Chapter 2

Wage Policies and Funding Strategies for Job Guarantee Programs

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As the contributions to this volume illustrate, most of the scholarly literature produced in recent years on the subject of job guarantees has been produced by people working within the Keynesian/post-Keynesian theoretical tradition. Within this theoretical framework, a job guarantee is seen as an economic measure that promises to remedy a critical weakness in conventional Keynesian aggregate demand management policies. That weakness is the inability of those policies to achieve full employment—and the benefits associated with it—without sacrificing price stability.

There is an older tradition, though, which views the job guarantee idea from a somewhat different perspective. I shall refer to this as the social welfare/right-to-work tradition. From the perspective of this tradition, a job guarantee is seen as a social welfare measure whose purpose is to secure the right to work.¹

Does this difference in perspective matter? In this chapter I argue that it doesn't have to, but only if the distinct contributions of the Keynesian/post-Keynesian and social welfare/right-to-work traditions to the development of the job guarantee idea are recognized and their disparate contributions to the design of job guarantee programs are respected. The principle contribution of the social welfare/right-to-work tradition lies in its conceptualization
of the normative goals a job guarantee should serve and its specification of the requirements a job guarantee would have to satisfy to achieve those goals. The principle contribution of the Keynesian/post-Keynesian theoretical tradition lies in its sophisticated analysis of the ways in which a job guarantee program would affect the functioning of a market economy, and its consequent ability to inform decisions concerning the optimal design of job guarantee initiatives.

There is no necessary conflict or contradiction between the contributions that each of these traditions can make to the design of effective job guarantee initiatives. Each of the traditions enhances the value of the other. Still, it is necessary for representatives of these two traditions to communicate with and learn from one another in order to realize these benefits. It is the purpose of this chapter to take a step in that direction with a discussion of two features commonly found in post-Keynesian job guarantee proposals that I believe would benefit from input provided by the social welfare/right-to-work tradition. The first of these two features is the proposal that a job guarantee program should pay all participants a uniform basic wage set at or close to the statutory minimum wage. The second feature is the linkage of the job guarantee idea with proposals to reform the fiscal policy regime of market economies along neochartalist lines.

It is important to emphasize once again that my criticism of these two features of post-Keynesian job guarantee proposals is not intended to cast doubt on the importance of the post-Keynesian contribution to the job guarantee idea. My goal is simply to challenge post-Keynesian job-guarantee advocates to reconsider these two features of their proposals in light of the criticisms expressed in this chapter and, to the extent they reject those criticisms, to explain their views on these matters more fully than they have in the past.

**THE SOCIAL WELFARE/RIGHT-TO-WORK TRADITION**

The claim that access to work is a human right that governments have a duty to secure (with direct job creation if necessary) dates back to the French revolution. Support for the idea has been intermittent since then and has assumed a variety of forms—frequently developed independently of one another (Harvey 1998; Siegel 1994). The modern history of the idea can be traced to proposals developed by the cabinet-level Committee on Economic Security (CES) that President Roosevelt appointed in June 1934 to develop a comprehensive set of legislative proposals to address the economic security needs of the American people (Roosevelt 1934). Chaired by secretary of
job creation programs, provided work for an average of about a third of the nation's unemployed during the balance of the 1930s.

The effectiveness of this intervention has been obscured by the unemployment statistics normally cited for the New Deal period. These statistics count workers employed in the New Deal's direct job creation programs as unemployed. In contrast, workers employed by private contractors on projects funded by the Public Works Administration (PWA) are counted as employed, even though their employment was just as dependent on public funding as that of WPA workers. If workers employed in direct job-creation programs are counted as employed (as they are in unemployment statistics today), the effectiveness of the WPA is readily apparent, with the nation's unemployment rate dropping from 20.3 percent to 10.8 percent during the first full year of WPA operations—rather than to the 17.0 percent level commonly reported.

