

Would a Job Guarantee Guarantee Jobs?

An Analysis of the Employer of Last Resort Proposal

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Introduction

Unemployment is a chronic feature of capitalist economies, with a host of related ills such as poverty, personal and economic insecurity and social stigma. In much of the developed world, unemployment has never returned to the low levels present before the mid-1970s, and increasingly insecure and part-time work has replaced permanent, full-time employment. Even low official unemployment rates disguise large populations disconnected from paying work, akin to “the tip of the iceberg [...] in a cold economy” (Okun, 1983). Over two million Australians are either officially unemployed, marginally connected to the labour market but desiring work or are underemployed (ABS, 2015; 2016). The policy referred to here as the Job Guarantee (JG), also known as the Employer of Last Resort and Buffer Stock Employment, is a proposal to address unemployment and underemployment directly, through the provision of a blanket offer of employment at the minimum wage for anyone willing and able to work. This thesis seeks to examine in detail the practicality and desirability of the JG as a solution to the problem of scarce and insecure employment.

While many public employment programs have existed or been proposed, the Job Guarantee is distinctive in a number of respects, as identified by Tcherneva and Wray (2005). These are:

1. The JG offers an *infinitely elastic demand for labour* - a universal offer to all, with no means tests, time limits or numerical limits.
2. It *hires workers at the minimum wage*, so that it “hires workers off the bottom” - it does not compete with the rest of the labour market for workers and only hires workers who would otherwise be unemployed. The JG wage is fixed exogenously (by the government) so cannot rise to retain workers.
3. The JG produces *“loose” full employment* - workers are free to move “at will” from the JG to the regular labour market when better employment prospects present themselves, so the JG workforce waxes and wanes inversely to the condition of the broader economy. The JG automatically adjusts to provide however many jobs are desired, so does not produce excess demand for labour.
4. *JG workers perform socially useful work*, but not work that is currently being performed by the “mainline” public sector. Proponents of the JG have suggested an almost unlimited range of activities that JG workers could perform, such as child

and elder care (Wray, 1998), environmental schemes (Cook, *et al.*, 2008), community activities (Mitchell, 1998) and social services through the not-for-profit sector (Tcherneva, 2014). The requirement is that the project provide a social benefit.

The term “employer of last resort” recalls the role of the central bank as a lender of last resort, and operates on a similar principle. The government, through the JG, acts as a “market maker” in labour - it sets a price at which it will buy any quantity of labour for any period of time. The result is that a stock of unemployed workers is replaced by a “buffer stock of *employed labour*” (Mitchell, 1998: 549; *italics mine*) that responds to the health of the broader labour market in a countercyclical way. It stabilises the price of the “buffer stock” - it restrains wages growth during expansions (by disemploying workers from the JG) and prevents wage declines during slumps (by hiring workers) (Mitchell and Mosler, 2002). The JG creates a reserve army of labour, but one actively deployed in productive activities.

The guaranteed right to gainful employment has been present in academic and political advocacy since at least the 1930s, endorsed by the United Nations Declaration on Human Rights and Dr. Martin Luther King, Jr. The JG has been endorsed by groups advocating economic development in developing nations (Wray, 2007), racial justice activists, including some associated with the Black Lives Matter organisation (Aja, *et al.*, 2013; Movement for Black Lives, 2016), “degrowth” activists (Alcott, 2013) and climate change activists such as US Green Party presidential nominee Jill Stein as part of a “Green New Deal” (Stein, 2016). Proponents claim that the JG would serve as a solution to the advanced world’s persistently high rates of unemployment and underemployment, alleviate poverty and be a significant source of value production in itself (Watts, 2002; Cook, *et al.*, 2008). It is also asserted that the JG would serve as a superior macroeconomic stabilisation mechanism than existing monetary and fiscal policy levers, promote human capital formation and improve the efficiency of the labour market. Critics argue that the JG would face practical and political obstacles to hiring large numbers of workers with very uneven skills and unpredictable employment prospects, for jobs that are accessible to all (so requiring few specialist skills) yet are also socially beneficial.

The JG can be considered an “inverted” form of the basic income guarantee. Both respond to the chronic undersupply of jobs by modern economies and the poverty and

insecurity that result from that, but in inverted ways. The basic income guarantee addresses the income poverty resulting from scarce and insecure employment by directly providing income. The Job Guarantee addresses the same problem by directly providing employment. Thus the JG can be seen as an alternative, more targeted form of delivering a basic income (i.e. with a work test) or as representative of an alternative view that income alone will not address the personal and social ills caused by poverty. Debate between proponents of the two schemes - Standing (2013) for the basic income and Watts (2002), Tcherneva (2013) and Wray (2015) for the JG - centres on whether jobs should be a means or an end of social policy and the economic effects of the proposals.

This thesis analyses the JG along the dimensions of cost, economic sustainability, administrative feasibility and political reaction. It aims to judge the JG as far as possible on its own terms, while still critically assessing those terms.

The paper comprises four chapters, followed by a conclusion. Chapter 1 provides a review of the history of employment programs, the differing policy paradigms of unemployment and the historical and intellectual context in which the JG emerged. It summarises the claims of the proponents of the JG and common criticisms made by detractors.

