers. Actions undertaken among the large corporations to establish such new methods prove that local hiring managers have very serious habits that prevent or slow down the hiring of workers, especially during massive hiring time.

The second objective is to incorporate the above finding into today's macroeconomics theory to put it right perspective so as to create what I call, "new macroeconomics." As an advanced nation such as the U.S. enters into a mature stage, the old traditional macroeconomics contradicts the theory. Macroeconomics should have different model depending on if a nation is in the prosperity stage such as 1995-2006 or the stagnant stage like 2007-2017.

2. NEW DEVELOPMENT IN HIRING PRACTIC.

Many large corporations or Fortune 500 corporations nation wide have established national recruiters as a new approach in the hiring process. For example, any new job applicant who applies for a job at a career fair in a local district where a local district manager is in charge of hiring, is entitled to have a job interview with a national recruiter by phone and the local office is required to arrange for the new applicant to have interview with a national recruiter by phone. Sears, for example, uses a national recruiter and such rule is wide spread among other large corporations, including Fortune 500 corporations. This method of hiring process became suddenly became popular in 2016, throughout the United States.[5]

Whether this national recruiter approach works or not is an issue, which will be discussed later, but the main point is that if such a new approach is adapted by large corporations, then such an adaption proves that the existing method relying on local

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[4] This is Paul Kim's method of creating an economic theory to provide evidences to prove the hypothesis is accurate. In this paper, I will use the "direct approach" to prove the hypothesis is right.

[5] A national recruiter did exist for some firms like Sears in 2015, but it became industry wide practice by 2016. See Paul Kim, "A New Economic Growth Theory #2: How to Overcome an Obstacle," (Google). Difference between 2015 and 2016 in this respect is that a national recruiter was growing in 2015 but in 2016 it became wide spread or it became like a law or legal requirement. (But this system might evolve in the future.)

hiring managers has failed to carry out massive hiring. This trend in hiring by large corporations proves that the author's publications are widely read or proves that the concept of "activities of the redistribution of power and income" which the author created in his publication is true and exists as a reality[6]. Such new methods of hiring of new workers by large corporations in the U.S. made clear that the author's publication was real and substantial. That publication had revealed the behaviors of local hiring managers who tried to hoodwink the public or who engaged in pretentious acts, trying to slow down or refusing to hire new workers in high-paying jobs.

3. A COMTEMPORALY ISSUE

I have shown in this paper and other papers enough evidence that local hiring managers for large corporations in the U.S. are unwilling to hire new workers during massive hiring time[7] (or when the GDP begins to expand): hiring slows down during the expansionary period, or the GDP begins to grow at a rapid rate (massive hiring time). This simple logic and conclusion are new to the people who have learned macroeconomics today because traditional economic theories including macroeconomics are created mathematically by scholars who have mathematical background without having a deep understanding of how economy works or without knowing how hiring managers behave when the GDP expands.

This conclusion derived in this paper is the answer to the unanswered question today widely known and published in WSJ.[8] The summary note sates: "Unemployment Rate Falls to 16-year Low, But Hiring slows." The summary note also indicates that it is contrary to macroeconomic theory. Not so according to Paul Kim's theory, which is the theory is created with a deep understanding of the behavior of economic units such as hiring mangers of a corporation.

This answer to the above-noted unanswered question (published in the WSJ in June 3, 2017) had been published two years before the question was asked today as to why hiring does not increase while jobless rate fall (GDP began to expand)[9]. Saying because labor force migrates into non-labor force" is not a good enough answer: we need explain why they migrate into the non-labor force. Hiring simply does not take place because local hiring managers were unwilling to hire, acting like a yellow bird,[10] which means they camouflage themselves, pretending to be doing normal thing, hiring. Examples of such behavior had been clearly portrayed in my publications of two years

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[6] The above concept and examples were discussed first as "test taking requirement for new job applicants," (See Right Perspective for U.S. Growth rate.) then more examples were given in "New Economic Growth Theory #2."

[7] See Paul Kim, "A New Economic Growth Theory #2" and "Right Perspective for U.S. Growth Rate." (Google).

[8] See Eric Morath, The Wall Street Journal: Macro Weekly Review: June 3, 2017.

