

**8. GUARANTEED INCOME OR EMPLOYMENT: *ECONOMIC RIGHTS FOR THE 21ST CENTURY***

**Pavalina Tcherneva:** Thank you. Truly thank you for the invitation; it’s a pleasure to be here. I will talk a little bit about the proposal for the job guarantee that emerges out of the modern money school and then I will discuss a real life program that was in some ways inspired by those specific proposals that were developed here, in the United States. So very briefly some of the stylised facts that motivate the job guarantee proposal are the following the first is the recognition that unemployment is a monetary phenomenon in monetary production economy the existence of unemployment is essentially a manifestation of somebody wishing to earn the currency but being unable to do so. And of course in a monetary economy profit-seeking economy the private sector is not in the business of providing jobs for all. The second stylised fact that motivates the proposal is that the currency is a public monopoly and you have heard quite a bit about this I think in the previous seminars but basically the argument here is the monopolist can choose how to emit its currency and of course not all countries have public monopolies over their currencies some have abdicated that power but those that have sovereign currency regimes and operate on the floating exchange rates they have a lot of policy space that permits them to provide jobs for all. The third stylised fact is that the unemployed are already in the public sector one way or another we are paying for unemployment and by paying usually modern monetary theory emphasises the real cost of unemployment. Rather than the financial cost though there are many. And again you gone through a lot of these again in previous sessions but we are talking about the forgone output which in the US is estimated to be about 10 billion per day but also in terms of the implicit that are associated with the various social economic and political costs that are linked to massive and prolonged spells of unemployment. The fourth stylised fact is that the job guarantee is a policy that can secure a basic human right while it provides a superior macroeconomic stabilisation feature to the economy. So I’ll talk briefly a little bit about that.

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So the choices here that we’re facing as policy makers to whether operate our macro economy on an unemployment buffer stock or an employment buffer stock. So we know how this works. In the economy we have an unemployment buffer stock. We essentially allow unemployment to develop whenever the economy slides into recession so the pool of the unemployed expands and the various accounting cyclical stabilisers kick in. Government expenditures increase but essentially to provide a floor on collapsing aggregate demand and as the economy we recovers the buffer stock of the unemployed shrinks as some of those people who have been thrown out of their jobs find back employment in the private sector but of course not all are able to do so. And we know we always have, there is always some level of unemployment that exists most people refer to the NAIRU, which we reject the concept of

the NAIRU but we do recognise that the way economy functions doesn't provide jobs for all and in fact uses the unemployed to check inflation.

So that's what the unemployed buffer stock does. We also recognise that a currency issuing monopoly can choose how to spend we have to spend on a quantity rule or a price rule and we argue that then when we operate on a unemployed buffer stock we are using unemployment to control inflation and that's also an artifact of this quantity rule. That government use to spend on, so they essentially fix budgets and they pay market price for whatever there is for sale in the market. And those fixed budgets then provide floor to collapsing aggregate demand and they're quite effective in stabilising cash flows. They're quite effective in stabilising corporate profits, but not as effective and stabilising levels of employment. And so of course one argument could be made that you could simply expand those budgets or you could also change the manner in which government actually stabilize their macro-economies. So the job guarantee is an employment buffer stock that doesn't use the unemployed to control inflation but instead uses the job guarantee in the public service sector to anchor prices and so we argue this is the kind of expenditure that operates the price rule the budgets float. We expand the budgets without capping them with the expanding pool of employed workers in public service employment. It's a fixed price rule because we provide a fixed price for labor and that is the anchor to the price of labor that you will find throughout the economy. It essentially stabilises wages at the very bottom and provides a wage floor or an effective minimum wage for the economy as a whole. And I'm happy to talk more about the level of the wages. I have argued in my own work that there should be a living wage level.

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So the unemployment buffer stock has a number of effects we've been operating on an unemployment buffer stock for many decades. If you look at the data you see a secular rise in long term unemployment you see worsening inequality in the entire post-war era. And of course the social economic and political costs that I referred to earlier. And you know those troubles in the labor market have been brewing for decades. This is the short and long term unemployment as a percentage of total unemployment. And what we see is that for the last 40 50 years the share of the unemployed that has stuck in long term unemployment has been growing. Now out pacing those who have been short term unemployment. So we've got these secular trends that are in part due to the fact we fail to provide jobs for all that we fail to offer policies that encourage labor force attachment, that stabilising comes in the bottom, that leave a segment of the population that is hired last, fired first and therefore becomes unemployable, and on and on are all the problems that are associated with this vicious cycle. And of course you also have worsening income inequality; I like this chart in particular because we all know there has been a rapid erosion in income equality over the last 30 to 40 years but if you look at income distribution by business cycle. You see that an increasing share of the income growth is going to the top 10% and the smaller share to the bottom 90% and something that has been happening for the entire post war period and I'm happy to talk more about that and why that might be the case.

11:27

In any case what we need are jobs. And in the US about 27 million full time jobs in particular. Globally the ILO, in 2007 prior to the crisis reported 200 million jobs. So what are the features of the job guarantee?