Chapter 2 examines four existing JG-like work programs: the Works Progress Administration in the United States, Plan *Jefas* in Argentina, the Expanded Public Works Program in South Africa and the National Rural Employment Guarantee in India. These programs are chosen for analysis because they are large in scale and have been presented by JG advocates as real-life precedents that demonstrate the workability of a JG. It finds that work programs often have important anti-poverty impacts and engage in beneficial work, but suffer from poorly planning, skills mismatch and a tendency to undercut permanent public-sector workers.

Chapter 3 scrutinises the economic sustainability of the JG. This comprises analysis of the likely cost of the JG and the impact of an employer of last resort on the private-sector wage structure. It engages briefly but critically with the so-called Modern Monetary Theory (MMT) school of economics from which many JG proponents have emerged, and finds that the implications of MMT do not match its radical rhetoric. MMT is analysed because of the rhetorical role it plays in many arguments supporting

the JG, although accepting the JG does not imply acceptance of the premises of MMT. This chapter argues that the cost of a JG is likely to be much greater than its proponents imagine. It goes on to argue that JG proponents employ a somewhat simplistic, even crude model of the labour market, which imagines that workers will move naturally from the JG to the private sector because the latter is better paying, largely ignoring the non-wage characteristics that affect job preferences.

Chapter 4 examines the administrative and political obstacles facing the JG. The first section argues that the JG faces an “impossible quadrilateral”, a matrix of desired criteria that cannot be simultaneously achieved. It argues that it is not possible for JG jobs to display all of the following qualities: requiring only basic skills (needed for universal eligibility); socially beneficial; indifferent to time (as JG work is countercyclical); and distinct from the rest of the public sector. Any attempt to achieve one criterion requires abandoning another. The second section argues that a commitment to making gainful public employment a universal right available “on demand” will face inevitably political opposition. Furthermore, the different “axes” of the impossible quadrilateral will “activate” opposition from different groups in different ways and its precise administrative details will affect which interest groups oppose it. The conclusion of Chapter 4 is that, despite its conceptual simplicity, the JG is attempting to serve too many masters, in a way that is impractical and likely impossible.

A conclusion follows, summarising the findings of the preceding chapters. It argues that the JG has three key weaknesses: 1) its model of the macroeconomic impacts of the JG is underdeveloped; 2) it does not appreciate the difficulties inherent in producing large numbers of socially useful jobs that can be started and stopped at short notice; and 3) it displays no serious understanding of the likely political reaction.

The paper also attempts to provide a workable alternative to the JG that retains its strengths while discarding its weaknesses. The “job guarantee” proposed in the conclusion is far less ambitious than the JG, but aims to secure the right to work and the social responsibility to ensure adequate employment for all workers, and to maximise the benefits of a JG-like program without the economic, administrative and political obstacles of the JG outlined in the body of the paper.

1. The Job Guarantee in Historical Context

Advocates have depicted the Job Guarantee as a workable, historically successful alternative to the current policy paradigm of unemployment *and* as a return to the paradigm of the so-called “Keynesian era” (see, for example, Mitchell and Muysken, 2008). While there are several historical and contemporary schemes that resemble the JG, none has approached it in ambition, complexity and comprehensiveness. Scholarship within the pro-JG community has focussed primarily on the design of the JG and idealised models of its effects on the macroeconomy, while external critics have focussed on potential macroeconomic downsides and the political economy of the kind of work the JG would provide. The purpose of this chapter is to outline the economic and intellectual context from and in which the JG emerged, summarise the arguments put forward by its proponents and introduce some of the common criticisms of the JG.

Full Employment and Full Employability

Policy responses to unemployment in the post-war era can be divided into two broad approaches. The first was the “full employment” or Keynesian approach, which saw employment as a human right and an obligation of the state to provide (Mitchell, 2000). Many of the foundational documents of the social and political order of the post-war period reflect this view. For example, the United Nations Universal Declaration of Human Rights includes a “right to work” (Watts, 2002: 32). The state was expected to play a direct role in providing for full employment. Beveridge (1944: 123-135) declared that “the ultimate responsibility” for ensuring full employment “must be taken by the State”. Similarly, the 1945 *White Paper on Full Employment in Australia* (reproduced in Coombs, 1994) made full employment a “fundamental aim” and a “responsibility” of the Commonwealth, while the US *Employment Act* (1946) directed the government to seek “maximum employment” (Gordon, 1997: 827). This approach used Keynesian concepts and frequently drew connections between the presence of unemployment and the need for socially useful work to be performed. For instance, the 1945 White Paper lamented that, during the Great Depression, a large percentage of the workforce was idle despite “the need for more houses, food, equipment and every type of product” (Coombs, 1994: 25). This approach conceived of unemployment as a macroeconomic, demand-side problem and a social responsibility rather than an

individual one. It informed public policy in the first thirty years after the end of the Second World War, a period characterised by extremely low rates of unemployment in industrialised countries (Mitchell, 2000).