[9] This was clearly explained in the section 4: American Institutions. See Paul Kim, "A New Economic Growth Theory #2," p 6-9.

[10] A yellow bird referred as American Golf Finch, is a yellow collared bird with a few dark dots in its body, flying like a butterfly, thus camouflaging itself giving an impression to the public or people that it is a butterfly, enjoying seeds on the yellow flowers. See, Paul Kim, "A yellow bird," JCCC.

ago[11]. Such unwilling behavior of local hiring managers, especially during massive hiring time, is clearly portrayed, and CEOs and other executive officers and HR offices are well aware[12] of such behaviors of local hiring managers, but economists who create economic theories were not aware of such fact. Thus, none of those economic theories address such issues, thus failing to answer why hiring is not growing when the GDP begins to expand (or unemployment rate fall extremely low.) Yet, economists were not willing to accept such unique feature of the behavior of hiring managers at this stage, although readership of my publications spread to the entire global societies.[13]

In this paper I have discussed the direct approach to show the behavior of corporations in this paper. This paper claims that the direct approach is manifested, not only among corporations but also in the entire economy when the WSJ published above the note. In another words, the WSJ publication which states that unemployment rate falls (which means GDP expands) while job grow slows down is the direct approach to the entire economy which indicates local hiring mangers were slowing down hiring or refusing to hire new workers when GDP expands (or when massive hiring time comes.)

4. Paul Kim's Theory

Paul Kim's theory has unique features as outlined in the paper in 2014[14] compared to the traditional economic theories. Because the creation of Paul Kim's theory requires an in-depth knowledge of how an economic unit behaves, its conclusion accompanies an inspiration to assess the future of a society or economy. Paul Kim's theory has a tendency to be ahead of its time in history or to impact the future of an institution, a nation or shape the future of an institution or a nation.[15] For example, in 2013, he published an article to show how a rapidly developing nation should prepare in order to move toward becoming an advanced nation: a nation should remove waste or over capacity[16]. One year later, China set the goal for 2014 to remove overcapacity[17]. In 2015, Paul Kim published his work, "The test taking requirement for new job applicants," the major instrument used to slow down the hiring of new workers, especially in high paying jobs[18]. Immediately after the publication, "The test taking requirement for new job applicants" vanished in the U.S. in that year.

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[11] See Paul Kim, "Right Perspective for U.S. Growth Rate," and "A New Economic Growth Theory #2."

[12] For example, see the case study for Oxford Corporation in "A New Economic Growth Theory #2", p 9.

[13] See Readership maps from scholarspace@jccc.edu which shows that readers include 160 institutions and 94 countries as of July 26, 2017. The number of the readers is reaching to nearly four thousand people.

[14] See Preface of "A New Economic Growth Theory #2," by Paul Kim (Google).

[15] See the preface of my article, Paul Kim, "An Economic Theory in Action in Asia." (Google).

[16] See Bob Davis and William Kazer, "China Sets is 2014 Economic Goals," WSJ: 12/14/2013. See also Paul Kim, "Studies of Economic Development," (Google)

[17] See Paul Kim, "An Economic theory in Action in Asia." (Google)

[18] See Paul Kim, "Right Perspective for U.S. Growth Rate." (Google)

The most importantly, Paul Kim published an article in 2015, "Right Perspective for U.S. Growth Rate." That article has stated that 2 % growth rate for the U.S at this stage, which is a stagnant stage, is the appropriate growth rate. (If we had been appropriate growth rate, it implied there was no need to keep interest rate so low or abnormally low, which they had been kept low since the end of the great recession.) A month later after this publication, FRS announced that it intended to raise interest rates, which it did and is doing even today. Finally as noted in this paper, Paul Kim's paper predicted what might seem to be an unthinkable event would appear according to modern macroeconomics: Unemployment falls (or GDP expands) and Job growth slows down.

