

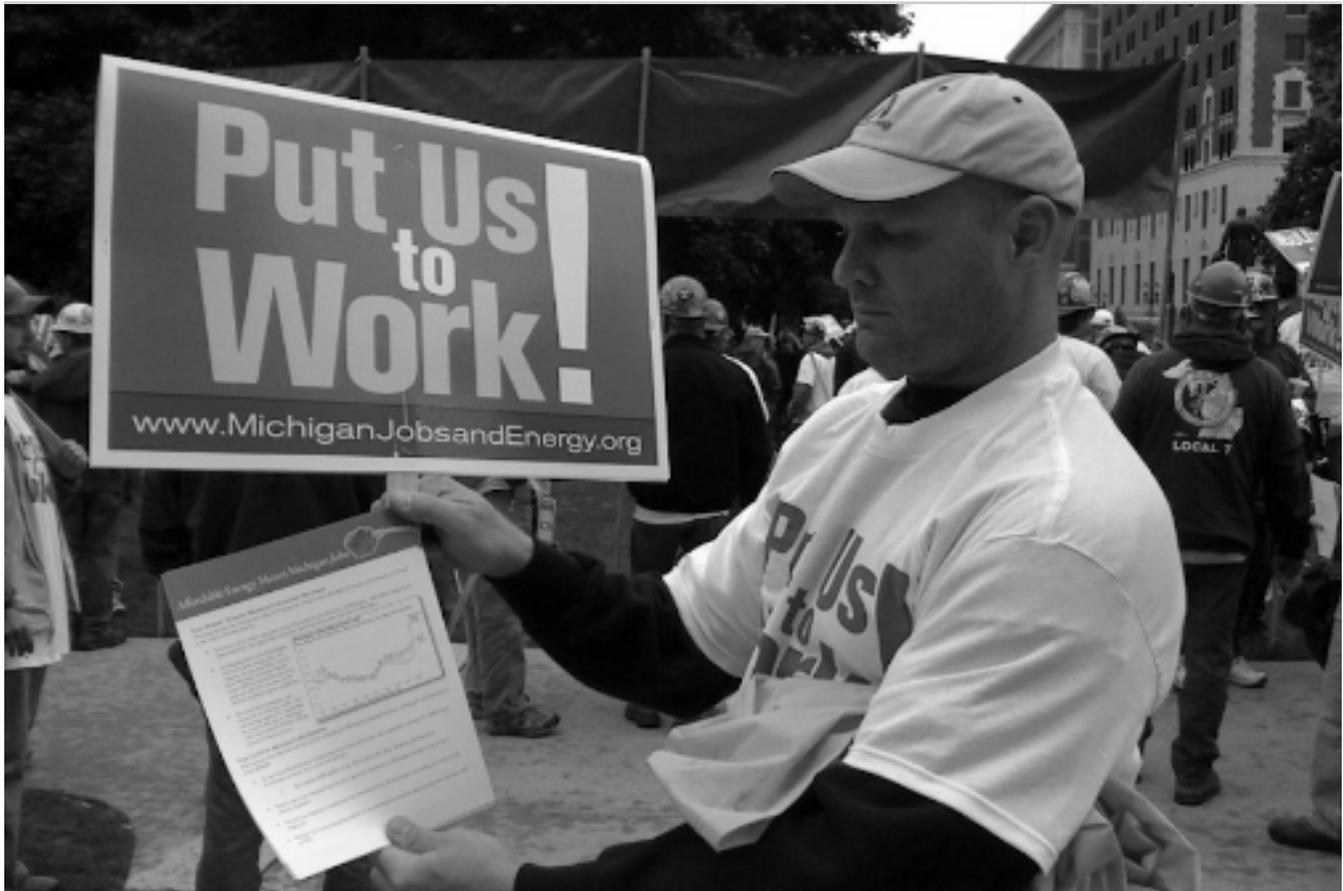
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A Global Marshall Plan for Joblessness?

By Pavlina R. Tcherneva

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The corrosive social and economic effects of what have now become ‘normal’ unemployment levels require new solutions, and trade without full employment exacerbates the problem

Global unemployment is expected to surpass 200 million people for the first time on record by the end of 2017, according to a recent ILO study, and limitations of official statistics suggest that the problem is much larger. As conventional measures increasingly fail to produce tight labor markets and jobless recoveries become the norm, economists grapple with this new reality by calling it secular stagnation and by adjusting upwards the rates of unemployment deemed ‘natural’ — but the human, social and economic costs of this growing problem are rarely considered in economic modeling.

The Problem: A Global Unemployment Epidemic

Mainstream economic theory considers some level of unemployment to be ‘natural’ (i.e., unresponsive to policy remedies

without creating some other problem like inflation), but it largely ignores the harsh human, environmental, and economic costs of unemployment. In fact, some of the best work on this question comes from disciplines outside of economics.