The second approach was adopted gradually after 1975, and can be characterised as a “full employability” (Finn, 2000) or neoliberal approach. Informed by monetarist and New Classical economic theories, this constructs unemployment as a microeconomic, supply-side problem in which the state’s responsibility is to provide the conditions (levels of tax and spending, inflation, regulations, etc.) in which individuals have the opportunity to gain employment (Mitchell, 1998). Pro-employment policies often focus on sanctions, training, wage subsidies and provision of services designed to make employment more attractive to welfare recipients (particularly single mothers) (Jackman, et al, 1990; Watts, 2002; Finn, 2000). The state does not actively provide jobs, but provides macroeconomic stability, microeconomic flexibility and sufficient incentives to the unemployed to enter the workforce (OECD, 2006, is an exemplar of this paradigm). This approach remains dominant today, and, in most advanced economies, coincided with significantly higher unemployment than the earlier period, though the increase in unemployment precedes the adoption of the “full employability” paradigm (Australian Treasury, 2004; Jackman, et al, 1990: 451).

Advocates of the JG often favourably contrast the “full employment” paradigm with “full employability”. The transition between the two is often constructed in sharp, archetypal terms. Mitchell and Watts (1997) state categorically, “in the 1980s, we began to live in economies rather than societies or communities”. A desire to “return” to the policy of the Keynesian era is present in many writings advocating the JG (e.g. Mitchell, 1998). It is in the context of the “neoliberal” employment paradigm that the JG concept emerged. While the late 1990s were a period of relatively low unemployment in the United States, Australian advocates of the JG such as Mitchell (1998) and Watts (2002) were writing in a context of persistently high unemployment despite strong economic growth. This context clearly informs Mitchell (1998: 548), who argues that those countries that avoided high unemployment in the 1970s and later had a section of the economy which “effectively functions as an employer of last resort”. This preference for the “full employment” paradigm manifests in similar rhetoric regarding the wastefulness of unemployment. Mitchell and Mosler (2002) remark that

despite the presence of unemployment, “highly desirable, labour-intensive work remains undone”.

Historical Employment Guarantee Programs and Proposals

Kaboub (2007) argues that the idea of the state acting as an employer of last resort can be traced back to the writings of William Petty in 1662, who recommended that the unemployed be hired to build public infrastructure. More recently, several programs to hire unemployed workers were created during the Great Depression as part of the New Deal, including the Works Progress Administration (WPA), the Civilian Conservation Corps (CCC) and the National Youth Administration (NYA). While these programs did not meet all the requirements of a JG (there were limits on enrolment, workers were not paid at the minimum wage, etc.), they represent the closest equivalent attempted in a developed country, employing millions of workers to engage in soil conservation, reforestation and the creation of public works (Gordon, 1997). Tymoigne (2014: 520) makes the point that these programs were distinct from past make-work or relief programs in that they treated applicants as workers in search of decent employment rather than indigent loafers.

The programs that most resemble the idealised model of the JG today are found in the developing world. Argentina’s *Jefes y Jefas* (Heads of Households) program, introduced in response to a major recession, offered employment for one individual per jobless household with children, to engage in community services or small-scale construction activity (Iturizza, Bedi and Sparrow, 2011). At its peak in 2002, *Jefas* cost approximately 1% of GDP, with nearly 2 million participants (Tcherneva and Wray, 2005: 13). South Africa’s Expanded Public Work Program (EPWP) hires unemployed South Africans for a maximum of 24 months over five years for construction of public works and provision of public services (Phillips, 2004). The EPWP has a set “budget” of jobs offered (200,000 per year) and costs approximately 0.5% of GDP (Antonopoulos, 2009). The Mahatma Gandhi National Rural Employment Guarantee (MGNREG) in India offers unemployed rural workers a hundred days of employment at the minimum wage as a legal right (Vij, 2013). The MGNREG displays many of the feature of the JG, in that it is a right rather than an obligation, it is a demand-driven system and those employed by the scheme conduct socially useful labour such as labour-intensive construction of public infrastructure (ibid.; Maiorano, 2014).

These JG-like programs along will be examined in greater detail in Chapter 2.

Harry Hopkins, the administrator of the New Deal work programs, proposed making permanent job assurance part of the American welfare-state, as a counterpart to unemployment insurance, though this did not eventuate due to political opposition (Hopkins, 1999). Public debate during the Lyndon Johnson administration included discussion of the government as “employer of last resort” as an anti-poverty program (Time, 1967) and Martin Luther King, Jr. endorsed an “Economic Bill of Rights” that would “guarantee a job to all people who want to work and are able to work” (King, 2003: 103). This led to legislation like the *Equal Opportunity and Full Employment Bill* (1974), which, if enacted, would have created a legally enforceable right to a job, and used the term “Job Guarantee” to describe the program on offer (Hawkins, 1975: 15). Another program described as a “job guarantee” was extended to teenage high school dropouts in a demonstration project in the late 1970s, which Gueron (1984: 5) described as working by “eliminat[ing] any shortage of minimum wage jobs” through direct public jobs and subsidised private employment. By this time, political opinion was turning against the prioritisation of full employment over price stability, but as late as 1978, the US Congress debated and passed the *Full Employment and Balanced Growth Act*, which directs the US Government to achieve full employment (defined as below 3%) via “reservoirs” of public employment (Ginsburg, 2012). However, one of the bill’s authors, Hawkins (1979), lamented that its directions were being violated within a year of enactment.