Probably the most unthinkable and shocking prediction of Paul Kim's economic theory is that a new prosperity period like that of 1995-2006 will arrive in 2029 in the U.S. as outlined in my article in 2015: "Right Perspective for U.S. Growth Rate." The U.S. growth rate will become 3% to 4 % from 2029, not around 2% which we have had since the end of the great recession. This was clearly outlined in the Figure below which was taken from the previous article.[19]

It was already discussed in my earlier paper,[20] and reintroduced in the Figure in this paper that point a, which represents a prosperous period, moved down to point b, which was a stagnant period, as activities of the redistribution of power income increased historically. Then a drastic shift took place, which, due to the massive technological innovation or advancement, caused point b to move to c, and another prosperous period appeared during 1995 through 2006 in which American people enjoyed a rich life again. This period was interrupted by the great recession. Now we are again in a stagnant period, which is point d, where the average growth rate of approximately 2 % is no longer seen as a 3 % (to 4 %) growth rate. Yet this growth rate is decent to some people especially for those who have jobs. Now the question is when will the next period of prosperity arrive? We had seen many false signs of prosperity since 2011. Here is Paul Kim's prediction for 2029, at which point d will move to point e as shown in the Figure. Why do we have to wait this long?

It is a lifestyle of a rich nation: just as the people in a wealthy nation favor having a handicap parking lot built, they favor a management system in which an individual authority is not to be interfered with by a higher authority. Thus, each layer of management enjoys its autonomy. This describes the style of a rich nation, especially in the U.S. whose management preference are to avoid interference of those in lesser authority so that this can enjoy assurance to maintain their own authority. This is a wealthy nation's lifestyle and philosophy which is considerably different from that of a developing nation or a poor nation whose authority can be easily interfered with by a higher level of authority especially when a wrong motive is found. Therefore, activities of the redistribution of power and income in a rich nation become an important issue, and such activities would profoundly impact the labor mobility of a nation when it becomes wealthier and wealthier, particularly during a stagnant period. Having a prosperous

[19] See Paul Kim, "Right Perspective for U.S. Growth Rate," p.5.
[20] Paul Kim, "Right Perspective for U.S. Growth Rate," p. 5. (Google).

period requires the modification of the above lifestyle; thus the shift from a stagnant period to a prosperous period is time-consuming process. Thus my prediction for the next or coming prosperous period is set on 2029 still far away from today.

Therefore, it is hard to see the movement from a stagnant period to a prosperous period because the lifestyle in a rich nation has to be changed, and such change in lifestyle requires a massive technological advancement and a great shakeup of the lifestyle. Such change in lifestyle requires a great invention and courage as well in that it takes a many long years often accompanied by generational change.

5. NEW MACROECONOMICS

Now, macroeconomics theory and its economic policy such as monetary policy have to be built based on if a nation is in a prosperity period or a stagnant period. However, today's macroeconomics theory and policy have been built on the assumption that the U.S. has high labor mobility, the most important factor in making the U.S. achieve the highest productivity growth rate during the prosperity period (1995-2006) among the advanced nations.[21] Traditionally, macroeconomics and Keynesian theory were created under that assumption that labor is highly mobile.

We are now in the stagnant period since the great recession ended; thus, labor mobility is extremely low due to activities of redistribution of power and income. Macroeconomics which was developed based on high labor mobility would obviously contradict the reality as noted by WSJ (June 2017). This was the reason why FRS's monetary policy failed, attempting to raise economic growth rates from 2 % to 3 %, resulting in flooding money worldwide and keeping interest rate exceptionally low. If FRS had understood that a 2 % economic growth rate was normal during the stagnant period as indicated in my article[22], it would not have implemented that policy.

We should separate macroeconomics theory in to two different categories: one in which currently existing macroeconomics addresses GDP and employment and job creation that fit during a prosperity period, while the other addresses the same issues that gear to a stagnant period. Because the degree of labor mobility is considerably different between two different periods, the latter should focus more on the factors that cause labor immobility and its impact on job creations in relationship to GDP and employment.

In the past, macroeconomics was built for all stages of economic growth as if the nation's stages of economy are homogeneous in terms of labor mobility. When an advanced nation moves into a highly mature stage, it becomes rich and wealthy, and a unique characteristic is developed such as traditional macroeconomics breakdown or it

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[21] R. Glenn Hubbard and Anthony Patrick O' Brien, "Macroeconomics," 2nd ed., updated edition (Person) p.325-326.