Figure 2.1 shows both the commonly reported and the actual unemployment rate in the United States from 1933 through 1939—with the difference between the two time series depending on nothing more than whether persons employed in the New Deal's direct job creation programs are counted as unemployed or employed. It also should be noted, of course, that the decline in private sector unemployment portrayed by the top line in figure 2.1 is also at least partly attributable to the federal government's deficit spending on these programs. Evidence of this latter effect can be seen in the upward spike in unemployment that occurred in 1937 when President Roosevelt cut back on federal government spending—including spending on direct job creation programs—in an ill-conceived attempt to balance the federal budget. Thus, the overall job creation effect of the New Deal's direct job creation programs includes part of the decline shown in the top line of figure 2.1 as well as the decline measured by the difference between the two lines.

During World War II, New Deal progressives made a concerted effort to promote the social welfare entitlements the CES's recommendations were designed to secure as a new category of human rights that governments had a duty to strive to secure for all members of society. President Roosevelt himself was principally responsible for this initiative, beginning with his 1941 "Four Freedoms" speech and culminating in his 1944 "Second Bill of Rights" speech (Roosevelt 1941, vol. 9, 663–678; 1950, vol. 13, 40–41).

Embraced by progressives throughout the world, the expanded human rights vision Roosevelt promoted achieved formal recognition following the end of the war in the Universal Declaration of Human Rights—the text of which was drafted by a United Nation's committee chaired by Eleanor Roosevelt, the president's widow and tribune of New Deal values (United Nations 1948; Glendon 2001).

The right to work recognized in the Universal Declaration has three primary aspects. The quantitative aspect requires that there be enough paid jobs available in an economy to provide freely chosen employment for everyone who wants it. The distributive aspect requires that equal employment opportunity be guaranteed to all members of society. The qualitative aspect requires that these jobs pay fair wages capable of supporting a dignified existence for the worker and the worker's family (with social supplementation when needed) and that the jobs also satisfy minimum standards of decency in terms of benefits, hours of work, working conditions, workplace governance, protection from unfair treatment, and opportunities for individual development (Harvey 2007).

At the same time the New Deal's expanded Human Rights vision was taking shape in the early 1940s, progressive reformers also embraced full employment as an economic policy goal. Although never defined authoritatively, as the right to work was in the Universal Declaration, the achievement of full employment was generally viewed at that time as virtually synonymous with securing the right to work. This was plainly the understanding of full employment that the founders of the United Nations had in mind when they included its promotion as one of the purposes (another being the realization of human rights) that all members of the organization "pledge themselves to take joint and separate action in co-operation with the Organization" to achieve (United Nations 1945, arts. 55 and 56). It also is plainly what people working in the social welfare/right-to-work tradition have in mind when they advocate the achievement of full employment, and it remains an enduring goal among progressive full-employment advocates today (Goldberg, Harvey, and Ginsburg 2007).
The contribution that people working in the Keynesian/post-Keynesian tradition can make to the achievement of the normative goals articulated by people working in the social welfare/right-to-work tradition should be obvious from this account. They can help devise economic policies that would help achieve full employment as it was defined in the 1940s. President Roosevelt's misguided decisions regarding the implementation of the CES's employment assurance proposal show that people who want to secure the right to work don't necessarily understand how to go about achieving the goal. The federal government spent 2.2 percent of GDP on direct job creation programs in 1936. If it had increased that spending to 5.3 percent (the equivalent of about $750 billion in 2009) the nation's unemployment rate could have been reduced from over 20 percent to 2 percent by 1936, and because of the multiplier effect of that additional spending, the private sector's full recovery from the Great Depression would have been accelerated by several years.

The contribution that people working in the social welfare/right-to-work tradition can make to their counterparts working in the Keynesian/post-Keynesian tradition also should be obvious. They can help insulate that normative considerations are not given short shrift in the work of people who develop and/or advocate full-employment policies. It is the contention of this chapter that designing job guarantee programs that are both normatively acceptable and economically effective requires input from both the social welfare/right-to-work and the Keynesian/post-Keynesian traditions.

**What Wages Should a Job Guarantee Program Pay?**

The economists principally responsible for the development of the post-Keynesian version of the job guarantee idea have consistently proposed that the job guarantee program's wage policy should have the following three characteristics:

1. Everyone hired pursuant to the job guarantee should be paid the same hourly wage.
2. This wage rate should be set at or near the statutory minimum of the jurisdiction in which the job guarantee is offered, and
3. This guaranteed wage rate should remain fixed in the short run, with adjustments being made only occasionally.

