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## **THE JOB GUARANTEE: FULL EMPLOYMENT, PRICE STABILITY AND SOCIAL PROGRESS**

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**ABSTRACT:** This paper presents the idea of the Job Guarantee (JG), which is a logical extension of the paradigm of a tax-driven fiat currency. The JG involves the government offering a public purpose-oriented job with a fixed hourly wage and job benefits to anyone willing to work. The JG as a bottom-up approach is locally administered but federally funded. As the analytical lens of MMT reveals, a monetarily sovereign government is always able to provide the spending required. Macroeconomically, the JG works as an automatic countercyclical stabilizer and an excellent tool for aggregated demand management, ensuring the economy is continuously operating at full capacity. On top, the JG uses an employed buffer stock approach as a superior means to maintain price stability. Next to its favourable macroeconomic impacts, the JG offers many social benefits, particularly related to continuous employment, working conditions in the private sector, power relations in the labour market and democracy. While the JG and Universal Basic Income (UBI) are often discussed as comparable, competing policy proposals, the JG addresses more macroeconomic and social issues than the UBI does. This paper concludes that the JG qualifies for being the single most effective policy in order to drive the economy towards continuous full employment and price stability while realizing additional social benefits.

**KEYWORDS:** Job Guarantee, Modern Monetary Theory, Macroeconomics, Fiscal Policy, Labor Economics, Universal Basic Income

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## 1. INTRODUCTION

Full employment has rarely been achieved over the last decades. Instead, significant levels of involuntary unemployment have been the rule. Today, the Eurozone, for example, is suffering from an average unemployment rate of 7.5% (Eurostat 2019). In the neoliberal era, the economic paradigm has shifted from full employment to full employability. The responsibility is no longer on the government but on the individual. The macroeconomic reason for involuntary unemployment, i.e. too little aggregated demand, as well as the social costs of involuntary unemployment, are mostly being neglected by the orthodoxy. As newspapers and economic commentaries implicate and reproduce on a regular basis, it is the unemployed individual's effort – or better: lack thereof – that is to blame. The ideological bias against proactive aggregated demand management by the government culminated in legislated public debt brakes or austerity policies. This has resulted in the absence of full employment for quite some time (Mitchell and Muysken 2008). While the body of Post-Keynesianism has ever since attributed involuntary unemployment to a lack of aggregated demand, Modern Monetary Theory (MMT) sees involuntary unemployment as evidence for lack of net government spending. From an MMT perspective, this is a logical extension of the fact that the currency is a creature of the federal government. Currency users do operate under financial constraints, but the currency issuer does not. Sovereign governments with their own currency spend by having the central bank credit banks' accounts. This spending cannot be financed as the central bank does not have to have income before it "spends" (for the Treasury). Since the government and central bank technically cannot run out of their own currency, public debt does not lead to questions of solvency as long as it is denominated in the national currency. While a demand expansion led by the private sector increases private indebtedness and thereby financial fragility - as the case of the GFC as well as other past financial crises, in which private sector's debt and leverage positions increased until they reached an unbearable threshold, underline -, a government-led expansion actually enhances financial stability by providing safe assets and income to the private sector. This is backed by the sectoral balance analysis, which, however, is beyond the scope of this paper (Bell 2001, Ehnts 2016, Mitchell, Wray and Watts 2019, Mosler 2012, Wray 2015).

Undeniably, involuntary unemployment is the evidence that economies operate below their potential, which means that material and non-material wealth is left on the table. An unemployed person does not produce anything and cannot save up its labor services. We cannot work eighty hours a week for a year after going through a year-long unemployment spell. This disproportionately affects mostly those at the lower end of the income distribution. Full employment has long been a desirable policy aim by governments to which they were committed. The fiscal and monetary policy were tailored to this goal. With the rise and dominance of neoliberal policies, however, the commitment to full employment has been replaced by an exaggerated obsession with price stability and has led to the currently dominant policy approach of using a buffer stock of involuntary unemployed to discipline wage demands and hence stop any distributional struggle leading to an inflationary wage-price spiral. While today some

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governments still express the aim for full employment, the choice of using the reserve army of involuntary unemployed to maintain price stability obviates the actual achievement of full employment. Not only has this policy approach led to disastrous social consequences for the individuals afflicted, but it also has little macroeconomic justification as well as a weak empirical record (Mitchell and Muysken 2008). Full employment and price stability are not exclusive to each other. As this paper argues, the Job Guarantee (JG) is the single most-effective policy to achieve both objectives – full employment and price stability – simultaneously. On top of that, the JG comes with a lot of social benefits as it ensures employment on demand and is a means to enhance the working conditions in both the public and the private sector. While the JG and the UBI are often being discussed as comparable, competing policy proposals, this paper argues that the JG addresses more macroeconomic and social issues than the UBI does and, hence, deserves a greater resonance in the public discourse.