[22] I have indicated clearly that once an advanced nation like the U.S. enters into a mature stage, there is a new stage with economic growth rate of %2 after experiencing 3 % growth rate. See, Paul Kim, "The Climax of Long-Run Economic Growth," (Google).

contradicts the reality that *WSJ* (June, 2017) indicated. One must come up with a new model as a nation enters a mature stage like the U.S. During the prosperity period (such as 1995-2006) where labor is highly mobile, the traditional macroeconomics might be applied to investigate conditions of an economy. However, during the stagnant period (like 2007-2017), we have to come up with a different model in order to address labor immobility issues; thus, the traditional economic policy cannot be used. Failing to distinguish these two differences between the prosperity period and the stagnant period, and applying one traditional macroeconomics to create one kind of economic policy results in failure of the policy.

What caused the highest economic growth rate for the U.S. among the advanced nations during 1995-2006 (during the prosperity period) according the economic research[23] was that the U.S. had the highest labor mobility. So it seems to be logical that what caused the U.S. growth rate to decline afterward must have been the reduction of labor mobility. My research has shown repeatedly[24] that activities of redistribution of power and income were the primarily reason why the labor productivity and economic growth rate declined in the U.S. during the stagnant period.

In the past, we have applied the traditional macroeconomics theory in order to formulate monetary policy believing, that there is only one model without understanding that there is a prosperity and stagnant period or without understanding the periods of two different labor mobility. Thus, policy makers felt 2 % growth rate was something wrong, thus trying to stimulate the U.S. economy and reach 3 % growth rate in the U.S. unsuccessfully. We hope that this paper will put the monetary policy in the right perspective for such advanced nations as the U.S.

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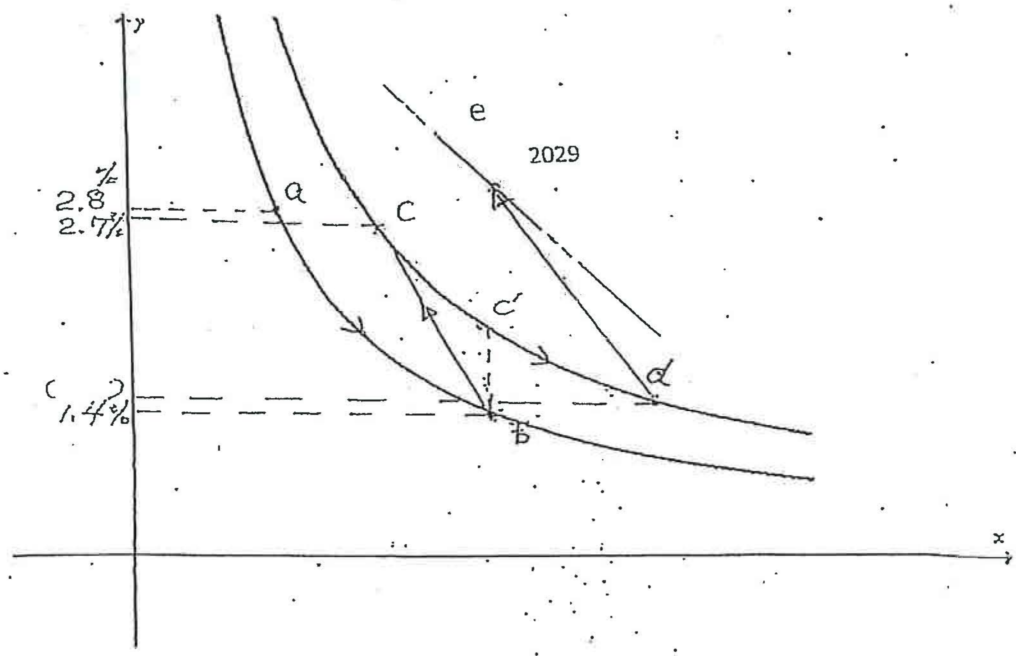
[23] R. Glenn Hubbard and Anthony Patrick O' Brien, *"Macroeconomics,"* 2nd ed., updated edition (Pearson) p. 325-326.

[24] See Paul Kim, "Right Perspective for U.S. Economic Growth," and "New Economic Growth Theory #2." (Google).

Period III (1995-2006)- c Period IV (2007-2029)-d
Period I (1948-1973)- a Period II (1973-1995)- b



Activities of redistribution of power and income (R)

Figure - Productivity Curve

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