First and foremost it's a voluntary program, an open ended program. It offers and infinitely elastic demand for labor. In other words it divorces the offer of labor from the profitability of hiring. And it is a policy that takes workers as they are and it fits the workers and rather it fits the jobs to the workers rather than fitting the workers to the jobs the way it's done in the private sector. It pays a uniform base wage benefit package. And thus as I explained provides floor to wages and acts as an effective minimum wage in conditions when there is unemployment even if you have a minimum wage the effective minimum wage is zero. People who want to earn the currency want to work who need an employment opportunity and can obtain one at marginally above zero if they can find one. So with fully employed economy where the jobs are distributed either between the private or public sector the base wage is the buffer stock wage and that is the effective minimum wage. So we have this embedded inflation control mechanism that I expanded the employment pool and the job guarantee fluctuates with the business cycle in a counter-cyclical manner. So you have number one you have an expansionary policy when there are deflationary forces in the economy. So when the economy tanks the employment in the public service expands providing that support to demand, that sort of inflationary effect if you will in a deflationary environment. But spending then decelerates as the private sector grows as private payrolls recover and when the private sector starts to experience some sort of inflationary effect from increased total demand the public sector actually shrinks. So it imparts a deflationary force in an inflationary environment.

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So it has a counter cyclical mechanism and furthermore it fixes spending. It does not rely on ever increasing expenditure to guarantee you full employment. We always know how much to spend and not a dollar more. And that is however much is necessary to hire everybody who is ready and willing to work for that base wage. We argue that it should be a federally funded program recognising the currency is a public monopoly, but locally administered and there are various versions of how that might happen. It's a policy that would maintain and enhance human capital. It focuses on communities, targets distressed areas, offers useful activities and is essentially a bottom up policy not a trickle down or pump priming policy.

And before I move onto discussing a specific policy proposal I just want to focus in on one particular point here why this is superior stabiliser we do not want the public sector to mimic the employment hiring practises of the private sector. The way it's currently done the way whenever we have a government stimulus we provide contracts to firms pro investment pro-growth policies but we essentially mimic the kind of employment cycles that you will see the private sector. In the private sector those that are high wage, high skill tend to experience shorter spells of unemployment. They're hired first they are fired last. They build

considerable job tenure and their employment conditions recover first. Those are at the bottom of the income distribution their employment condition recovers last. When you see how government spends and I have looked at some of the recovery jobs for example is the same story. You're essentially competing for high skilled high wage workers. Even as we provide stimulus to the economy. The point is to target the stimulus at the bottom. And so we can discuss a lot more why that is a better stabiliser. So they have been a bunch of examples of direct job creation and as Trudy rightfully suggested they're not job guarantees. They have been policies of limited either duration or are capped or means tested. Perhaps with the exclusion of the India rural employment guarantee program. But I want to focus of the Argentina case because that policy was actually modelled after the employer of last resort proposal that was developed in the United States. So we have the opportunity to visit Argentina, study, and try to assess whether this policy even though it was not universal actually exhibited some of the macroeconomic stabilisation features that were posited in the literature. So I've looked at the design, implementation, and execution of Argentina the impact on macroeconomic conditions. The impact on beneficiaries and specifically on gender disparities. One unintended consequence of this particular policy was that actually it offered a lot of employment to a lot of women. So I wanted to see the impact on poor women in particular. And I've also studied the reform of the Argentine program which is quite instructive especially as we discuss the relative merits of job guarantees or income guarantees.

17:37

Ok so very quickly, Argentina it offered 150 pesos per month to an unemployed head of households for 4 hours of daily work. The program in its peak hired 2 million people more than what the government expected that was about 13% of the labor force 5% of the population. Program spending was less than 1% of GDP. I don't consider this to be any particular useful metric but I just want to illustrate that even very aggressive policy, pro employment policies do not cause the budget to explode as many would fear. And indeed these should not be the merits on which we evaluate their effectiveness as you have learned in the previous seminars. It was well targeted. It offered jobs to poor participants with many unsatisfied basic needs with little or no education, 87% of those activities were in community projects those jobs were partially funded 60 to 80% of their funding was provided by government but those who actually organised and executed the projects had to put up the difference. And we saw some very creative ways in which people were able to gather resources in order to make sure these jobs are done. This was a decentralised administration again federally funded but run by the municipalities and very interestingly the unemployed themselves proposed projects that they wanted to do. So it was really a genuine bottom up approach, 75% by 2005 participants were women. And in terms of macroeconomic effects what was we found was a multiplier effect of 2.56. Actually this is the ministry of labor estimate and I've looked at the methodology and you could make the case that it's even an underestimate. What's important about those types of policies is that they don't wait for growth to cause a decline in the unemployment rate. The unemployment rate fell before GDP recovered it was truly a pro employment growth. Employment led growth as opposed to what

we normally tend to see is this job less recovery and then we hope that growth will somehow will trickle down in the form of sufficient numbers of jobs. Extreme poverty fell, that's indigency fell by 25% 6 months after the start of the program but part of the problem was that the wage was not above poverty. So the impact on poverty was not very great. You know at that time it was at the minimum wage level but it was still below poverty wage. It exhibited counter cyclical behavior almost immediately the pool of the public sector employed started shrinking and as the economy picked up and within three years 50% had left the program. Most of them had found private sector employment. Of course there's no way of knowing whether it's a true counter-cyclical stabiliser because the program was phased out. But I suspect that in the 2008 crisis had the program been in place had it expanded had the design permitted that. Was it a wage floor again we can't really asses this because it's not a universal or permanent program but what we did find is that 97% of those who found jobs in the private sector were hired at a premium above the Jefes wage. And it did formalise the informal markets in important ways, people who were now hired in private sector jobs with formal contracts and with the social security benefits that they come with. Some impact on beneficiaries, 90% of the beneficiaries were satisfied or very satisfied the Jefes program and interestingly these were the reasons in the order of preference.