Today, climate change requires countries to initiate a bold economic transition as soon as possible. Ultimately, this entails the need to shift resources from where they harm the environment to where they do not (or even benefit, like negative emissions). The most challenging part of this transition is shifting people from one profession to another. Psychologically speaking, it is understandable that the individuals afflicted are resistant to such change. This is even more reasonable bearing in mind the experience of significant levels of involuntary unemployment and the absence of most government's serious commitment to full employment over the last decades. To reach the broad public support required to initiate bold reforms, policies have to make the majority of the people better off and lead to a reliable and generous socio-economic improvement for them. In this light, the JG is highly relevant and an integral part of progressive Green New Deal proposals (Wray and Nersisyan, 2019).

This paper builds on the academic advancements that have been made by scholars dedicated to the school of thought labelled Modern Monetary Theory. It intends to provide a compact introduction to the idea of a JG, which became part of the public discourse since it is an integral part of the Green New Deal as proposed by the Democratic representative Alexandria Ocasio-Cortez. Moreover, it contributes to the publicly and academically held discourse about labour market reforms required by both climate change-induced economic transformation as well as by technical progress and further automation. Accordingly, this paper compares the JG and the UBI with regards to their macroeconomic and social impacts.

This paper is structured as follows. Section 2 outlines the general framework of the JG and characterizes its key parameters. It further illustrates the link to the theoretical body of MMT. Section 3 discusses the macroeconomic impacts of the JG. It elaborates on the JG as a tool for aggregated demand management and price stability as well as on its role as an automatic countercyclical stabilizer and effective minimum wage legislation. Section 4 presents the social benefits of a JG related to the opportunity of continuous employment, the improvement of working conditions, the addressing of power asymmetries in the labour market as well as the enhancement of democratic practices. Section 5 examines the point that the JG and the UBI are being considered as competing policy proposals while in fact, the JG covers a broader range of economic

as well as social issues. Differences and commonalities between those approaches are discussed. Section 6 concludes.

## 2. THE JOB GUARANTEE: AN OUTLINE

The idea of the JG is a logical extension of the paradigm of tax-driven fiat currency and the fact that the currency is a public monopoly. Involuntary unemployment – defined as people seeking paid work – is the evidence that the currency users' desire to accumulate the currency issued is not being fulfilled sufficiently. With the government being the only source of the currency, which the non-government sector desires to accumulate, it becomes evident that, ultimately, involuntary unemployment is the responsibility of the government and evidence of the federal budget of the government being too small (Mosler 1997).

The JG (or “employer of last resort”) “involves the government making an unconditional job offer to anyone who is willing to work at a socially acceptable minimum wage and who cannot find work elsewhere. It is based on the assumption that if the private sector is unable to create sufficient job opportunities, then the public sector has to stand ready to provide the necessary employment. This creates a buffer stock of paid jobs that expands (declines) when private sector activity declines (expands)” (Mitchell and Fazi 2017:230-31). Arguably, the JG is similar to other buffer stock approaches utilized by governments to stabilize the prices of a commodity. In the agricultural sector, for instance, many governments stand ready to purchase surplus production at a fixed price in order to ensure that the price of a certain production never drops below the government-administered price. As much as this buffer stock policy fully employs commodities, it is possible to fully employ human labour resources (Wray 2015).

While the absolute hourly wage and other specifics depend on the country's context, there is a consensus among proponents that the JG wage is an above-poverty wage with job benefits such as health insurance, paid leave, retirement or childcare. For the case of the US, Tcherneva (2018) proposes an hourly wage of 15 USD and job benefits worth 20% of the wage costs. It is vital to note that the hourly wage is a fixed wage, which is not meant to be indexed to other prices and is only increased via discretion. The JG does offer not only full-time employment but also entails part-time work options and flexible working arrangements in order to accommodate students of legal working age, parents or other caregivers who wish to work (Kaboub 2007, Mitchell and Fazi 2017, Murray and Forstater 2013a, Tcherneva 2018, Wray 2015).