(Minsky 1986, 308; Mitchell and Watts 1997, 441-442; Mosler 1997-1998, 177-179; Wray 1998, 540-541; Wray 2012, 9-10; Center of Full Employment and Equity n.d.)

Wray (1999, 483-484) has stated that the program also should provide "full medical coverage and free child care," sick leave and vacation time after a minimum service requirement is met, and additional benefits over time, with the goal in mind of raising the level of compensation provided by the program "sufficiently so that anyone working full time in [the program] would be able to obtain a standard of living above a reasonably defined poverty threshold." Borrowing from Wray, I shall refer to a wage policy embodying these features as the "uniform basic wage" policy, Wray (2012, 10).

Post-Keynesian advocates of the uniform basic wage policy propose the establishment of a jobs program that would offer employment to any and all job seekers willing to work for the uniform basic wage. Because demand for labor at this wage would be infinitely elastic, it would function as a de facto minimum wage in the economy—along with any benefits provided with the wage. Because the program wage rate would remain fixed over the short run, the supply of labor available to private sector employers also would be infinitely elastic, up to the full employment level, at a wage level slightly above that paid by the job guarantee program. This latter effect would cause the program's labor force to perform a buffer stock function that would stabilize the price of labor in the private sector. Finally, demand-pull inflation also would be restrained by the automatic stabilization effect of the program's inherent tendency to shrink as unemployment rates fall. With all of these effects in mind, post-Keynesian advocates of the job guarantee strategy argue that it would achieve full employment (in the sense that everyone willing to work for the uniform basic wage would be guaranteed employment) without sacrificing price stability.

In contrast to this model, the wage policy I have proposed for a job guarantee program is intended to secure all aspects of the right to work while still taking into account the macroeconomic considerations that inform the uniform basic wage policy. With that goal in mind, I have argued that a job guarantee program should offer unemployed workers jobs that are comparable in both pay and responsibility to those occupied by similarly qualified and experienced workers in the regular labor market—but with two caveats. The first caveat is that supplemental income-assistance benefits and/or job training should be provided to workers whose level of skill and experience does not qualify them for a good enough job to earn an adequate standard of living (whether they are employed in the job guarantee program or through the regular labor market). The second caveat is that persons filling managerial and professional positions in the program should be offered wages commensurate with public sector wage scales for positions of the type in question, rather than with private sector wage scales (Harvey 1989, 30-38; Harvey 2011a, 11, 15-16). As for benefits, I have argued that program
participants should be provided (1) the same health insurance benefits as other public sector employees (the equivalent of which will soon become available to all workers in the United States under the terms of health insurance reform legislation enacted in 2010), (2) the same paid holiday, vacation, and sick leave benefits as other public sector employees, (3) child care on a sliding fee basis in child care centers operated as a project of the job guarantee program for the benefit of workers employed outside the program as well as program employees, and (4) access to the same income-enhancing social welfare benefits as other workers in the economy (with adjustments to the extent necessary to insure that all workers, both inside and outside the program, receive a real income that conforms to the human rights standards set forth in articles 22–25 of the Universal Declaration of Human Rights). In the United States, the latter would include the Earned Income Tax Credit (EITC), Supplemental Nutritional Assistance Program (SNAP) benefits (still generally described as Food Stamps), and section 8 Housing Choice vouchers (which would be offered on an entitlement basis, like EITC and SNAP benefits, to all households) (Harvey 2011a, 16).

This wage policy obviously differs from the uniform basic wage policy, but there is one characteristic of the latter that could be included in my proposal—and should be included if it proved necessary to achieve price stability. That is, the job program’s wage scale could be fixed in the short run to enhance the program’s buffer stock effect. The reason I take the view that this may or may not be necessary is because of two other anti-inflationary features of the job guarantee strategy. First, depending on the funding mechanism used to pay for a job guarantee program (see below), and the additional tax revenues and savings it would generate (Harvey 1995; 2006; 2011b, 14–17), the program’s fiscal impact could be neutral or negative at the top of the business cycle, thereby eliminating demand-pull inflationary pressures. Second, the natural targeting of the strategy’s job creation effect on communities and population groups with higher than average unemployment rates would diminish its competitive impact on market wage rates, thereby restraining cost-push inflationary pressures. If the program’s buffer stock effect needed to be reinforced to provide adequate inflation control, the program’s wage scale could be held constant, but it might not be necessary (Harvey 2006, 130–131 n. 6).