Two clear theoretical antecedents of the JG are Pierson (1979) and Minsky (1986). Pierson’s Economic Performance Insurance (EPI) proposed “guaranteeing” specific levels of employment and consumer spending by creating jobs through a permanent “reserve shelf” of public services and works and more traditional pump-priming policies (Pierson, 1979: 86; 89). The “reserve shelf” would comprise public works and services of “intrinsic value”, which could be started and suspended quickly. As with later JG proposals, Pierson (ibid.: 93-94) argued that the EPI would allow full employment (minus “necessary frictional” unemployment of workers moving between jobs) with price stability, as the target levels for jobs and spending would have upper bands as well as lower, encouraging swift government action to curb excess demand and creating expectations of the foregoing. Minsky (1986: 308) proposed “an infinitely

elastic demand for labour [...] that does not depend upon long- and short-run profit expectations”, and was included in an economic plan to stabilise the fluctuations of the labour market. Minsky (ibid.: 310-312) recommended the resurrection of large government employment programs from the New Deal to employ a total of 9 million workers, but Minsky explicitly did not envisage employing *all* jobless workers. Nevertheless, so great is the obvious debt the JG owes these proposals, Pierson (1979) and Minsky (1986) should be recognised as the creators of the JG.

The Job Guarantee

The development of the JG can be dated to the late 1990s with the publication of Gordon (1997), Mitchell (1998), Mosler (1997-1998), Forstater (1998) and Wray (1998), regarded by JG advocates as seminal contributions (Juniper, Sharpe and Watts, 2014-2015: 298). All envisaged a state-guaranteed “employer of last resort” as the only effective solution to unemployment, and describe it in similar ways. The government should “offer[...] a public-service job to anyone who wants one” (Mosler, 1997-1998: 167), to “continuously absorb[...] workers displaced from the private sector” (Mitchell, 1998: 549). Such a program would not be discretionary, but would be “bound to hire the [...] workers that no other employer is willing to hire” (Gordon, 1997: 828). As with Pierson (1979) and Minsky (1986), these authors see the JG as a force for both full employment and price stability. Mitchell (1998: 548) calls it “the only rational strategy for a government that [issues] a fiat currency and wishes to maximise macroeconomic benefits and price stability”.

Scholarly debate surrounding the JG has mostly been among advocates of the scheme, producing a certain insularity to the debate. The most common citations in scholarship supporting the JG are other JG supporters, usually a small pool including Mitchell, Mosler and Wray. Nevertheless, external criticism has focussed on three main lines of criticism, which this thesis aims to expand and develop. These are: (1) the total cost of the JG; (2) its economic impacts; and (3) the nature of the jobs it would provide.

Cost

Estimates of the cost of a JG in an advanced society generally skew low. For instance, Gordon (1997: 830) estimates a gross cost of \$79 billion for the United States at the time,

while Wray (1998: 129) estimates \$100 billion. These figures are certainly severe underestimates, as they explicitly exclude capital and administrative costs. The cost of a JG raises questions of its economic sustainability, particularly regarding the means of financing such a program. While some academic advocates of the JG are from other schools of economics (e.g. Minsky [1986] and the institutional economist Wendell Gordon [1997]), most, if not all, hail from the so-called Modern Monetary Theory (MMT) school (including Wray [1998], Mitchell [1998], Mosler [1997-1998] and Forstater [1998]). MMT is a post-Keynesian branch of economics with strong influences of Chartalism and Abba Lerner's "functional finance" (Juniper, *et al.*, 2014-2015). The core of MMT is straightforward: as a government with a fiat currency may issue any quantum of currency it chooses, logically it is not dependent on taxes and borrowings to "finance" that spending. The only constraints on government spending are real resource limits (expressed through inflation). The "true" function of taxes and bond sales is to manage demand by draining income away from the private sector. Juniper, *et al.* (2014-2015), Wray, (1998) and Mitchell and Muysken (2008) provide detailed overviews of MMT from a supportive position.

MMT has been criticised by other post-Keynesians, notably Aspromourgos (2000), Lavoie (2013) and Sawyer (2003; 2005), who view its statements as overly extreme, its recommendations overly simplistic and the behaviour of its adherents overly strident. Krugman (2011) also deals with the subject in a brief blog post. That said, debate between MMT and other strands of economics, even post-Keynesian schools that share many similarities, has been limited. Lavoie (2013: 7) argues that the MMT school confines too much of its advocacy to the Internet (what Juniper, *et al.* [2014-2015: 282] artfully describe as "diligent use of social media"), where "the standards of good conduct" are not the same as "those that rule academic journals", and as a result other economists have been discouraged from engaging with MMT.

The cost of a JG and the conclusions of MMT are discussed in Chapter 3.