The JG is a bottom-up approach and intends to combine the wish for continuous employment with the needs of local communities. Accordingly, the JG is locally administered and focuses on the creation of jobs that serve the public purpose (Ehnts and Höfgen, 2020). What type of jobs would the JG entail? As the JG is a flexible approach that expands and contracts to depend on private sector activity, large-scale infrastructure projects or vital services that should be provided as regular public employment are not worthwhile JG jobs. Instead, a JG would focus on community employment and include all types of jobs that tend to be underproduced by the private sector, e.g. in the areas of the community, people or environmental care. More specifically, this entails

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projects like local education, training and skill sharing, visual and performing arts, environmental management, local food production, or community safety. A JG could also recognize what has been traditionally unpaid care work such as child-rearing and care for elderly or disabled relatives. On top, it could also entail youth apprenticeship programs as well as special needs programs for veterans, at-risk youth and former inmates. Commonly, non-profit-organizations try to fill pressing environmental or care gaps but often lack staff and funding. Hence, non-profits and localities can play a vital role when it comes to job-design within the JG. Lastly, to stress the bottom-up component of the JG, it could also involve a process in which people bring in their own job suggestions or business plans for suitable JG work that advances the public good. The JG is not intended to compete with the private sector in terms of work that is currently being covered by private enterprises, nor should it replace the current regular public sector. Nevertheless, it might become evident that some public services performed in the JG are much needed and should be staffed on an ongoing basis. Those jobs should be transitioned out of the JG and moved to regular public employment, which also includes higher wages (Mitchell and Muysken 2008, Tcherneva 2018).

As the type of jobs is defined, the crucial question is how the JG is to be administered. While the details depend on the countries' specifics, the general case is that the current unemployment centres are transformed into employment centres in order to match the needs of the individual communities with the unemployed resources. Assessment surveys might be used in order to assess the individual needs of the communities. While funding is provided by the federal government – most likely by the labour department – states, municipalities, communities, non-profit organizations as well as social entrepreneurship ventures apply for grants by suggesting projects. Those grants are then approved by the funding entity on the premises that the proposals serve the public purpose, create adequate employment opportunities and do not compete with existing jobs. Once grants are approved, the employment centres distribute the available jobs on-demand and are responsible for managing the coordination as well as for measuring the results. The current unemployment centres are already performing many demanding services ranging from job-search assistance to training. Hence, those centres are well prepared for the tasks required under a JG scheme. Moreover, since the JG is a bottom-up approach, elements of participative democracy might be incorporated in the administration, e.g. by involving people in assessing the needs of the community or in the local budgeting process (Tcherneva 2018).

Is the JG financially affordable? The monetary system is a means to move resources. If the monetary arrangements fail to facilitate bringing productive human resources to into use, they fail their purpose. As the analytical lens of MMT reveals, the currency is a public monopoly<sup>1</sup> and the issuer of the currency operates under a completely different logic than the user of the currency. While currency users face financial constraints as they have to fund their spending by either income, asset sales or borrowing (limited by their creditworthiness), the currency issuer does not face any spending constraint. On the contrary, the currency issuer, normally the federal government, has

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<sup>1</sup> This insight is grounded in the economic tradition known as Chartalism.

to spend first before any collection of the currency issued in the form of taxes can occur. The government is the only supplier of that which it demands in payment of taxes. Taxes can only be paid (and bonds can only be bought) after the federal government has spent or lent its currency into existence. For a currency issuer, the logic sequence is that spending precedes collection. Hence, neither taxes nor bond sales finance the expenditures of a currency-issuing government. It is not the government that needs to collect taxes for its ability to make expenses, but it is the currency user that needs to get the currency in order to be able to pay to fulfil its tax liabilities and/or purchase government bonds. This implicates that a currency-issuing government can make all payments denominated in its own currency as they come due and has no solvency risk for debt denominated in the currency it issues. Hence, it does not face purely financial constraints. The only limit for such a government is the availability of real resources (Bell 2001, Ehnts 2016, Kelton 2011, Mitchell, Wray and Watts 2019, Mosler 2012, Wray 2015).