From the perspective of the social welfare/right-to-work theoretical tradition, the problem with the uniform basic wage policy is that the type of full employment it would achieve is a crabbé version that would not realize the full employment goal the UN Charter obligates its members to strive to achieve. As noted above, the conception of full employment that informed the drafters and ratifiers of the Charter (and which still animates advocates of full employment outside the economics profession today) is more or less synonymous with securing the right to work.

The income security rights recognized in the Universal Declaration are intended to do more than prevent destitution. They are intended to secure for all persons an income sufficient to secure their dignity and the free development of their personhood (United Nations 1948, art. 22). For the right to work to be secured, all workers must have access to jobs that are consistent with that goal, which means they must be paid fair wages consistent with their skills and experience. The type of full employment achieved by a job creation program that paid a uniform basic wage would fall short of that goal—even if it did guarantee that program participants could earn an income above a reasonable poverty threshold.

Workers whose skills and experience qualify them for no more than a minimum wage job are much more likely to suffer unemployment than other workers, but that doesn’t mean they are representative of unemployed workers in general or that their need for work is greater than that of other unemployed workers. Between December 2000 and December 2011, the real earnings of Unemployment Insurance (UI) recipients before they lost their jobs averaged about twice what they could earn in a job guarantee program that paid the uniform basic wage originally proposed by Mosler (1997–1998, 168) and Wray (1998, 540).6 Unemployed workers who do not qualify for UI benefits probably have fewer skills and less experience, on average, than workers who do qualify for benefits. In estimating the budgeted cost of a job guarantee program designed to secure the right to work, I have generally assumed that the average hourly wage for which this group of unemployed workers could qualify is equal to that of employed part-time workers (Harvey 2011a, 11). Based on this assumption, unemployed workers who do not qualify for UI benefits probably have sufficient skills and experience to qualify for jobs in the private sector that pay a third higher, on average, than the uniform basic wage proposed by Mosler and Wray.

What these figures demonstrate is that the vast majority of unemployed workers would not be offered jobs commensurate with their earning capacity in a job guarantee program that paid a uniform basic wage. Nor can this shortcoming be remedied by increasing the uniform basic wage. As advocates of the policy are quick to note, the program’s uniform basic wage would function in practice as a de facto minimum wage; and that being the case, increasing it would cause upward adjustments in the wages of other workers as employers sought to maintain differentials in their wage structure. Existing wage differentials might shrink, but they would not disappear. The great majority of unemployed workers would still not be able to find work commensurate with their qualifications.

The question that has to be asked in light of this is whether post-Keynesian advocates of the uniform basic wage policy have good reasons to
prefer it over a wage policy designed to secure the right to work. This is hard to determine, since they have provided little guidance as to the reasons for their preference. Wray (2012, 10) has offered the following explanation:

The advantage of the uniform basic wage is that it would limit competition with other employers as workers could be attracted out of the job guarantee program by paying a wage slightly above the program’s wage. Obviously, higher skilled workers and those with higher educational attainment will be hired first. In an economic boom, employers will lower hiring standards to pull lower-skilled workers out of the program. The residual pool of workers in the program provides a buffer stock of employable labor, helping to reduce pressures on wages—and as wages for high skilled workers are bid up, the buffer stock becomes ever more desirable as a source of cheaper labor.

What Wray says is certainly true. The question is whether there is any need for a job guarantee program to adopt the uniform basic wage policy to achieve the goals he identifies. First, beyond insuring that employers are able to attract the workers they need from the ranks of the unemployed, there is no readily apparent reason why it would be desirable to limit labor market competition between the job guarantee program and other employers.

Nor is there any reason to believe that the payment of a uniform basic wage is necessary to insure private sector access to the program labor pool. Two separate mechanisms would insure private sector employers the access they need to the program’s labor force. First, assuming the program wage scale mimicked that found in the regular labor market, employers should be able to hire workers away from the program by offering them marginally better wages, benefits, or working conditions. If this mechanism provided employers adequate access to minimum wage workers employed in the program, why wouldn’t it be sufficient to give them adequate access to better qualified workers employed in the program? Second, a job guarantee program could require its employees to accept suitable job offers by private employers or forfeit their program eligibility—just as UI recipients are required to accept suitable job offers or lose their UI eligibility. If post-Keynesian job guarantee advocates believe that these mechanisms would be inadequate to insure private employers access to needed workers, they should explain why.