The first reason was that they could do something. The second was that they worked in a good environment. The third was that they helped the community they learned and the 5<sup>th</sup> reason was that they had income which I thought was interesting as it was quite far down the list. And then they do what is required, benefits preferred public employment. In many ways because they had access to services. Which they both used but also provided. So the unemployed themselves you know organised these after school activities, public libraries, soup kitchens, and drug abuse and family violence prevention centres and on and on and on. They also reported short commuting proximity to day-care as important benefits of their public sector jobs. And they felt connected to their neighbourhoods.

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Various examples of projects, I can talk in detail about you know what kinds of projects we saw and how they were organised and launched. But we were particularly struck by the fact that the households that had designated the woman as the head of household and so woman flooded the program while the husbands could still find some informal sector work. And we wanted to know what the experience was. We interviewed about 100 women and then another team that this was Randy Wray and myself and then two other surveys that I know of. One team from UMKC went a year later. And there's somebody else from the World Bank that also did her own survey and in our experience every single woman wanted a job they didn't want welfare. And they wanted more hours and they said that they learned valuable skills. They even used the Jefes program to launch some of their own businesses. They got help with the unpaid care work because some of that was actually socialised. They felt they gained the respects of their kids, husbands, neighbourhoods and felt empowered and you could see woman that were workers that were managers, supervisors and even direct representatives in government. What was interesting was that the reform of plan Jefes into a basic income grant was done along some invidious distinction of who performs productive and unproductive

work. It was considered that woman really should not be burdened with this onerous requirement to go to work and instead should instead stay at home with the basic income grant to take care of their children were their husbands should be helped, usually husbands should be helped, to be employable, should be helped through training programs and job placement programs. And it was interesting because the reform didn't initially work too well. Women actually kept going to work so long as the Jefes program was in place. They kept showing up for work and when the projects were shut down then of course they had the basic income grant to rely on. But there are very interesting aspects to this reform.

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Finally let me conclude by saying what the job guarantee is and what it is not because there is often lots of confusion about its features. First it not workfare. We do not recommend workfare, this is not a means tested program, nobody is forced to work it an additional voluntary program for those who are willing to take employment at that base pay. It complements various other income support programs and I've argued you know we should do a universal child allowance. But you would expect that some of these expenditures on food stamps and other welfare expenditures would shrink as a consequence of having this program. It does not replace conventional public sector work. This is very important. If the EPA and the FDA need skilled staff they need to get the skilled staff. You're not going to staff you know public sector agencies with base wage workers. We want to provide public service for them. So the base wage furthermore is not a poverty wage. I've already addressed that issue. And it does not replace private sector work. We are not going to be producing computers and competing with private sector jobs. We will be creating jobs that are not provided that are needed but not provided in the communities. It's not a program that uses subsidisation of private sector wages and there are various reasons why these are not very good ideas. And it's not a program that provides dead end jobs. I don't know of a single job guarantee advocate that will support a program of so called "make work" we all want a good program. It does not guarantee employment to those who have used the program. And it is certainly not a panacea for all labor market or economic programs.

25:31

What the JG is, is a voluntary policy that secures a basic human right, it's a superior macroeconomic stabiliser and it's one that employs the public money for the public purpose. Thank you.

**Gertrude Goldberg:** Thank you very much Pavlina, I was very inspired in reading your paper and again in hearing you speak about it. Since we don't have a third speaker maybe I'll take a minute to say a couple of things. One of the things that you will recognize is that the people who are speaking tonight are not simply speaking about unemployment in a time of crisis. We have an ongoing, very large number of unemployed people in good times and bad. And the proposals that we speak about have been developed in so-called better times. It is a

chronic problem. Another thing I do want to pick up on, and it's a particular problem for minorities.

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Professor Darity isn't going to be here tonight, and his proposal is a universal proposal. But inasmuch as African Americans are among those who have very high unemployment rates, they will disproportionately benefit from it. Just to give you some idea of this.

Unemployment is a crisis that is hardly new for the African American community. In 2000, when official unemployment was at a 40 year low, 8.2% of African Americans were officially unemployed. That was slightly higher than the unemployment rate for the total labor force in February 2009, when unemployment was considered sufficiently high for Congress to enact this \$787 billion stimulus. In other words, what is a crisis for the total population is an ongoing crisis for the African American population.

I want to now turn to our second speaker, who is Professor Philip Harvey. He is very well qualified to speak about this topic because he's both a lawyer who has specialized in human rights and an economist. He received his bachelor's degree from Yale University and his Ph.D. in economics at the New School for Social Research and has his J.D. from Yale Law School.

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He has served with a law firm in New York, where he specialized- the law firm is Debevoise & Plimpton, where he specialized in employment disputes in that New York firm. He's been a visiting scholar at Russell Sage Foundation, and also he was the first Joanne Woodward professor of public policy at Sarah Lawrence. His research focuses on public policy options for securing economic and social human rights with particular emphasis on the right to work. He is a professor of law and economics at Rutgers Law School. Philip Harvey is going to speak about three different topics related to the evening's interest. The choice of the right to work, the legal basis of the right to work, various income and job guarantees, and differences among them.