Nevertheless, governments often tie their own hands and, hence, lose degrees on the spectrum of monetary sovereignty, which depends on four conditions: firstly, the government of a nation issues its own fiat currency; secondly, it is able to enforce its tax liabilities denominated in its own currency, thirdly, it does not issue any debt instruments not denominated in its own currency and, lastly, it does not promise to exchange its own currency into anything else at a fixed rate. While the first condition is being fulfilled for most of the nations, the Eurozone and the CFA Franc zone being the biggest exceptions, some countries peg their currency to another one or issue foreign-denominated debt, thereby inflicting a technical burden on themselves (Mitchell, Wray and Watts 2019, Mosler 1998, Wray and Sardoni 2007). Such governments, however, can always rearrange their institutional arrangements in order to gain the monetary sovereignty required to facilitate any political priority. As for the case of the Eurozone, while under the current framework individual member states are mere currency users and encounter financial constraints, the implementation of a fiscal authority for the Eurozone could solve the institutional issue and facilitate the funding of a JG (Bibow 2013, Cruz-Hidalgo, Ehnts and Tcherneva 2019, Ehnts and Höfgen 2019). As long as the federal government experiences a high degree of monetary sovereignty by issuing its own fiat currency and not promising to exchange this currency into other currencies or precious metals at a fixed rate, the government is able to provide all the funding required for the JG – no matter the magnitude of the nominal costs anticipated. For all practical purposes, if congress authorizes the funds for the JG, the government spends by instructing its central bank to credit the reserve account of the recipient's bank, which in turn credits its customers' bank account accordingly. While many countries have operational and institutional procedures in place for the horizontal relationship between the treasury and its central bank - which are beyond the scope of this paper – those are largely irrelevant for the vertical relationship between the consolidated government (government plus its central bank) and the private sector (Ehnts 2016, Fullwiler 2008). Any voluntary, self-imposed procedural regulations that constrain the government in its ability to spend are to be considered as economically unnecessary in the context of currency-issuing governments and can only be

grounded in political reasons (Mitchell and Muysken 2008). The bottom line is that for a monetarily sovereign government, the question of financial affordability is not an appropriate one to ask. For such a government, the costs of running a JG are the real goods and services that are used within the JG as well as those that are consumed from the additional income that the JG participants receive (Mitchell and Muysken 2008, Mosler 1997). For governments with a lower degree of monetary sovereignty, the affordability question turns into a question of political priorities. If the current monetary arrangements tie the government's hands and do not facilitate the funding of such a program, an adjustment needs to be considered.

With regards to real-world examples of JG programs, the empirical record of direct public employment programs ranges from large-scale programs in India (National Rural Employment Guarantee Act), Argentina (Plan Jefes y Jefas) or the US (New Deal) to smaller-scale programs such as youth employment guarantees. While these programs offer insights about a potential outline of the JG as well about its social and economic effects, their applicability, however, is limited since those programs were of smaller scale, targeted to specific groups or time-limited. In contrast, the JG, as outlined in this paper, is a universal program of national scale.

### 3. MACROECONOMIC CONSIDERATIONS

Having outlined the general framework of the JG, this section elaborates on the macroeconomic impacts of the JG focusing on aggregated demand management, price stability and trade. The JG works as an automatic countercyclical stabilizer. During the business cycle, the JG increases public employment and government spending as jobs are lost in the private sector and decreases public employment and government spending as the private sector activity expands. In this regard, the effect of the JG is comparable to regular unemployment compensation, which prevents aggregated demand from plummeting during a recession, except for the fact that the JG prevents involuntary unemployment and large output gaps from occurring. As consumers' spending patterns are much more stable when someone gets a job as compared to unemployment compensation, especially in countries where unemployment compensations are only temporary, the JG and its increase in government expenditure is the real stimulus that the economy needs in order to recover from recessions. Moreover, the JG perfectly builds on the insight that aggregated demand management is the responsibility of the government and cannot be left to the private sector. While the private sector-led stimulus, e.g. triggered via monetary policy, is related to an increase in private debt, a JG-based fiscal policy creates net financial assets for the private sector, i.e. it puts purchasing power directly into the pockets of actors in the private sector. Clearly, since the currency issuer and the currency user operate under a different logic – the users of a currency being constrained by revenue and subject to default risks while the issuer of the currency is not – a government-led economic stimulus is financially more sustainable than a private sector-led one (Mitchell, Wray and Watts 2016, Murray and Forstater 2013a, Tcherneva 2018, Wray 2015, Wray et al. 2018).

While the current NAIRU approach uses a buffer stock of involuntary unemployed



as a means to achieve price stability, the JG aims for price stability by using an employed buffer stock, also referred to as NAIBER (non-inflation accelerating buffer employment ratio) (Mitchell and Muysken 2008). While the JG is not designed to address all sources of inflation (deflation), the employed buffer stock addresses inflationary and deflationary pressure alike in a countercyclical way as the buffer stock fluctuates with the business cycle. The fixed JG wage effectively works as a wage and price anchor. The government being the sole issuer of the currency, has the same pricing power as other monopolists have. Under the JG approach, the government makes use of this power by setting the base wage for labour offered in exchange for the currency issued. All other prices float at the market level but will reflect nominal value relative to the price set for one hour of labour offered in the JG. This anchoring mechanism is missing in the NAIRU approach and makes the JG a superior tool to stabilize prices (Mosler 1997, Wray 1997).