It also is unclear why the payment of a uniform basic wage would be necessary for the program’s buffer stock function to work. As with the goal of insuring employer access to the program’s labor force, the key to the success of this function is the relative constancy of the program’s wage scale, not the fact that all program workers are paid the same wage or that the program wage is set at or near the lawful minimum. If the program wage scale mimics that found in the regular labor market but remains fixed over the short run, it will inhibit wage inflation for all grades of labor for which adequate supplies exist in the program relative to private sector labor demand. Once again, if post-Keynesian job guarantee advocates disagree, they should explain why.

In short, the justification offered for the uniform basic wage policy is unpersuasive. The functions ascribed to this policy would be performed just as well by the alternative policy I have proposed with an eye to securing the right to work. Moreover, the latter policy also would generate a range of other benefits that the uniform basic wage policy would not.

First, a program that employed workers of varying skill levels and assigned them fairly compensated work based on their level of skill could produce a wider range of better quality goods and services than a program that employed only persons willing to accept minimum wage work. In short, it would enrich society by more fully utilizing its labor resources.

Second, a program that employed and fairly compensated unemployed workers in accord with their skills and experience could also furnish much better job training opportunities to its work force—opportunities that combined instruction with on-the-job training—and which culminated in actual employment in jobs that utilize the workers’ newly acquired skills.

Third, a program that assigned, compensated, and evaluated workers based on their qualifications would provide far better information to prospective private sector employers concerning the workers’ qualifications and performance. I have proposed that all persons seeking employment in the job guarantee program should be required to register with the state employment service. The employment service would counsel them concerning their eligibility to participate in the program and evaluate their qualifications for different types of jobs both in and outside the program (Harvey 2011b, 22–23). While employed in the program they would continue to be listed as available for employment by the employment service, and information concerning the nature of their job assignment would be included in the data the employment service made available to prospective employers. With state employment services positioned in this way to provide prospective employers reliable information about the qualifications of all persons working in the job guarantee program, employers would have a much stronger incentive than they currently do to list their job openings with the employment service and work with it in seeking suitable candidates for employment. This would finally fulfill another goal articulated in the CES’s 1935 report: “Above all, the employment offices should strive to become genuine clearing houses for all labor, at which all unemployed workers will be registered and to which employers will naturally turn when seeking employees” (Committee on Economic Security 1935).
Fourth, a program that provided jobs and compensation to unemployed workers commensurate with their qualifications could be administered in a wider variety of ways. As I have explained elsewhere, such a program could adopt the New Deal model in which program workers are employed on freestanding projects administered by the program separately from the regular operations of government. Alternatively, program employees could be integrated into the regular public sector workforce, the model adopted by the Public Service Employment program that operated during the 1970s under the Comprehensive Employment and Training Act (CETA). Finally, the program could furnish not-for-profit agencies with workers paid in part or in whole by the government—a model exemplified by the College Work Study program in the United States (Harvey 2011a, 18–21). A job guarantee program that paid a uniform basic wage would have more limited administrative choices because of the difficulties in providing work for an undifferentiated mass of minimum wage workers.

Finally, a program that embodied these characteristics would be far less likely to stigmatize the workers it employed than a program that treated its entire workforce as though it lacked the skills and experience to do anything but unskilled labor. A program that stigmatized its workforce would not only fail to secure their right to work; it would also have trouble garnering public support. In other words, creating a job program that does not stigmatize its workforce is important for both normative and practical reasons.

All these considerations argue strongly in favor of rejecting the uniform basic wage policy in favor of its human-rights-based alternative.