31:32

**Philip Harvey:** Okay, since Trudy already indicated the three topics on which I'm going to speak, I'll dive in. These are all issues, all of the issues listed in the set of questions that were advertised with the announcement of this symposium are topics on which I have written extensively and so it was very hard for me to try and compress what I wanted to say into a 20 or 30 minute presentation. I prepared an expanded summary of what I would say if I had a couple of hours rather than 30 minutes and it's on the table at the back of the classroom and includes a list of references to writings of mine that address these various issues in more depth.

The legal basis of the right to work is one that I will argue rests ultimately on the Universal Declaration of Human Rights, but since I'm speaking in a law school I thought it'd be interesting and in fact useful to begin with U.S. statutes. The Employment Act of 1946 among other things established as a policy of the U.S. Government and the responsibility of the federal government that it create conditions under which there will be afforded useful employment for those able, willing, and seeking work and to promote maximum employment production, purchasing power, the maximum term was substituted for the "full" term as one of the many conservative victories in what was effectively an emasculation of a bill that in its original form would have mandated that the federal government deploy Keynesian mechanisms to guarantee full employment.

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And Senator Taft led the opposition, and at the end of the debate stood up and announced very proudly that nobody had to worry about voting for the full employment bill because it's no longer a full employment bill, and the substitution of maximum for full was one of the signs of that. Then, in 1978, the Humphrey-Hawkins act was enacted, the full employment balanced growth act, which didn't establish policy but declared an established national goal. The fulfilment of the right, now we have stronger language, to fulfil opportunities for useful paid employment at fair rates of compensation of all individuals, and that also is a stronger statement than we found in the 1946 act.

Now at this point in a law school-like class I'd ask, well, is anything enforceable here? And we'd hash it out a little bit, and if it wasn't a first year class, we'd quickly come to the conclusion no, none of this is enforceable for a variety of reasons. I won't begin to go into them here, though at least once a year I field questions from some organizer someplace why we can't bring suit against the federal government to enforce the Humphrey-Hawkins act. And I have to sort of try and explain why, well, we just can't. But the question I'd like to ask is whether it matters that the obligation set forth in both of those statutes is not enforceable, that there is no cause of action we can bring in court to get the government to in fact implement the policy, to in fact pursue the goal which Congress has stated are the policy end goals of the federal government. And of course in one sense it does matter, because especially as lawyers we're accustomed to thinking of law as the thing we can go into court to enforce. And we can go back Holmes's theory, the bad man theory of the law, that you can figure out what the law is by figuring out what a bad person can't get away with doing because someone will stop him. And it's clear that nobody is going to stop the federal government from ignoring all of these stated obligations.

36:06

But at the same time, it's not very unusual for there to be seemingly authoritative documents and statements embodying the characteristic of law in terms of where they come from, which are unenforceable. "We hold these truths to be self-evident, that all men are created equal,". Penned by a slave holder adopted by a Continental Congress that included slave-owners who



had no intention of ending slavery. And yet, because it was penned, it helped fuel and served to strengthen a movement of abolitionists and others who over time finally struggled to end at least the institution of slavery, if not achieve the equality that was proclaimed in the Declaration. So in a sense, the thing did get enforced, at least with respect to the abolition of slavery, not court enforcement, but enforcement through the process of history. And the second example, “We the people of South Africa declare for all our country and the world to know that South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of the people.” That’s from the freedom charter adopted in the open air in 1955. It was the only formal policy document that the African National Congress ever adopted before the end of apartheid and actually formed its policy position throughout the active struggle against apartheid in the 60s, 70s, and 80s and effectively served as the first draft of the South African constitution. So again, clearly, a statement of law that was not enforceable at the time it was enacted, which nonetheless was enforced, just not through the courts.

38:08

And so I’d like to posit that human rights are different from other kinds of law. And it’s very important that we understand that, because it is always the case that there is a period after which a human right is declared, after which it is accepted, but before which it is enforced. And it takes a long time to move through that process. What I think human rights law is, is a form of aspirational law. It’s a kind of law whereby we, as humans, establish goals for ourselves, goals that we may not at first be willing to live by, a la Thomas Jefferson and his fellow slave owners. It’s a statement of what kind of species we want to become. We want to become the kind of species that honour these rights. It’s a statement of the kind of society we want to create, the kind of societies that honour these rights. And because we take this position, we make aspirational law, we provide prior approval for subsequent actions taken to actually make it enforceable law in the sort that is enforceable in court, including violations of lesser law. In that sense though it’s not enforceable, it’s recognized as a superior body of law that trumps or takes precedence over the lesser kind that is merely enforceable in court. The struggle for human rights is a long and difficult one, as Nelson Mandela said. There is no easy walk to freedom, but it is a struggle to shape the human identity. It’s not predicated on the denial of either our natural behavioral tendencies as a species, or the constraining effect of existing natural and institutional realities. It merely recognizes that humans have the capacity to shape their own preferences, discipline their own behavior, and shape the social institutions that regulate their everyday life. In other words, we have the capacity within bounds to create our own future and that’s what makes human rights distinctively human, because we add that capacity to act on our aspirations and turn them into reality.

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Now, with that said, we come to the most authoritative aspirational human rights document ever adopted in world history, the Universal Declaration of Human Rights, and to focus our

inquiry to the part of the Declaration that is of concern to the topic of this evening's discussion, it recognizes an expansive right to work and a right to income security.