Depending on the actual size of the JG wage, its implementation might result in a one-time price adjustment, and a related compositional shift in the workforce, i.e. the ratio of employment numbers in the JG relative to those in the private sector are affected. If the JG wage were set too high, it would draw workers from the private sector into the JG, leading to a one-time price (and wage) increase due to an increase in worker's income and firms' costs for hiring new workers or retaining current employees. However, in today's demand-constrained, underutilized economies, it is reasonable to expect that firms are more likely to increase utilization of their production facilities than to increase prices. On top, the initial income push could enable debt repayments and satisfy saving desires. On the contrary, if the JG wage were set too low, it would result in one-time price decrease as private sector's income would be insufficient to realize the desire to accumulate the net financial assets in the currency and purchase firm's output resulting in increasing inventories, layoffs and downward pressure on prices and wages. As the JG wage is not indexed to any other prices, it has no internal mechanism that feeds a wage-price spiral in any direction. Adjustment is supposed to be one-time events that do not result in inflation (deflation) defined as continuous rise (fall) in the price level.

Moreover, the JG facilitates workers' transition from the JG into the private sector. As business theory details, firms prefer to hire those who have previously been employed over those who have been unemployed as the previously employed have been exposed to on-the-job training and demonstrated working commitment. Accordingly, the JG, which provides on-the-job training and requires continuous working commitment, lowers the hiring costs of firms. Lower hiring costs mean that the private sector is able to expand its production capacities more quickly if demand should exceed current production capacities, thereby reducing the risk of demand-pull inflationary pressures. On top, as the JG provides the private sector with a pool of committed workers from which they can draw, the JG provides a brake for wage increases not related to productivity increases, which prevents feeding a wage-price spiral. Lastly, and in distinction from traditional pump-priming, the JG does not compete for market prices as it hires off the bottom, where there is no private-sector employer who wants to employ at the minimum wage (Mitchell and Muysken 2008, Mosler 1997, Tcherneva

2018). Compared to the typical, non-JG based aggregated demand management, the JG offers superior characteristics. Traditional pump-priming does not immediately help the most disadvantaged members of society, does not incorporate a counter inflation mechanism, does not address any public purpose concerns given that market allocations are the basis for employment expansion, does not address regional disparity related to the local concentration of economic activity and employment. On top, pump-priming might encounter real resources caps that trigger demand-pull inflation before everyone is hired (Mitchell and Muysken 2008).

The purchasing power of a currency is determined by what the government demands the private sector to do or sell in order to obtain it. The JG can be considered a standard labour policy, which continuously defines the purchasing power of the currency by both the quantity and quality of labour that can be hired at a given price (wage). Consequently, incorporating efforts to enhance the education and upgrade the skills of the JG participants strengthens the purchasing power of the currency. In comparison, the current NAIRU approach requires permanent unemployment and the payment of unemployment compensation, which does not attribute purchasing power to the currency as it can be earned effortlessly (Mosler 1997).

What effects can be anticipated with regards to foreign trade? Rising income resulting from the JG wage and the related fiscal multiplier effects are likely to increase consumption, including the purchases of imports. Rising purchases of imports affect the trade balance towards a trade deficit position, which might put downward pressure on the exchange rate, possibly leading to inflationary pressures through the exchange rate pass-through mechanism (Wray 2015). As financial markets, like the foreign exchange market, are driven by speculation and herd-behaviour, the prices on those markets do not reliably reflect the economic fundamentals nor do they lead to efficient allocations nor has any theory or model so far been capable of predicting exchange rate movements. This is evidenced by the many examples of speculative, carry-trade induced exchange rate movements (Boffa and Flassbeck 2009, Flassbeck 2001, Mitchell, Wray and Watts 2019, UNCTAD 2011). Therefore, instead of discussing the likelihood of trade balance and exchange rate effects, it is wiser to discuss the impacts of those effects.

If the above-described process leads to an increase in inflationary pressures, the JG helps to offset this pressure by preventing a wage-price spiral. Moreover, as the JG and the incorporated labour standard policy attribute domestic value to the currency, changes in the external value are also a function of the quantity and quality of labour that one unit of the domestic currency can buy as well as of changes in the value of the foreign currency. As the MMT lens reveals, exports are to be considered as a real cost (lowering the material wealth of a nation) while imports are to be considered as a real benefit (increasing the material wealth of a nation). Hence, a trade deficit, induced by a domestic full employment policy, increases the nation's material wealth. Given that the orthodox argument against being a net importer is the losses of jobs, this argument is off the table under a JG (Mosler 1997, Mosler 1998, Wray 2015).