**How Should a Job Guarantee Program Be Funded?**

Proposals to fund a job guarantee program naturally give rise to concerns about the cost of such an initiative. Post-Keynesian supporters of the job guarantee idea have responded to these concerns by challenging the conventional view that the fiscal capacity of governments is limited by their ability to raise taxes and borrow money. This claim goes beyond the familiar Keynesian point that deficit spending by government is necessary to maintain adequate levels of aggregate demand in a market economy. It involves an embrace of the less familiar argument that currency-issuing governments should base their spending, taxing, and borrowing decisions on their macroeconomic effects rather than on the false belief that government spending must be financed with taxes or borrowing. This does not mean that the spending decisions of currency-issuing governments should be viewed as unconstrained, only that the constraints on their spending are political and macroeconomic rather than budgetary (Mosler 1997–1998; Wray 1999; Mitchell and Wray 2005; Mitchell and Watts 2005).

From this perspective, the proper question to ask about the funding of a job guarantee program is not how a government would pay for it. A currency-issuing government can always do so by writing checks, and it can write those checks whether it first collects the requisite funds to cover the spending or simply credits the accounts on which the checks are drawn with fiat (i.e., "modern") money. The important question to ask is what the macroeconomic effects would be of establishing and paying for a job guarantee program with or without counterbalancing increases in tax collections or government borrowing.

The macroeconomic effect of most concern to post-Keynesian advocates of the job guarantee idea is the possibility that spending on a job guarantee program, combined with the program's tightening of labor market conditions, would cause inflation rates to rise. This is why the buffer stock effect of a job guarantee program is so important in their view. By creating a pool of qualified labor available for hire at a fixed wage level (as explained above), they argue that a job guarantee program could achieve full employment without causing the wage inflation that normally occurs when labor markets tighten; and this, in turn, would constrain upward pressure on costs of production and product prices. For this reason, they believe the cost of the program should not concern policy makers. If the aggregate level of deficit spending by the government (not just deficit spending on the job guarantee program) induced enough private sector growth that employment levels in the job guarantee program shrank to the point that the program's buffer-stock effect was compromised, the government could simply take steps to slow the rate of economic growth—thereby reducing private sector employment enough to restore the job guarantee program's buffer-stock effect. The government could do this either by raising taxes to reduce aggregate demand or by raising interest rates via sales of government bonds and/or other monetary interventions.

As a practical matter, though, the federal government is legally prohibited from funding a job guarantee program—or any other type of federal spending—in this manner. The Secretary of the Treasury (the federal government's disbursing agent) is authorized to make payments only by warrants, checks, and drafts payable from public money on deposit in the US Treasury, 33 USC §3321 et seq. The only sources from which the required public money can be obtained consist of government receipts (from tax collections, fees, sales of assets, etc.) and government borrowing (from sales of bonds and other government securities). The federal government also lacks the legal authority to fund government expenditures—either by simply crediting government accounts with the needed funds, 12 USC §342, or by purchasing government securities other than in the open market, 12 USC §355(1).

Of course Congress can remove these barriers to the adoption of the fiscal strategy favored by post-Keynesian job guarantee advocates. Selling that
idea, though, may be even harder than selling the job guarantee idea itself; and that being the case, it seems appropriate to ask whether there is any necessary linkage between the two reform proposals.

Job guarantee advocates working in the social welfare/right-to-work tradition have no trouble answering that question in the negative. From their perspective, a job guarantee is a social welfare benefit designed to secure the right to work, and the task of funding the benefit can be approached in any of the ways used to fund other social welfare benefits. The shortcomings of President Roosevelt's response to the CES's employment assurance recommendation demonstrates the importance of macroeconomic considerations in evaluating these options, but the effect of Keynes's teaching is to expand rather than limit the options available for funding government expenditures of all types. The fiscal strategy favored by post-Keynesian job guarantee advocates for funding government expenditures may be the best strategy from a purely economic perspective, but it doesn't mean it's the best from a political perspective. President Roosevelt's economic thinking may have been backward looking, but no one has ever questioned his political acumen, a fact illustrated by his famous response to the suggestion that it was a mistake to levy a payroll tax to pay for social welfare benefits in the 1930s.