The right to work I've described as consisting of four components: a quantitative component that requires the availability of enough jobs to provide paid employment for everyone who wants it, a qualitative component that requires all of those jobs satisfies certain conditions of decency, a distributive aspect which requires that equal employment opportunity or access to these employment opportunity be equally available to all members of society, and a scope aspect because the Universal Declaration if you look at the language does not refer to the right to a job. It refers to a right to work, and a right to remuneration, not a wage, for work. Now when the drafters drafted this language I'm sure that they had in mind the fact that a majority of the world's population were not in fact working for wages but were working as direct producers of some sort selling their product and they wanted to make it clear that the right to work encompassed more than just the population of wage workers. But now today we also I think have to recognize that that same breadth of potential scope raises the question of how we should define the kind of work that is encompassed within the right to work and therefore to which attaches the qualitative and distributional requirements that are associated with that right.

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Do parents taking care of children at home, are they entitled the same kinds of rights that wage laborers are? Do people engaged in useful community service activities deserve the kind of rights as workers, including compensation that the right to work recognizes? Now, the Universal Declaration doesn't answer that question, but it raises it, so I think that the right to work needs to be understood as more than a right to a job, not just in terms of the requirements for the jobs that are available, but also as a challenge to think about society's relationship to and treatment of people who engage in non-wage labor as well as wage employment. The Universal Declaration also is interesting because it wasn't a treaty, therefore it's not an instrument which in its terms is binding on nations. But one advantage is that it is directed not just to nations, if you read the preamble it imposes an obligation or calls on every individual and every organ of society to promote the rights in the Declaration. In other words, if you take the aspirational claims seriously, it's calling on you as well as your government, to take action to secure those rights, recognizing that they have not yet been secured, and it will take a struggle to do it.

It's also important to recognize that the Universal Declaration, though I think that you would be hard pressed to find a handful of Americans who agreed with this, is American to its core. It was, in fact, the New Deal constitution literally in exile. It was a recognition of the set of political, civil, economic, social, cultural rights that the New Dealers through the programs that they implemented attempted to use to amend our constitution because they were opposed to the amendment process provided for in the constitution and thought that legislation, the democratic political process was a better way to do it.

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They tried to amend our constitution to recognize what rights, essentially the rights which then were reproduced in the Universal Declaration, and you can see this very clearly if you've traced the development of New Deal thinking and state policy statements addressing these topics from the report of the Committee on Economic Security, 1935, on up to FDR's famous Second Bill of Rights speech in 1944, of course underscored, by the convenient fact that the Universal Declaration was drafted by a U.N. committee chaired by Eleanor Roosevelt, the widow of the president.

Now, the claim that I would like to make, with respect to this body of law, first, as you see, is that no it's not enforceable, but that doesn't matter. It's a stronger body of law in a sense because it's not enforceable. What it is, it's a call to action. It's a call to make real what is only aspirational now. And it provides progressives with a much stronger ideological argument to pursue those goals than the appeals to self-interest or shared values that most progressives seem to think is the language in which it's important to speak. "Oh, let's convince them that it's in their interest to allow expansion of government. Let's figure out what shared values we have and what kind of language you use to connect with people's shared values."

Yes, do all of that, but get in their face and tell them, if you don't do this you're continuing to violate my human rights. I can guarantee, I think, that you will get a stronger reaction, not a positive reaction, but it will change the terms of debate. It raises the ante, and I think we ought to do that.

I've already referred to the trumping effect of rights based claims. I'd also like to point out that I cannot think, and I say it is the language of virtually all successful progressive reform movements, because as a law professor, I've learned never to say always. There's always an exception. But virtually all progressive reform movements, directly or indirectly, rely on rights based claims for good reasons. The American Civil Rights movement, for African Americans and women, they could've said end discrimination because it's economically inefficient.

47:09

Well, they made that argument. But the basis of the power of the movement was, "End discrimination because it violates our rights." And the same is true of the marriage equality movement today. And I think that we need to make the same kind of claims in the context of the struggle for economic rights such as the right to employment. And this is why I in fact prefer, though I use it all the time, I have to, prefer not to speak of policies designed to achieve full employment, or policies to empower the government to act as employer of last resort. I like to use the language of rights and say these are policies designed to secure the right to work. This is human rights economics, economics in the service of human rights, and

I think that if more of us used that kind of language more of the time, it would change the terms of debate in which these issues are discussed.

Okay, second topic. Direct job creation programs and how different proposals differ from one another. I'm mentioning here aspects of the proposals that I have developed that are different from the proposals that have emanated from the modern money school of thought. There really are two historical roots of job guarantee proposals. One is the modern money post-Keynesian work of economists like Pavlina who originally gravitated to the job guarantee idea in part for its ability to achieve social justice ends, but also in part because of its ability to solve the problem that essentially led to the downfall of Keynesianism in the 1970s, which was its obvious inability to achieve full employment without causing unacceptably high levels of inflation.

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And in trying to figure out how that problem could be overcome, they had the serendipitous experience of coming on and developing a policy that not only solved that problem, but did so in a way that served other human justice goals.

Then the other source of support for job creation programs is really a human rights social welfare tradition that goes back to the French Revolution, but in the United States was sort of a reinvention of the New Deal inspired not by the work of economists, in fact by the work of social workers who probably never took a course in economics in their life, and certainly did not originally conceive of the proposal as a means of solving economic problems but rather saw it as a means of solving the social problem of unemployment. This is the tradition that led I think to the Universal Declaration and also to job guarantee proposals that are designed to achieve the goals of the Universal Declaration.