It's not hyperbole to note, for example, that unemployment kills. Literally. Research shows that one in five suicides is related to unemployment, and joblessness causes 32–37 percent excess mortality for men. And while for women the impact is less clear, we know that there are robust and lasting negative effects from unemployment on social participation and social capital – all prerequisites for a fulfilling and productive life at home and in the workplace. The deep negative impact of unemployment on individuals' mental and physical health is well-established. And joblessness has been found to have strong scarring effects on life satisfaction.

The link between crime and unemployment is also well-established. Certain criminal activities vary with the business cycle, and studies have found significant and sizable impact of unemployment on the rates of specific violent and property crimes. The connection between youth unemployment and crime is particularly troubling in the context of the ILO's findings that 74 million young people are unemployed globally (one third of their overall global unemployment estimate). Other studies suggest that the actual number of jobless youth around the world may be six or seven times the ILO estimates.

Unemployment doesn't just harm the unemployed. It also harms their children and families. It exacerbates infant mortality, depression, alcohol consumption, and the spread of infectious disease. And joblessness is a root cause of human/child trafficking and global sexual and labor exploitation.

This list only scratches the surface of the insidious effects of unemployment. While the 'natural' unemployment rate is embedded in virtually every forecasting model used by government and industry, none of them account for the extraordinary social and economic costs of the epidemic that this 'natural rate' actually represents.

The Solution: A Global Marshall Plan for the Unemployed

Because the social and economic costs of unemployment spread and reproduce in complex and pernicious ways, it ought to be treated like an infectious disease. The policy response should aim at *inoculation against unemployment*, not at *countering its effects*.

Today, when governments tackle the issue they focus on counteracting its impact after mass layoffs have already occurred. Monetary and fiscal measures are fine-tuned to produce investment-led growth, but they are usually too weak and always too late.

But instead of accepting rising levels of unemployment, a preventative policy of *inoculation* is needed, which avoids accepting unemployment as natural in the first place. Such a policy requires providing *decent jobs at decent pay to all who want to work* on as-needed basis: A Global Marshall Plan for the unemployed.

As economists rediscover the limits of monetary policy, the policy discourse is shifting. Calls for strong fiscal policy intervention are coming from unlikely places. And while some countries cling to austerity like lovers in a dysfunctional relationship, a new era of fiscal policy activism is near.

Whether by deliberate policy design or by necessity, governments will have to respond to the looming economic, social, political and environmental challenges by using their fiscal powers. Preferably, this would happen by design. Otherwise, it will arrive in the form of inadequate *ad hoc* emergency measures.

This proposal is for a coordinated approach in the form of a Global Marshall Plan for the unemployed that tackles a wide array of global problems by deliberate and direct action, and by mobilizing the planet's most abundant resource – labor.

No workfare, no bullshit jobs, no compulsory work, no digging holes. A global Marshall plan would offer employment opportunities to the unemployed in every country, while addressing country-specific problems. As the world faces the consequences of climate change, the Marshall Plan can be the big-push policy that puts the unemployed to work in a Global Green New Deal program. Whether it involves green projects, infrastructure projects, community projects, or care projects, there is no shortage of projects that need doing.

The private sector will continue to serve as the engine of growth, but the capital development of the economy depends both on the private and public sectors. And the Global Marshall Plan will serve as a global employment safety-net for anyone who has been left behind and is looking for work.

Currently most countries provide some unemployment benefits to the jobless. It is time to rethink and modernize the welfare system and switch from an *unemployment* safety-net to an *employment* safety net. As market economies move through the economic cycle, so would people – from the Marshall Plan programs to private employment and vice versa, as needed. Thus the Marshall Plan will act as a preventative program that does not allow joblessness to develop on a large scale.

Such a policy is not only a better countercyclical stabilizer than conventional fiscal measures; it also inoculates the global unemployment epidemic and prevents all of the associated costs we already bear.

Can Trade Be an Alternative?

Globally, the pro-employment policy *du jour* is export-led growth. Traditionally pursued to promote industrialization, today many developing countries and even industrial giants such as Germany and Japan rely on exports to compensate for lower domestic demand. In the U.S., President Obama has launched the first ever national plan to increase exports in the name of job growth, the National Export Initiative (NEI).

One of the first lessons learned by introductory students in economics (and evidently quickly forgotten after graduation) is that *benefits from trade are reaped in conditions of full employment*. Since for every net exporter there is a net importer, in the absence of global full employment trade will necessarily produce winners and losers. Job gains in a net-exporting country will correspond to job losses in a net importing country. It is impossible to tackle unemployment on a global scale by pushing export-led policies around the world. Instead, we should be devising policies to *produce* and *preserve* full employment in conditions of free trade.

Remembering the Havana Charter

That full employment is a prerequisite for free trade was well understood in the immediate postwar era, when the Bretton Woods system created the IMF and the World Bank. The third organization to complete the new global financial architecture was the International Trade Organization (ITO). The ITO was established by the Havana Charter, the final act of the United Nations Conference on Trade and Employment held in Havana, Cuba, 1947-48.