I guess you're right on the economics. They are politics all the way through. We put those payroll contributions there so as to give the 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. (Gulick 1941)

A comparison of the funding needs of a job guarantee program to those of the UI program to which Roosevelt refers in the above quote is instructive in this regard, because job guarantee expenditures would fluctuate over the course of the business cycle in exactly the same way that UI expenditures do. The principle source of funding for the UI benefit program in the United States is a federal payroll tax against which employers can credit up to 96 percent of the taxes they pay to fund a state unemployment insurance scheme that complies with federal standards. All taxes collected by the federal government and state governments under this arrangement are deposited in a trust fund administered by the US Department of the Treasury. All deposits into this trust fund are mingled for purposes of investment, but the federal government and each state has its own account to which their share of the trust fund is credited. Each state administers its own UI system pursuant to state law, certain features of which must comply with federal requirements as a condition for the state's participation in the overall scheme (Social Security Administration 1997, 25–26).

The details of this taxing scheme are not important to our inquiry. The important point is the system's reliance on a trust fund mechanism to allow program expenditures that fluctuate over the course of the business cycle to be paid from a fixed tax levy. The same mechanism could be used to fund a job guarantee program with the further advantage that the program could be established by state or local governments as well as by the federal government (Harvey 2011b, 14–17). The trust fund mechanism could also be used to accumulate resources that were drawn from other sources to pay for a job guarantee program. The viability of the trust fund mechanism doesn't depend on the nature of the taxes or other funding sources used to replenish the fund. A levy on the income of millionaires or on financial transactions would work just as well as a payroll tax.

Nor is this the only way a job guarantee program could be funded without resorting to unconventional fiscal measures. If account is taken of the additional tax revenues and savings a job guarantee program would generate, there is good reason to believe that securing the right to work might cost taxpayers less than they already are spending to address the many social and economic problems that unemployment either causes or aggravates (Harvey 1989, 45–50; 1995; 2011a; 2011b). If I am correct in this assessment, funding a job guarantee program may only require a reallocation of existing government expenditures rather than a net increase in government spending. No new fund would be needed to effect such a reallocation, of course, but it could be used to accumulate the savings and revenues needed to fund job guarantee programs across the business cycle.

It also is important to note that a job guarantee program should be funded in such a way that it would not increase aggregate demand above the level at which inflationary tendencies would begin to be problematic. One way of achieving this goal would be to use a dedicated payroll tax to fund the program in the same manner that UI benefits are funded. Another possibility would be to use different funding sources to support different portions of the job guarantee program budget. Program funding required to secure the right to work when private sector employment levels were at the optimum level could be provided from general government revenues. Additional program expenditures—required only when further stimulation of private sector growth would be helpful—could be funded using additional deficit spending. Nor would it matter for the effectiveness of this funding strategy whether the additional deficit spending was linked to additional government borrowing—as existing law requires—or relied instead on the more flexible fiscal strategy advocated by post-Keynesian job guarantee advocates.
My general point is a straightforward one. There is nothing exotic about providing a job guarantee that would prevent it from being funded in conventional ways—provided appropriate account is taken of the program’s macroeconomic effects (Harvey 2011a, 2011b). It is perfectly all right that post-Keynesian job guarantee advocates have other fish to fry in macroeconomic policy debates; but it’s important that they do not confuse what’s desirable with what’s necessary (or what’s economically desirable with what’s politically desirable) in describing funding options for a job guarantee program. Keeping the social welfare/right-to-work tradition in mind could be helpful in maintaining this perspective.

**Conclusion**

Macroeconomists have an entirely appropriate tendency to assess public policy based on its macroeconomic effects. Still, it is important to recognize that the job guarantee idea has conceptual roots that are older, and in some respects richer than those associated with macroeconomic policy debates. The social welfare/right-to-work tradition from which the job guarantee idea originally emerged has something to teach post-Keynesian job guarantee advocates—just as Keynesian and post-Keynesian economic theory has something to teach job guarantee advocates steeped in the social welfare/right-to-work tradition. To advance that mutual learning, this chapter identifies two specific areas in which post-Keynesian job guarantee proposals tend to diverge from those rooted in the social welfare/right-to-work tradition. I believe these differences are important and should be discussed, but they in no way suggest any fundamental disagreement or incompatibility between the disparate theoretical traditions that gave rise to the differences in question. The chapter’s goal is emphatically not to drive a wedge between these two theoretical traditions, but to promote the beneficial influence of each on the other.