Macroeconomic Stability

More important to the issue of economic sustainability is the claim that by fixing the JG wage at the minimum wage, the JG will not disturb the private sector wage structure and will serve as an anchor for inflation. Mitchell (1998: 551) offers a clear iteration of

the argument. He acknowledges that, under a JG, wage bargaining would be conducted absent the threat of unemployment, but argues that the JG would create a larger pool of tested, job-ready workers who could be more easily hired by the private sector than the currently unemployed (who lose skills during periods of idleness). Workers at the bottom of the labour market would be disciplined not by the threat of unemployment but by the threat that there are always more job-ready workers to take their place. For more skilled workers, the JG would represent a significant loss in income and prestige relative to their current employment, so the potential “wait unemployment” they would experience as they looked for another job at their skill level would act to discipline wage claims.

Mitchell (ibid.: 552) states that the current form of price stabilisation - using fiscal and monetary contraction to reduce economic activity and discipline wage claims with the threat of unemployment - would still apply, except that workers would be moving from regular employment into the fixed-wage JG. Eventually, enough workers would be moved into the non-inflating JG and others would feel the threat of such that this would attenuate the inflationary spiral.

Pro-JG literature is contradictory on the impact of the JG on workplace relations. On the one hand, the JG is envisaged as a pace-setter for the private sector, as workers would be free to quit an obnoxious boss or substandard conditions because there would always be alternative employment (Gordon, 1997: 833). Market pressures would ensure that the JG wage and conditions became the effective minimum labour standards (Mosler, 1997-1998). On the other hand, the prospect of JG employment is so terrible that it will discipline wage claims as effectively as unemployment. The arguments for and against the JG as a price stabiliser are examined in Chapter 3.

What Kind of Jobs?

It would be easy to employ a large number of otherwise idle workers to engage in essentially arbitrary work, but this would do little more than give the unemployed the illusion of work to artificially reduce the unemployment rate. The comparison with workfare is vigorously disputed by JG advocates. Watts (2002: 28) describes the JG as providing “real jobs” with regular wages, rights and responsibilities, in contrast to work-for-the-dole programs that require claimants to perform perfunctory work to

receive only their entitlement. Mosler (1997-1998: 168) asserts that unlike the JG, “workfare was often seen as a program that created a new class of subminimum-wage employees to replace higher-paid regular public employees”. This form of argument - asserting difference without demonstration - is common to JG advocates and indicates a conceptual weakness to the proposal. In fact, the JG is exactly seen by some as a way of replacing regular public servants with minimum-wage workers (e.g. Sawyer, 2003, and Palley, 2001). This point is considered in Chapter 4.

JG advocates maintain that the jobs performed would, under a well-designed JG, be socially valuable (Tcherneva and Wray, 2005). Wray (2007: 98) imagines JG workers engaging in social services (child and elder care, etc.), public infrastructure provision and upkeep, food preparation and handcrafts (making school uniforms and toys). Cook, *et al.* (2008) provide an extremely detailed proposal for how the JG should design its projects, and lists numerous potential JG employment opportunities including builder’s labourers, clerks, library assistants, “sports development assistants” and “trappers”. Gordon (1997: 829) says that the state would have to devise a number of potential activities and keep them in a position to be implemented swiftly or deferred in response to changes in the broader economy (very much in common with Pierson’s [1979] “reserve shelf” of projects).

Critics argue that there are few worthwhile jobs that can be initiated, speeded up or halted at short notice with no negative consequences (Sawyer, 2003). The issue is not whether there is socially useful work that is unperformed. Rather, it is whether such work can be rapidly begun or suspended to accommodate fluctuations in the labour market. Given that the skills mix of the future unemployed is largely unknowable in advance, planning projects would be difficult, and the tendency would be for the JG to offer low-value work to rapidly absorb the unemployed, at the cost of skills mismatch and harming the long-term earnings of skilled workers (Standing, 2013: 25). Criticism directed at the kinds of jobs a JG would provide highlights the obstacles it faces. If the jobs are too valuable they may displace permanent jobs in the public sector, but if they are seen to be worthless then public support for the program will evaporate (Palley, 2001). Advocates of the JG have not dealt with this problem adequately. This point will also be developed further in Chapter 4.

Conclusion

Scholarship on the JG has mainly been limited to intramural debates between advocates of the scheme, generally within the MMT school. This has meant that most debate on the topic has been based on the assumption of its fundamental virtues. External criticism has provided a vital corrective, accepting the desirability of lower unemployment but questioning the usefulness of the JG as a means to achieve that goal. Assuming that the JG advocates are correct on the cost and the macroeconomic impacts of the scheme, there remain administrative and political-economic challenges inherent in designing and implementing public projects to employ the newly unemployed “at will”. Critical analysis of this subject is vital, but JG advocates have generally not engaged with it.

2. The Job Guarantee in Practice: Historical and Contemporary Comparisons

While a Job Guarantee as already outlined has never been implemented, there are historical and contemporary programs that share some features. Several have already been mentioned and discussed briefly in Chapter 1. The common features of these programs are: budget-constrained payrolls; low pay; and generally low-skilled, often manual labour. This chapter will examine four of these programs in detail: the Works Progress Administration in the United States, Plan *Jefas* in Argentina, the Expanded Public Works Program in South Africa and the National Rural Employment Guarantee in India. After a brief analysis of each program, the chapter will draw out some strengths and weaknesses in the design and implementation of the programs and discuss their implications for the JG.