The very first chapter (out of nine) in the Havana Charter dealt with the issue of employment. Articles 2 and 3 articulated the “Importance of Employment, Production and Demand” and the “Maintenance of Domestic Employment”, respectively. The Articles outlined the necessity of *attaining* and *maintaining full employment* by each nation in conditions of free trade. While the U.S. led the initiative, the ITO eventually failed due to weak Congressional support. As a result, the modern financial architecture has no comparable institution that explicitly addresses unemployment and underemployment that arise from trade.

The maintenance of full employment was the mandate not just for individual nation-states but for the global community. Today, not only do we lack labor standards and policies as outlined under the ITO, but we urgently need a set of binding

environmental standards as well.

Completing the International Financial Architecture

In that context, creating a Global Marshall Plan for the Unemployed would complete not only the global safety-net, but the global financial architecture as well. The Plan could be funded by an international institution. Short of supplanting it with an international clearing union as in Keynes's *bancor* proposal, the responsibility would fall on individual nation-states to institute a national employment safety-net. Additionally, the WTO could mandate that all trade agreements contain provisions requiring governments, labor, and firms to cooperate in devising plans for additional job creation that fully offset job losses from trade. The task is to produce permanent international infrastructure and policies that generate and maintain full employment over the long run.

To be sure this is a tall task. However, if the U.S. leads the way by re-embracing and re-envisioning the New Deal model for the modern day and instituting such an employment policy, the rest of the world will undoubtedly follow. Every nation is already paying for the enormous costs of unemployment: not only for the costs of unemployment insurance and other income support, but importantly for the higher associated health costs, lost output, stunted growth in children, family disruptions, lost social capital, increased crime and incarceration, deteriorating communities, political instability, human trafficking, and migration.

The Marshall Plan for the Unemployed is undoubtedly the fiscally responsible policy approach, as it eliminates these costs and generates positive social and multiplier effects.

In 1948, against all odds, President Truman pushed for a sizeable program, which helped end the economic crisis in Europe. There was little political will. The conversion to peacetime production in the U.S. was not easy. In 1948, the economy was sliding into its second post-war recession. Unemployment at home temporarily soared, food shortages abounded, and policy makers advocated austerity. The country had just emerged from a period of extraordinary deficit spending to fight WWII, and many feared that the Plan would finally "bankrupt America". But the Marshall Plan passed.

The price tag: \$5 billion dollars in 1948. That was about 2% of U.S. GDP and 11% of government spending that year. In the following three years, the Marshall plan disbursed \$8 billion more. Later, it was replaced by the 1951 Mutual Security Plan and, by the time it expired, the U.S. was providing \$7 billion annually to Europe until 1961.

In 2009, the American Recovery and Reinvestment Act authorized \$848 billion in economic stimulus, spread over 4 years, or a little over 1% of GDP per year. It aimed to save or create 3-4 million jobs. Had the funds been disbursed as they were under the New Deal, namely towards direct employment programs and public investment, the ARRA could have created 20 million living-wage jobs, virtually wiping out all of the unemployment and underemployment in the U.S.

Many countries have experimented with small- and large-scale direct job creation programs. These are true and tested policies that are relatively inexpensive and bring great many social and economic benefits. To tackle global unemployment, nothing short of a Marshall Plan for the Unemployed will do.

PT

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**Jörg Wiedemann** • 8 months ago

High unemployment in Western industrialized countries was and is also caused by decreasing consumer demand for goods produced in their own market. Consumers tend to choose cheap products to be able to consume more. However, such goods do not reflect their own living wage levels and hence are being produced in overseas markets or with low-wage jobs. Both is bad for consumer purchasing power. Lower purchasing power in turn will make cheapest products even more desirable, which will result in a permanent shortage of domestic demand for domestic goods. Likely, this means that more jobs will be lost. Trade agreements enforce this downward movement.

Trade agreements between industrialized countries are to the disadvantage of the ones with high wages and high non-labour eco-social production requirements (PPMs). They provide a loophole for importers to save the labour and other PPM related costs that domestic producers need to carry to gain market access. Importers gain market access through trade agreements.

In addition, anti-trust authorities see to it that prices can no longer be fixed. While this may help to increase consumer purchasing volume in the short run, it erodes consumers' consumption ability in the long run.

What we need is qualified trade (the same high PPMs for all) and consumer sentiment that reflects the necessity to sustain their own jobs. Above all, we need to end price-based competition. There should be a minimum price for all goods, which is linked to the living wage levels of the sales market.

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**dougcarmichael** • 8 months ago

This would be a plan to keep the current system running, high employment with the mechanisms of wealth concentration still in place. But it also keeps in place the machinery of pollution. with resultant climate catastrophe.

What if we take both unemployment and climate seriously? Then we are led to a strategy that says

unemployment is the first positive step toward redeploying people in ways that make dealing with climate possible, and this would result in higher unemployment and thus we need a guaranteed annual wage or equivalent.

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