**Notes**

1. In this context, the right to work means a right of access to decent employment that is capable of supporting a dignified standard of living (United Nations 1948, art. 23). This usage is to be distinguished from the use of the right-to-work designation to refer to legislation prohibiting employers and unions from concluding union security agreements (Hogler 2006).
2. The other members of the CES were secretary of the Treasury Henry Morgenthau Jr., Attorney General Homer Cummings, secretary of Agriculture (and later vice president) Henry A. Wallace, and Federal Emergency Relief Administrator Harry Hopkins.
3. The CES developed proposals for a range of public health initiatives, including the establishment of a national health insurance program that would have provided wage replacement benefits for sick workers as well as reimbursement for health care expenses that were beyond a family’s means; however, due to the strength of opposition to the latter proposal by health care professionals, President Roosevelt directed the CES not to release that portion of its report.
4. In addition to the Social Security Old Age and Survivors Insurance (OASI) system, the programs proposed by the CES included a means-tested Old Age Assistance (OAA) program designed to provide support to the elderly until the Social Security system matured (and which survives today as a component of the Supplemental Security Income [SSI] program); the nation’s Unemployment Insurance (UI) system; an Aid for Dependent Children (ADC) program that the CES argued should be designed to free the mothers of needy children from having to work outside the home; a system of state-funded and administered disability assistance programs that would operate pursuant to federal guidelines (a system that eventually evolved into another component of today’s federally funded SSI program); a variety of public health initiatives; and an expanded public employment service (Committee on Economic Security, 1935).
5. Because the question of what qualifies as “work” is not answered expressly in the Universal Declaration of Human Rights, I have described a fourth aspect of the right to work as its scope. This aspect of the right to work refers to the extent of its application to persons who engage in nonwaged work (Harvey 2007). I believe it can be assumed that all aspects of the right to work attach to persons engaged in nonwaged labor for their own support and the support of their families (e.g., sharecroppers). The harder question is whether and to what extent the right attaches to persons engaged in forms of nonwaged work that are more tenuously connected to the self and family support purpose of recognizing the right to work. In some cases (e.g., reasonably necessary family care work) the connection is clear enough that very strong claims can be made that persons engaged in such work are entitled to material support, conditions of work, and opportunities for personal development that are consistent with those to which wage workers are entitled—even if these guarantees are secured by means other than those that apply to wage employment. In other cases (e.g., volunteer community service work) the connection is less clear but presumably would apply in some cases. Finally, in cases where the work clearly qualifies as an entirely voluntary leisure activity (e.g., playing tennis for fun), the entitlements comprising the right to work would not attach. That does not mean, however, that work of this latter type is not entitled to societal support. Article 24 of the Universal Declaration recognizes that everyone also has a right to leisure which includes a right to the material support (“holidays with pay”) required to allow them to stop working long enough both to rest and to engage in leisure activities.
6. Author’s estimate using data from the US Department of Labor Employment and Training Administration.
7. Author’s estimate using data from Harvey (2011a, 11).
REFERENCES


Chapter 3

The Low Cost of Full Employment in the United States

Fadhel Kaboub

The US Census Bureau reports that 46.2 million people, that is about one in seven Americans (including 16.4 million children), lived below the official poverty level of $22,000 for a family of four in 2010. The 2010 official poverty rate of 15.1 percent was the highest since 1993. According to the 2010 data, 8.9 million people fell below the poverty line in the United States since the beginning of the Great Recession in 2007. Between 2007 and 2010, the poverty rate for non-Hispanic Whites increased from 8.2 percent to 9.9 percent, and for Asians the poverty rate went from 10.2 percent to 12.1 percent. Blacks and Hispanics have experienced the largest percentage point increases from 24.5 percent to 27.4 percent and from 21.5 percent to 26.6 percent respectively. Economists have officially declared the recession over in June 2009 despite the major woes that continue to drain the US and the global economy. The economy has registered nearly 15 million foreclosure filings since 2007. The unemployment rate continues to hover around 9 percent and other labor market indicators continue to alarm the most optimistic observers, despite quarterly GDP growth averaging 3.1 percent in 2010 and 1.5 percent in 2011.

This chapter does not claim that addressing the unemployment problem will eradicate poverty, inequality, and homelessness in the United States; but rather argues that guaranteeing a job opportunity for anyone ready, willing, and able to work at a living wage, establishes the necessary (but not sufficient) conditions for moving toward a broad-based social