Works Progress Administration (United States)

Several work programs were introduced in the United States during the Great Depression as part of the New Deal, in response to extremely high unemployment rates (almost 25% in 1933). The largest and possibly best known was the Works Progress Administration, later the Work Projects Administration (WPA), employing a total of eight million people from 1938 to 1943, though this belies its small size relative to the total stock of the unemployed (collectively the New Deal work programs employed only 34% of all unemployed workers) and the total labour force (~4%) (Tymoigne, 2014: 521). These work programs distinguished themselves from preceding relief efforts in that they did not assume the unemployed to be indigent loafers who needed to demonstrate that they were worthy recipients of state aid (Hopkins, 1999). However, eligibility for the programs was left to be locally determined, and meagre budgets meant that, in practice, one had to be reduced almost to abject penury to be eligible (Tymoigne, 2013: 76). The total cost of the program was relatively low (approximately 2.2% of GDP), but so was pay: 81% of WPA workers earned less than a government-defined “emergency budget” that was too low to be sustainably lived on (Tymoigne, 2014: 525). The WPA was ultimately ended in 1943 after the mobilisation for war eliminated the unemployment problem (Rose, 2000: 7).

The WPA was something of a catch-all program, undertaking projects of a wildly varying nature, a full enumeration of which Howard (1943: 126) accurately described as including “almost every type of work imaginable”: “from the construction of highways to the extermination of rats; from the building of stadiums to the stuffing of birds; from the improvement of airplane landing fields to the making of Braille books; from the building of over a million [...] privies to the playing of the world’s greatest symphonies.” The sheer scale of the projects undertaken is impressive, including 8,000 new or improved parks, 16,000 miles of new water mains, 2,000 miles of levees, 4,000 new or improved schools and 650,000 miles of new or improved roads, as well as the production of 382 million articles of clothing and the serving of 1.2 billion school lunches (ibid.; Leighninger, 2007: 51). In addition to physical infrastructure and social services, the WPA also employed artists, writers, musicians and historians through Federal Project Number One (Eleanor Roosevelt Papers Project, online resource).

Despite the lasting achievements of the WPA, its workers had a reputation among potential employers and the general public for being lazy and unruly, giving the WPA nicknames such as “We Putter Around” and “We Pretend Alot” (Danbom, 2014). This may simply be the result of stigma towards the unemployed and those receiving public assistance, but numerous administrative difficulties stemming from the speed of implementation surely contributed to this perception. It was difficult to design projects that were both worthwhile (boosting morale and utilising skills) and that did not crowd out private sector activity (Levine, 2010: 2). Added to this were short planning times and uncertain budgets, which meant that projects were often selected based on their readiness rather than lasting value (MacMahon, Millet and Ogden, 1941: 18). There were also clear, systemic problems with matching skilled workers to appropriate tasks, as the imperative to avoid competition with the private sector meant that work provided by the WPA seldom resembled the workers’ usual occupations (Bremer, 1975: 646-647). The WPA’s workforce was majority skilled or semi-skilled, but work was overwhelmingly (nearly two-thirds) on unskilled projects (Tymoigne, 2013: 77, Table 1.). As noted by Rose (2000), the duelling obligations to create the maximum number of jobs and to conduct work of clear value meant that the WPA and its ilk were routinely attacked both for performing unnecessary work and for competing too much with the private sector, though Tymoigne (2013: 80), surveying the existing literature on the topic, concludes that the WPA had only a very small negative impact, if any, on the number of private sector jobs. More significant in terms of its implications for a

“proper” Job Guarantee are documented cases of public authorities substituting WPA workers for existing public employees (National Resources Planning Board, 1942: 344).

Plan Jefas (Argentina)

Argentina’s *Plan Jefes y Jefas des Hogar Desocupados* (Unemployed Heads of Households Program, henceforth *Jefas*) was a large-scale work program that operated from 2002 to 2006 and has been explicitly compared to the JG (e.g. by Tcherneva and Wray, 2005). Introduced in response to a major recession in the country, *Jefas* paid 150 pesos per month to the nominated head of a jobless household with children or disabled members, in exchange for work providing community services or engaging in small-scale construction activity (Iturizza, Bedi and Sparrow, 2011). At its peak in 2002, *Jefas* cost approximately 1% of GDP, with nearly 2 million participants (Tcherneva and Wray, 2005: 13). Drawing on data from the World Bank and the Argentine government, JG supporters Tcherneva and Wray (ibid.: 16) conclude that *Jefas* was highly effective at reducing unemployment, boosting economic growth and raising the morale of those it enrolled. The program was discontinued as the economy recovered from the slump.