Now, the proposals that I advance are similar to the ELR – I'll refer to them as the modern money proposals – in their open-endedness. The size of the program is determined by the number of job seekers. There is a difference, though, and this is actually associated with the principle difference that I have with them and that is over wage policy. Their proposal is for a program that is open-ended in the sense that anybody for any reason can come and demand a job in the program and it will be granted. So if they have a job right now they can quit that job today and tomorrow go to the ELR program because they like the ELR program better or for whatever reason and demand a job in the ELR program. I'll come back to this in a minute after I explain difference on the wage policy because the proposals that I have made treat the program more like unemployment insurance treats unemployed workers that they register for employment. If there are no suitable employment opportunities available, then instead of unemployment insurance benefits, they are given a job in the job guarantee program.

52:14

Secondly, the job should utilize skills the experience of job seekers to the extent reasonably necessary. The ELR modern money proposals say that this is true, but I question the degree to

which it is really possible in a program which pays a uniform wage to all workers irrespective of their skill level, qualifications, and experience, so that people doing vastly different jobs utilizing vastly different levels of skill and experience, would be paid a uniform wage, and I don't think that that's either a workable or a desirable way to run a guaranteed jobs program. Third, I advocate that the wages paid by the program be comparable to those earned by similarly qualified and experienced new hires in private or regular public sector jobs. People would be placed in jobs based on their skills and experience, and they would be paid the wages that those kinds of jobs are paid in the regular labor market, rather by public or private employers. Obviously it's not a unitary wage. Not a single wage, the wages would be as varied as the wages are in the regular labor market. However, the wages of all workers, not just those in the program, but in the private and public sectors of the economy as well, would be subject to supplementation to the extent necessary to satisfy the qualitative requirements of the right to work. I think there is no such thing as a living wage. Get over it. The amount of money a family needs to satisfy human rights requirements varies dramatically with the size of the family, the composition of the family, the special needs that the family has, where the family lives. Where they live geographically, but also relative to the place of work. The idea that if you can establish a minimum wage that will somehow provide an adequate standard of living for that entire population is simply a fantasy. It can't be done. Therefore, no matter how high we set the minimum wage, there's going to have to be supplementation on top of that. And since our goal is to secure the right to work for everybody, not just programmed workers, but everybody, the supplements should be available for everyone, and they should be sufficient to bring the standard of living of all workers up to the standard required by the Universal Declaration. And the Universal Declaration expressly recognizes this. It makes express reference to the necessity of social supplementation of wages. So it's not an add-on to the Universal Declaration, it's actually a part of the Universal Declaration's concept.

55:20

The jobs program employees would remain available for referrals through both private sector or regular public sector jobs. Again, this is borrowed from the UI (Unemployment Insurance) model. You can stay in the program for the rest of your life, but if a suitable job comes up, you'll be referred to the job and just as recipients of UI are under some obligation to justify refusals of suitable employment, so participants in this program would be subject to some such requirement. And the reason for that is because of the wage scale. If you're offering nothing but minimum wage jobs, then I think you can get away with, "Okay, anybody who wants one for any reason, come, we'll give it to you. You don't ever have to leave." But if you're going to actually offer a whole range of wages that are similar to those paid in the private sector, then I think that you can't rely on the economic motive to in fact regulate intake and outflow from the program.

And finally, this is consistent with what modern money proposals advocate, we need to recognize that a long beside the right to work recognized in the Universal Declaration, there's a right to income security also recognized for anybody and everybody who is unable to be self-supporting through work and indeed because inability is not really in fact the touchstone of whether there is an expectation or not after all. I suspect that most 65 year olds are able to

support themselves, and yet they are automatically eligible for SSI benefits. Whether they seek a job or not. Categorically they're not expected to. Why? Because they're a day older than they were yesterday. So that society decides what the bounds are in terms of who is and is not expected to work. And the Universal Declaration imposes on us a reasonable consideration of how and where those bounds should be established, and I think that that raises the question similar to determining the scope of the right to work, but also on the income assistance side, determining the scope of income assistance programs that offer simple, straight income transfers. Should single parents be included as categorically eligible for income support, whether or not they want to work outside the home, or should they be expected to work outside the home? Those are all politically determined, just as the mandatory or expected retirement age is, or for that matter, the fact that we decide not to subject persons over the age of 64 to a work test in order to establish their eligibility for programs like SSI.

58:25

What would a program like this cost? I know that I'm talking too long, so I'll run quickly. The cost of the program depends on the extent of the savings and revenues that it generates which are recaptured. And just for purposes of illustration, I'm going to posit a program that has a minimum recapture – captures only those revenues and savings which are clearly and directly linked to the operation of the program.

First, the income and payroll taxes that program participants pay on their wages. If they weren't employed in the program, they wouldn't pay those. Those can be individually determined and individually reallocated to the support of the program. And in fact this money never leaves the government's coffers because the government keeps it in the form of withholding when the pay checks are written. Secondly, savings on unemployment insurance, Medicaid and CHIP expenditures, because my model always excludes the assumption that all employees in the program are enrolled in the federal employees health benefit program FEHB, and therefore the number of people who would be eligible and receiving both Medicaid and CHIP, the child health insurance program, would be diminished, and those savings also could be individually identified associated with workers in the program the same as UI benefits. Finally, revenue from payment per program production. What the program produces could be given away for free, and most of it will be, but it's neither necessary and I think desirable to do that in all cases. If the program renovates or constructs housing, we're not going to turn around and give the housing away free to the people who occupy it. The rents may be subsidized, it may be a fraction of the market value, but the program can and should generate some revenue, and I posited, for example, well, say on average we get back ten cents on the dollar of the value of the goods and services that are produced in the payment of fees or in sales, however it is.

