

THE JOB GUARANTEE
TOWARD TRUE FULL EMPLOYMENT

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INTRODUCTION

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THE ESSAYS THAT MAKE UP THIS VOLUME BEGIN FROM A SET OF SHARED premises. Involuntary unemployment is a normal feature of capitalist economies. There is no "natural" rate of unemployment or NAIRU (nonaccelerating inflation rate of unemployment), so it is unnecessary for millions of workers to remain jobless in order to maintain price stability. Unemployment and underemployment are associated with tremendous social and economic costs, including loss of output and income, financial insecurity, and a host of social problems, including crime, family disruption, physical and mental health problems, drug addiction, and many others. Since the private sector will never create enough jobs to employ all those who want and need to be working, it is the responsibility of government to use policy to promote true full employment, which means zero involuntary unemployment. Conventional fiscal and monetary policies are incapable of attaining and maintaining true full employment with price stability. The policy approach known variously as "Employer of Last Resort" (ELR), "Public Service Employment" (PSE), or the "Job Guarantee" (JG), if properly designed, can provide for true full employment.

The idea of a government-sponsored job guarantee is not a new one. Since 1996, however, there has been a revival of the policy approach, with institutes in the United States, Australia, and Europe and a variety of conferences and publications developing, promoting and debating the JG. Much, though not all, of this work has been within a framework dubbed MMT (Modern Monetary Theory) combining the JG with the charlatrist approach to monetary history, theory, and policy and the functional finance approach to managing government budgets and the national debt.

There is general agreement among supporters of the JG regarding the basic outline of the program. Government offers a public service job to anyone ready and willing to work, no means tests or time limits. The federal government pays the basic JG wage-benefits package, but community groups, NGOs, nonprofit enterprises, and local governments administer and manage the program. There are always enough jobs to employ all those who need one, as government provides an infinitely elastic demand for labor. The program creates a strong, countercyclical stabilizer, expanding when the economy goes into a downturn and contracting as the private sector demand for labor rises.

In addition to providing full employment and macroeconomic stability, and reducing the social and economic costs of unemployment, the JG has numerous other potential benefits. Staying employed maintains the skills of workers, whose productivity declines during periods of joblessness. The JG can provide training and education, which may open opportunities for employment in new occupations and industries. Businesses benefit from hiring workers who have been able to maintain and even enhance their capabilities. By guaranteeing high and stable incomes and demand, the uncertainty characterizing investment decisions is reduced, and firms will have the resources and incentives to retool and make use of the latest technologies.

In addition to creating jobs, income, and demand, and developing skills and offering opportunities for training and education, the JG also supports the provision of public services. Suddenly there is no labor constraint for providing services often in short supply and for addressing unmet social and community needs. Libraries and community centers can stay open every night, and additional helping hands are available for playgrounds, nursing homes, and recycling centers. Revitalized infrastructure reduces costs and stimulates productivity.

The JG is also the only real means of achieving the right to employment found in numerous government and other documents, such as the United Nations' "Universal Declaration of Human Rights." The right to employment is also the most important means to many other economic and social rights, such as the right to food, housing, and health care.

While conventional fiscal stimulus is unlikely to provide true full employment or to reconcile full employment and price stability, the JG addresses unemployment due to both insufficient effective demand and ongoing structural and technological change. In addition, the JG approach deals with the functionality of unemployment, which is completely unaddressed by traditional Keynesian policies.

Initial research on the JG has largely focused on developing the theoretical framework underlying the program, addressing concerns and criticisms,

examining historical precedents, and country studies and policy applications. Further extensions of the JG paradigm include:

- History of JG schemes by Rose (1994; 1995), and Harvey (2012);
- simulations by Fullwiler (2007), Majewski (2004), Murray (2012), and Nell et al. (2012);
- evaluations of JG-inspired programs in Argentina by Tcherneva and Wray (2005b; 2005c);
- relevance of the JG framework to gender issues by Tcherneva and Wray (2005a), Todorova (2009), and Antonopoulos (2009);
- JG as a means of promoting human rights and social justice by Harvey (1989), Wray and Forstater (2004), and Forstater (2012);
- the JG and ecological sustainability by Forstater (2004), and Godin (2012).

This list is not exhaustive, but provides a general idea of previous work. The purpose of *The Job Guarantee: Toward True Full Employment* is to provide an outlet for additional contributions to this "second stage" of JG research.

The book addresses three broad areas of further development of the JG: (1) new theoretical developments; (2) modeling and simulations; and (3) case studies and empirical evidence. In elaborating the JG literature in these directions, the motivation remains the same as guided the initial development of the approach: that of constructing an effective policy program for eliminating unemployment and underemployment.

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CHAPTER 1

RISING JOB COMPLEXITY AND THE NEED FOR GOVERNMENT GUARANTEED WORK AND TRAINING

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There is no extravagance more prejudicial to the growth of national wealth than that wasteful negligence which allows genius that happens to be born of lowly parentage to expend itself in lowly work.

Marshall 1920, 176

Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime.

Chinese Proverb, credited to Lao Tzu,
founder of Taoism, fourth to sixth century BC

(The) real problem, fundamental yet essentially simple (is) to provide employment for everyone.

Keynes 1980, 267

INTRODUCTION

Government, as Adam Smith pointed out over two centuries ago, must provide for certain public goods that would not be provided in adequate quantity by the private sector. He identified education as among these public