For developing countries dependent on imports to have their basic needs, most importantly food and energy, met, the issue of facing downward pressure on the ex-

change rate and the resulting inflationary pressure is of higher importance than for developed countries. As a logical point, the shortage of food and energy are real resource problems, which, ultimately, cannot be solved on the financial, but only on the real resource level. The JG offers a means to utilize the available domestic resources to address the issues on the real resource level, e.g. by designing jobs in the (sustainable) agriculture or renewable energy sector. As developing countries are often reliant on imported inputs, the JG design for those circumstances could also be tailored to the need of producing goods and services for the export market in order to offset the trade balance and exchange rate effects (Kaboub 2006, Kaboub 2008, Kaboub, Forstater and Kelsay 2015, Murray and Forstater 2013b). Ultimately, if impacts on the trade balance or on the exchange rate are deemed undesirable, the government can still use trade policy, import-substitution, import restrictions, tax policy, capital controls, interest rate policy etc. in order to minimize the effects.

#### 4. THE JOB GUARANTEE AND ITS SOCIAL BENEFITS

Having discussed the macroeconomic considerations, this section focuses on the social benefits that come with the JG, particularly those related to the benefits of continuous employment, leveraging working conditions, addressing asymmetrical power relations in the labour market and enhancing democratic practices.

The JG erases the risk of involuntary unemployment as everyone who is willing to work can get a public-purpose-oriented job, which pays a living-wage plus job benefits. Clearly, the benefits of continuous employment go beyond those of having an income stream that ensures financial access to the material means of survival. Research clearly suggests that the nonpecuniary costs of unemployment outweigh the pecuniary costs of it (Carroll 2007, Tcherneva 2017, Watts and Mitchell 2000, Young 2012). The Argentinian *Jefes* program underlines this finding. A survey on the participants' reasons for satisfaction revealed that the participants rank "doing something", "working in a good environment", "helping the community", and "learning" higher than "receiving income" (Tcherneva and Wray 2005). In this light, the JG scheme effectively attacks the societal costs of unemployment, such as: poverty, social isolation, crime, regional deterioration, health issues, family breakdowns, school dropouts, loss of human capital and social, political and economic instability. Simultaneously, the JG program fosters the societal benefits of full employment: poverty alleviation, community building, social networking, and intergenerational stability amongst others. Continuous employment offers room for on-the-job training and skill development. As the JG addresses those most disadvantaged in the labour market, e.g. people with disabilities, who are largely lacking access to the private labour market as their employment comes with practical complications and extra costs for the private employers, it is a means for social integration. For this instance, the JG design allows for tailored jobs that could grant disabled people access to a job and let them contribute to society in a dignified way – with all the social and psychological benefits for those persons (Murray and Forstater 2013b, Tcherneva 2017, Wray 2015, Wray et al. 2018). Eventually, the JG realizes the right that has been already incorporated in the universal declaration of

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human rights, but has been neglected so far:

“Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. Everyone, without any discrimination, has the right to equal pay for equal work.” (Article 23, The Universal Declaration of Human Rights)

As far as working standards are concerned, under a JG with a fixed hourly wage plus benefits, the JG wage becomes the effective national minimum wage. While currently legislated minimum wages around the globe cannot be earned by the unemployed since those unemployed only receive unemployment compensation (if at all), which constitutes a comparably lower income than a minimum wage income, the current minimum wage legislation cannot be considered as being effective minimum wage with national scale (Mitchell and Fazi 2017). For all practical purposes, the implementation of a JG makes the current minimum wage legislations obsolete as workers always have the option to choose the JG. Next to the hourly wage and the job benefits, the JG establishes a lower bound of acceptable working conditions. The better the working conditions in the JG, the higher the incentive for the private sector to follow. In this light, the JG is an efficient means to improve working conditions and standards in the private sector. For developing countries, the same holds for working conditions in the non-formal sector as participants are offered an alternative employment option in the JG (Wray et al. 2018).