Work undertaken by *Jefas* enrollees included community services (particularly social services such as child care and soup kitchens in low-income areas), municipal services (maintenance of buildings, cleaning of public spaces, etc.), microenterprises (goods production, most in agriculture, and some services) and small infrastructure construction projects (World Bank, 2007: 59). According to Kostzer (2008: 24), around 60% of *Jefas* enrollees were involved in construction, maintenance and microenterprises. Many of the services provided by *Jefas* enrollees were already (or traditionally) provided by the state or the market, but were inaccessible to poor Argentinians due to cost or patchy provision in low-income areas (ibid.). *Jefas* was particularly striking for the participation of women in the program, who made up fully 64% of beneficiaries (Tcherneva and Wray, 2005: 16). This fact can be interpreted as low-income women in Argentina taking the opportunity of guaranteed work to avoid cultural or structural barriers to employment in the regular labour market. Alternatively, as Tcherneva and Wray (ibid.) suggest, women may have nominated as the head of household so the family could receive income support while their partners looked for “regular” work. This would suggest a degree of stigmatisation of *Jefas* as not “proper” work.

The literature surrounding *Jefas* shows a distinction between JG advocates and others in the way *Jefas* is framed. JG supporters, such as Tcherneva and Wray (ibid.) and Allen (2006), frame *Jefas* as a public employment program that provided evidence of the benefits of a “complete” JG. In contrast, non-JG scholars such as Galasso and Ravallion (2004) see *Jefas* as simply an “income transfer program” with a work requirement to target the program’s benefits to those most in need of assistance (as higher-income and current employed workers would not be attracted to the low pay provided). This could be considered a purely semantic distinction, but it shows that mainstream, orthodox voices such as the World Bank (2007) and Galasso and Ravallion (2004, writing for the World Bank) do not consider *Jefas* to be revolutionary or distinctive, as JG advocates do. There is little to separate a welfare program with a work requirement from workfare. Indeed, the World Bank (2007) explicitly considered it to be workfare, viewing the work requirement as an effective means test, while freely conceding that many of the program’s work activities were likely of little benefit and could be considered “make work” (ibid.: 47). This suggests that development of human and physical capital was not front of mind when *Jefas* projects were developed. That said, the World Bank (2007: 37) reported that the infrastructure constructed by *Jefas* was generally of good quality.

Expanded Public Works Program (South Africa)

Established in 2004 to succeed previous public works projects, the Expanded Public Works Program (EPWP) was developed to address extremely high unemployment among black South Africans (Antonopoulos, 2009: 5). The government aimed to create 200,000 temporary jobs through the EPWP per year, a modest target given the scale of the country’s unemployment, which has been consistently above 25% since the end of apartheid (Allen, 2006: 5). The scale and nature of the unemployment problem in South Africa are in some ways the most serious of the countries analysed in this chapter. Not merely has unemployment been stable at an extremely high level, there is a significant chronic factor as well, as a majority of jobless South Africans have no experience in the formal labour market (Phillips, 2004: 2). Beneficiaries of the EPWP gain employment for a maximum of 24 months over five years, paid at a locally negotiated minimum wage (ibid.). Unlike other work programs, the EPWP has explicit numerical targets for participation of women (40% of the program’s rolls), youth (20%) and the disabled (2%) (Allen, 2006: 51). During its initial period of implementation (2004-05), the EPWP’s cost

amounted to 0.3% of GDP and 0.8% of total government spending (Antonopoulos, 2009: 6).

Work performed by EPWP enrolees is primarily small-scale construction (e.g. rural roads, stormwater drainage and trenches), as well as social and environmental services (McCutcheon and Taylor Parkins, 2009: 205; Phillips, 2004: 8). The social services provided includes early childhood development and home- and community-based care, particularly aimed at providing child care and HIV-related care (the latter a major issue in South Africa). The intention is that EPWP work could provide pathways to “mainstream” employment in the same fields (Phillips, *et al*, 2009: 22-23). The EPWP has a mandate to substitute, as far as practical, labour for heavy machinery in the execution of these projects. For example, instead of using machinery to dig, transport and lay new soil, workers using hand tools perform the task instead (*ibid.*: 19). As McCutcheon and Taylor Parkins (2009: 206) note, this requires substantial changes to the design, planning and construction of civil works. This also shows that for the EPWP, like for *Jefas*, the objective of absorbing surplus labour is more important than the objective of creating assets and services of lasting value.

The prioritisation of labour intensity has led to poor quality assets and services. For instance, some environmental protection programs aimed at curbing alien vegetation were poorly initiated due to the absence of expert assistance, and any benefits produced quickly disappeared once the program ended (Mtapuri, 2014: 547). Conversely, it is far from clear that, even with the prioritisation of employment over other factors, the EPWP has been able to provide adequate employment. The average duration of employment in the infrastructure component of the EPWP is only 62 days over five years, below the 80 days anticipated when the program was launched (McCutcheon and Taylor Parkins, 2009: 207). Allen (2006: 11) suggests that the planning of public works creates periods of inactivity between completing one “block” of projects and starting another, leaving enrolees with nothing to do in the interregnum. As Mtapuri (2014: 549) argues, these flaws suggest that the EPWP needs to clarify whether its purpose is to address unemployment or to create assets and services of value. Each option tends to obviate the other, as the EPWP addresses unemployment through the provision of low-skilled, temporary jobs, while high-quality assets and services generally require longer time-frames and greater skills.