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But it does not count in this particular modelling exercise the anti-cyclical effect of program expenditures. This particular model is specified for October of 2011, when the unemployment rate was 8.9%, a couple percentage points higher than the average long term rate, so it's

obviously a much more expensive program than it would be if the program was in its third or fourth year of operation and the powerful anti-cyclical effect that Pavlina referred to had the opportunity to bring the unemployment rate down.

Now, just to give you an idea of other parameters within the model that I specified here, I assumed that the unemployment rate would fall to an official level of about 2% and that the involuntary part time rate would fall to 0, that all involuntary part-time workers would have the option of taking full-time employment or a second part time job if they preferred that in the program. Average wage for those participants in the program who are UI eligible would be \$18.80 per hour, that's not that we would pay them all that wage, that's just an estimate, a prediction, of what their work history would qualify them to receive in the form of a wage if they were placed in a job that corresponded to their qualification and their experience. Where does it come from? Well, the Department of Labor keeps statistics on the replacement ratio of UI to the last earned wage of program participants, so we know how much they were making in the job from which they were laid off, and I simply assumed that whatever they were making in that job from which they were laid off is as good an estimate as we have of their earning capacity.

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For other workers, those who are not UI eligible, these are new entrants to the labor force, people who did not work long enough or earn enough to qualify for UI benefits before they became unemployed, I estimated at ??\$2.68?? an hour, again an average. Just a prediction. Federal employee health benefits and materials and supplies at the ratio of 1 dollar for materials and supplies for every 3 dollars of labor. This is a labor intensive activity, it does not mean that the program could not take on more capital intensive projects, but there are good reasons for focusing on labor intensive projects, and when undertaking capital intensive projects, good reason and reasonable grounds to expect that supplemental funding could be obtained to pay the additional cost that building a Triborough Bridge would cost relative to building a small bridge, where the ratio would be in line with what's provided in the program budget. The multiplier coefficient that I assumed for program expenditures was 1.31, if you're familiar with multiplier coefficients, you'll know that this is a little lower than the rates that are generally projected for unemployed workers who are for programs like food stamps. The principle reason why it's lower is because of course the multiplier effect operates only with respect to the after-tax wages that workers receive and then spend. So a multiplier coefficient based on their after-tax income would look approximately the same as for UI recipients, but if you factor in that a percentage of their income is not going to be disposable spendable income, then you end up with a lower multiplier coefficient.

1:04:07

The net program cost, I've estimated for the first year after just those savings and revenues, \$389 billion. The additional cost of providing income transfers to raise wages up to an acceptable level, that's not the total cost of the transfers, that's the additional funding required over and above what already is allocated to such programs. The fact that 10-15 million more

people would be employed, would reduce the utilization of a vast number of those programs, but on the other hand, the needs that exist to satisfy the human rights condition imply a higher level of benefit payment, and so I've made a kind of rough estimate of how I figure those two tendencies would balance out. Most of the additional money would come from turning the section 8 housing voucher program into an entitlement so that every family in the country would be guaranteed a decent home for no more than 30% of their income as an entitlement, as a right. The total additional cost therefore, \$459 billion, and as I said earlier, this is higher than the cost of the program would be on average over the course of the business cycle, because of the elevated unemployment rate that existed in 2011, and in fact especially if you consider the anti-cyclical effect of a program like this which is high for a variety of reasons that I won't try and go into. There is good reason to believe that over the course of the business cycle, taking all of this into consideration, the program would cost little more, possibly no more, than we are already spending. It wouldn't be a free lunch, but it would feel like a free lunch, because we are already spending enough money to pay for it.

1:06:06

Now, should we worry about where the money is going to come from for funding the program? Modern money theorists say no, we shouldn't, because the program would be funded in the same way the government funds all of its expenditures. The government will write checks and what the government collects in taxes and how many bonds it sells will be decided on the basis of an entirely different set of considerations having to do with what we need to take in, what we need to "borrow", or at least what bonds we need to sell in order to achieve whatever macroeconomic target we think are optimal. Now, they are correct on the economics, and I thank them for educating me because when I started my work on this back in the 1980s, I didn't understand this, and it was people like Randy Wray who taught me that yes, they are right, it's absolutely correct what they say.

But still, I don't think that it's an argument that we should rely on, and I don't think we should rely on it for three reasons. First, we don't need the argument. The program is dirt cheap, even when it is very generous. Why try to sell a program by associating it with a funding mechanism that hardly anybody is going to understand, hardly anybody will accept, and is an extremely hard sell and implies that "Gee, this must be really expensive if they're not willing to talk about where the money is going to come from to pay for it." The implication, I think, that people take away from the statement "We don't need to worry about the funding" is exactly that, oh, this is very expensive. If you've got a program that's not going to cost any money over the term of the business cycle, why associate it with a controversial monetary theory that may be absolutely correct, desirable for reasons that have nothing to do with the program, and which is only going to make it harder for you to collect the support necessary to implement the program.

1:08:14

The second reason is that there is a strong political argument for actually taxing people in a way that feels like they're paying for the program. And here's Roosevelt's famous quote when he was asked whether it wasn't a mistake to impose payroll taxes to pay for Social



Security and unemployment insurance benefits in 1937, he was asked this in '41, he said, "Well, I guess you're right on the economics. They're politics all the way through. We put those payroll contributions there so as to give contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program. Those taxes aren't a matter of economics, they're straight politics." And I think that we should make sure that we have a tax dedicated for this purpose that every wage earner pays so that when they become unemployed, they will not stand for any interference with their right to demand the jobs that the program would provide.