In the current situation in which involuntary unemployment exists permanently, the power relations in the labour market are asymmetrically distributed in favour of the employers. With the rise of neoliberalism has come the decreasing influence of labour unions. Those with comparatively little skills and education relevant to the labour market are the ones who have the lowest bargaining power in the labour market. Those people are hired last (if at all) and fired first during the business cycle. Consequently, situations might occur in which those people accept actually unacceptable working conditions. Supposedly, this is even worse in the context of unprotected informal labour markets, where the vulnerability of workers is immense (Kostzer 2008). Under a JG, all individuals have the chance to get a reasonably paid job under acceptable working conditions, which enables them to leave unacceptable job arrangements. Hence, the JG addresses the asymmetric power relations in the labour market.

Also, the JG has implications for democracy. The main characteristic of democracy is that everyone has an equal say in all significant questions that affect their lives. Considering how much time people spend at their workplace, the absence of serious democratic practices at the workplace neglects this feature of democracy. As explained, the JG is a means to improve the working conditions in the private sector. The same holds for the incorporation of democratic practices. Arguably, income and wealth inequality are a liability for democracy as they equip those with the financial power to gain political power and influence, thereby biasing democratic outcomes to their interests. Since the JG hires off the bottom of the income distribution by offering a fixed wage and benefits package to anyone willing to work, it improves the income distribution.

## 5. JG AND UBI: WHY THE JG DESERVES MORE SOCIAL RESONANCE

While the JG and the UBI are often being discussed as comparable, competing policy proposals, this section argues that the JG addresses more macroeconomic and social issues than the UBI does and, hence, deserves a greater resonance in the public discourse. Arguably, for many instances, the JG and the UBI are not even comparable policies. Most importantly, while the JG addresses unemployment and its social and macroeconomic costs, the UBI does not aim at a reduction of involuntary unemployment, but only compensates via the provisioning of an unconditional income stream to everyone thereby liberating people from the economic necessity to sell their labour in order to have an income that enables a dignified living standard. In this light, the scope of the UBI is different from the scope of the JG. The fact that research, as well as the example of the *Jefes* program, prove that the nonpecuniary costs of unemployment outweigh the pecuniary costs of it, the JG is superior in this regard (Carroll 2007, Tcherneva and Wray 2005, Tcherneva 2017, Watts and Mitchell 2000, Young 2012). Ultimately, the UBI neglects that involuntary unemployment is a failure of economic policy and evidence for the federal budget deficits being too small as it does not address the causes but only one symptom of involuntary unemployment, i.e. compensating the income stream.

Macroeconomically speaking, while the implementation of the UBI comes with an initial income push, similar to traditional pump-priming, it is not a means to manage aggregate demand continuously over the business cycle. The JG, on the other hand, works as an automatic countercyclical stabilizer offsetting recessionary tendency. Additionally, the UBI relies on an unemployed buffer stock to maintain price stability while the JG builds on a superior employed buffer stock to achieve price stability. As some UBI proposals even peg the nominal size of the UBI to price indices, the JG wage is not supposed to be indexed in order to prevent it from feeding a wage-price spiral. Any anti-inflationary mechanisms incorporated in the JG are absent in the UBI. The same holds for the fact that the JG attributes domestic purchasing power to the currency via the implementation of the labour standard. The UBI does not attribute any purchasing power to the currency as the UBI payments are to be received without any contribution. If the initial income push affects the trade balance and puts downward pressure on the exchange rate, possibly resulting in pass-through inflation, the UBI has nothing to offer that could offset such tendencies. On the contrary, an indexed UBI would feed the wage-price spiral, thereby worsening the inflationary pressure. The JG, however, could be tailored to the aim of economic transitioning by producing output relevant to help mitigating exchange rate or trade-related issues, e.g. by focusing on building a renewable sector. On top, the fixed-wage of the JG works as a price and wage anchor, preventing wage-price spiral pressures from worsening (Mitchell and Fazi 2017, Tcherneva 2013, Tcherneva 2019).

While the JG is a lever to improve minimum wages and working conditions in the private sector, the UBI actually entails the risk of putting downward pressure on wages. As the risk of involuntary unemployment is still prevalent under a UBI, the power relations in the labour market are not addressed. The JG on the other improves the

bargaining power of workers, particularly those that have been the ones most disadvantaged so far. Plainly speaking, the JG has more to offer for the individual who is last in the unemployment queue than the UBI has. Moreover, while the JG improves income inequality by hiring off the bottom of the income distribution, the UBI actually worsens income inequality. While those at the bottom of the distribution are to spend comparatively greater parts of the UBI income on consumption, those at the top of the distribution are likely to save and invest the UBI income in financial assets, thereby generating profit, dividend or interest incomes. Without any countermeasures being implemented alongside, e.g. tax policy, the UBI worsens inequality, which in turn has negative consequences for the democracy. Furthermore, the UBI income provides the receivers with freedom in terms of personal consumption as the UBI income can be spent according to personal preferences. However, the UBI entirely neglects the production side – there has to be someone producing the goods and services on which the UBI can be spent. In the light of article 23 of the declaration of human rights (see above), the JG is a means for achieving that the world of producing as democratic and empowering as the world of consumption.

Lastly, the JG equips individuals not only with a greater degree of socio-economic security but also with a greater degree of mobility as the JG ensures access to a job anywhere in the nation. While under a UBI people are forced to move where the private sector has adequate job offers, the JG brings the jobs to the people, thereby empowering them to leave their (possibly problematic) community or neighbourhood and build a new social existence elsewhere. Arguably, relocation and building a new social existence come with the risk of social isolation. In this light, the role of employment, which for most people makes up a great part of their time, is of crucial importance since many people build their social network in and around their workplace. The JG ensures access to a job and a reasonable working environment fostering social networking and social integration while contributing to the public purpose of the community.

In contrast to the JG, the UBI has very little to offer besides a permanent income stream, which ensures universal access to the material means of survival and allows for some degree of freedom in terms of personal consumption choices. To be blunt, simply giving people checks, which – eventually – can only be used to buy products from an aristocracy of producers will hardly cure many causes of the prevalent issues. Clearly, the JG is a superior tool for macroeconomic stability and social progression and as such, deserves a greater social resonance.

## 6. CONCLUSION

The idea of the JG is a logical extension of the paradigm of tax-driven fiat currency and the fact that the currency is a public monopoly. It involves the government offering a public-purpose-oriented job with a fixed hourly wage and job benefits to anyone willing to work. The program is locally administered and involves cooperation between communities, municipalities, states and non-profits, but federally funded. As the analytical lens of MMT reveals, a currency-issuing government is always able to provide

the funds necessary to run the JG. Ultimately, the purpose of the monetary system is to move resources. If any self-imposed constraints prevent a country from bringing its domestic resources into productive use, it needs to reconsider its monetary arrangements.

Macroeconomically speaking, the JG works as an automatic countercyclical stabilizer and is a superior tool to manage aggregated demand ensuring the economy is operating at full capacity. Instead of relying on a buffer stock of involuntary unemployed for the sake of maintaining price stability – thereby not operating the economy at full employment and leaving wealth on the table – the JG builds on an employed buffer stock approach to ensure price stability. The wage paid in the JG works as an anchor for all other prices in the economy as market prices reflect nominal value relative to the JG wage. While the initial size of the JG wage might lead to one-time price adjustments, it has no internal mechanism that feeds a wage-price spiral. In fact, as the JG facilitates the transition of workers from the public to the private sector, which ensures that an expansion of the production capacity can happen more smoothly, thereby preventing demand-pull type inflationary pressure. On top, the JG establishes a labour standard, thereby attributing value to the currency, which is defined by the quantity and quality of labour that one unit of the currency can buy. The full employment policy and the related income push might (or might not) increase the purchases of imports, possibly putting downward pressure on the exchange rate resulting in imported inflation. Keeping in mind that being a net importer increases the real living standard for a nation, the trade effects might be desirable. For the case of developing countries, particularly those dependent on food and energy imports, the JG design can be tailored to the specific needs of the developing country and actually be a means to address the real resource problems at their cause.

The JG addresses not only the macroeconomic but also the social costs of unemployment. While research suggests that the nonpecuniary costs of unemployment outweigh the pecuniary costs of it, the JG attacks unemployment related issues such as poverty, social isolation, crime, regional deterioration, health issues, family breakdowns, school dropouts, loss of human capital and social, political and economic instability. Simultaneously, the JG program fosters the societal benefits of full employment: poverty alleviation, community building, social networking, and intergenerational stability amongst others. Moreover, the hourly JG wage becomes the effective national minimum wage, while the overall working conditions form the lower bound of acceptable working conditions. In this sense, the JG is a lever to improve the working conditions in the private sector. Plus, it addresses the prevalent power asymmetries in the labour market, particularly those prevalent in the informal labour segment and fosters the implementation of democratic practices at the workplace. Lastly, the JG has a positive impact on income inequality since it hires off the bottom of the income distribution.

While the JG and the UBI are often discussed as comparable, competing policy proposals, the JG addresses way more macroeconomic and social issues than the UBI does, hence, in many instances, both policies are not comparable. As a bottom line: the JG qualifies for being the single most effective policy in order to drive the economy

towards full employment, maintain price stability and realize many promising social benefits.

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