My progressive friends think I'm crazy when I say that we should add an EA component to the FICA tax, OASDIEA, employment assurance. We'll add a couple of percentage points on, collect it from workers and employers alike, it will go into an employment assurance trust fund, and it will be used wholly for the funding of this program, and because workers had paid for their job guarantee, they're never going to give it up. It'll be like Social Security, a sacred cow.

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Finally, third, as modern money theorists are quick to point out, the mechanism that they advocate only works for currency issuing governments. That means it cannot be utilized by state and local governments, cannot be utilized by any of the governments in Europe that are member of the European Monetary Union. And I think that's a disadvantage, and it's one that I've only become sensitized to in the past couple of years, as I've been focusing on my work on developing strategies for implementing the guaranteed employment scheme at the state and local level.

I don't think we want to go to Ireland and say, "Gee, this is what you get for joining the European Monetary Union. You know, if you dropped out, we've got a way to put everybody back to work." Or go to a state and local government, possibly a very progressive local government, who would be willing to do this kind of innovation, and say, "Well, before we can do this, we've got to have 60 votes in the Senate and 200 and X in the House, and we've got to have the Presidency as well." I think that this is precisely the kind of program which would be implemented on the local level in any way, in which the only barrier to implementation on that level is the financing barrier, the funding barrier. If we can figure out a way to provide state and local governments with the funding for this kind of program, then we can ask the People's Republic of Berkley to take the lead in establishment, or for Detroit to take the lead and establish it, and demonstrate its effectiveness there, and once its effectiveness is demonstrated I think support for it would grow exponentially. And I think it would work. So I think that by relying on the Modern Money mechanism, which I grant absolutely correct, is a handicap in that it makes us less able to think through the ways in which this strategy could be implemented at the state and local level. I've got a paper specifically proposing how that could be done, it's referenced in the list at the back.

1:12:11

Finally, the basic income alternative I'm not going to say much about that. Interestingly, support for the basic income idea originated primarily in response to the problem of unemployment. If you look at Philippe Van Parijs's comments about how he gravitated to the idea in the 1980s, it was because of the skyrocketing unemployment that Europe was experiencing after three decades of near full employment. And he and his colleagues came to the conclusion that, one, this unemployment isn't going to go away, growth to achieve full employment is probably not going to work, and by the way, we're all becoming sensitized Greens now, and even if it did work, we wouldn't want that kind of economic growth, so we've got to find another way of doing what full employment was designed to do. And what they came up with is the basic income idea, providing an unconditional basic income grant to every member of society individually. Like the Alaska grants funded by oil revenues, which are distributed in the form of checks for each child and each adult who is a resident of Alaska. The ultimate goal of this is that the BI grant would be large enough to support an adequate standard of living, though they grant that at the beginning it probably would need to be lower.

And I think there are three pillars of support for the idea. The first is the notion that it would solve the unemployment and poverty problem by providing universal grant above the poverty level. Secondly that it would reduce pressure for environmentally harmful economic growth, because it would take the argument away from the people who want to cut down trees because of the jobs they provide. And third it would promote real freedom because most of the central leadership of the movement are left-libertarians who have a strong policy preference for the expansion of what they refer to as real freedom, which is the freedom actually to do what you want with your life as opposed to simply the nominal freedom to do what you want but which you don't really have the freedom to exercise because of the economic constraints under which you live. By giving you the BI guarantee, you now have the actual freedom, the real freedom, to live the life that you want.

1:14:46

Well, what's wrong with the BI proposals? I think the problems are two. First, BI advocates oversell the effectiveness of the strategy at achieving its goal, specifically with regard to the problem of unemployment. I don't think it would do any of the things that they claim for it. I've written extensively on this if you're interested in the topic, I invite you to read what I've written. In fact I'm going to Brussels next week to a BI conference. I'm sort of the their house critic, they're nice people and I'm a nice person, we get along very well when we're not in meetings, and so they invite me to come and be the person on the program who says why their ideas are wrong. And I think that's a great idea, I wish that more progressive groups were willing to do that, because the truth is that few are. But, I just don't think that the policy proposal that they advocate would do what they claim for it, and also it would be prohibitively expensive. A universal grant system capable of ending official poverty in 2009 would have required an increase in federal expenditures of \$2 trillion compared to the \$459 billion in additional expenditures required to fund a direct job creation program and programs to secure the right to income security, which would achieve all of the goals that the BI advocates want more completely. Just makes the preference for the Universal Declaration, right to work, right to income security strategy obvious, especially when you consider that the

459 price tag is a high-end one, for a high unemployment year. The costs would be I grant, does it change from year to year, the cost of the job guarantee program does, the average cost of the job guarantee over time could possibly be zero as I said. Compare 2 trillion to zero, compare 2 trillion to 500 billion, and I think it's an easy choice.

1:16:56

So, that's the end. I know I've talked longer than I should. We were thinking of trying to tell you, actually Sandy Darity is here, he's sitting over here, but only really intelligent people can see him. It's like the emperor who wears no clothes, so I've taken part of Sandy's time because I can't see him, which means I'm not that intelligent, thank you.

Transcribed by James Jennings and Eric Voss