The Mahatma Gandhi National Rural Employment Guarantee Act (India)

The Mahatma Gandhi National Rural Employment Guarantee (MGNREG), which began in 2006 and was expanded to a nation-wide program in 2008, is the only program assessed in this chapter to adopt an explicit rights-based framework, guaranteeing 100 days of wage employment “on demand” to households in rural India (Upendranadh and Tankha, 2009). Due to the sheer size of the Indian population, the MGNREG is also in absolute terms the largest program assessed in this chapter, employing over 45 million people in its first year of nationwide implementation, over half of them women (Haque, 2011). Vij (2013: 96) ascribes the high enrolment of women to equal pay rates with male workers in the MGNREG and an all-comers hiring policy, both of which stand in contrast to the norms in private rural employment in India. As with *Jefas*, an alternative interpretation is that work for the MGNREG is stigmatised as “not real work”, disproportionately leading women to enrol in the program so their families can earn income while their male partners look for work in the regular economy.

The government of India has struggled over decades to formulate solutions to the chronic deficiency in labour demand in rural areas of India, where the majority of Indians live, and the MGNREG is both a strategy to directly meet the employment deficit and to perform locally beneficial work (Reddy and Upendranadh, 2010). Additional aims of the MGNREG include alleviating poverty and reducing migration of rural workers to urban areas (Shome, 2011). The work performed is designed to be low- or unskilled work, such as earthmoving, digging and breaking rocks, and building water tanks, wells, rural roads, reforestation, soil conservation and some minor agricultural and horticultural programs (Allen and Pellissery, 2006: 6). Of these, water conservation and drought-proofing projects are the priority (Reddy and Upendranadh, 2010: 4).

The impacts of the MGNREG are mixed. The quality of the works completed is not necessarily good, which Reddy and Upendranadh (2010: 17) attribute to inadequate technical support and planning. Sanitation, health and basic safety at work sites, as well as provision of child care, have become issues, as has the low level of remuneration provided to workers, which some argue is too low to sustain the workers and their families (ibid.: 16). While Jha and Gaiha (2013: 6) argue that claims of reduced

migration and higher rural wages are “mostly exaggerated, if not fantasised”, Shome (2011: 274) presents evidence that rural-urban migration has been substantially reduced, and Haque (2011: 457) reports a significant increase in wages for both agricultural and non-agricultural workers. This suggests that the MGNREG minimum wage is serving as a floor wage, as JG advocates expect. However, Dutta, *et al* (2012: 6) report that despite the program’s purpose as a universal guarantee, there remains significant rationing of work through the MGNREG - almost half (44%) of rural workers desiring work do not obtain it. The average number of days of employment has always been low and has fallen over time (from 39 days on average in 2009-2010 to 31 days in 2011-2012) (Jha and Gaiha, 2013: 6). This unmet need for work seems to be particularly concentrated in poorer states in India (Dutta, *et al*, 2012: 6). Such high rationing makes it implausible that the MGNREG alone is responsible for higher rural wages, particularly in poor areas.

In light of this, Jha and Gaiha (2013: 6) argue that it is “difficult to escape the conclusion that the [MGNREG] has not performed well”, though agree that its benefits as an income-support program are real. The MGNREG is, like the other programs assessed in this chapter, primarily a policy tool to absorb part of the body of unemployed workers, and prioritises the generation of jobs over the value of the work performed.

Implications for the Job Guarantee

Some features of the programs examined in this chapter are shared by the JG. The first common feature is the most obvious: these are government welfare programs that provide *income in return for labour* rather than as an entitlement. The second feature is that to greater or lesser degrees these programs recognise that *providing employment is an obligation of the state*, though only the MGNREG is constructed with a rights-based framework. The third feature is that these programs perform *nominally useful work*. However, as Mitchell and Muysken (2008: 257) and Tcherneva and Wray (2005: 20) agree, none of these programs qualify as “true” JGs of the type examined in this thesis. The most substantive difference between these programs and the JG is that they do not (and do not attempt to) absorb the entire pool of unemployed workers through an infinitely elastic demand for labour. All of the programs are limited by their budgets (whereas the JG would allow its budget to be determined by demand for employment), and thus employment through the programs is rationed. The MGNREG comes the

closest to providing “employment on demand” in theory, through its rights-based framework, but in practice it is still highly rationed and much unmet demand remains. They do not provide full employment, either “loose” or any other variety. “Loose” full employment, the most innovative feature of the JG, is thus entirely hypothetical.

Nevertheless, the similarities offer some evidence for the potential benefits and weaknesses of a JG. The evidence suggests that, in the main, these work programs produce positive outcomes in reducing acute income poverty (as expressed, for instance, in reduced internal migration in India) and supporting employment and wages for the general economy (Tcherneva and Wray, 2005; Shome, 2011; Haque, 2011). While some research on the WPA appears to show a slightly negative impact on private sector jobs, the overall picture is that the WPA had little impact on private job numbers and had a positive effect on private wages (Tymoigne, 2013: 80). While skills mismatch is a significant problem, there is some evidence that *Jefas* workers were able to find higher paying jobs than unemployed workers not enrolled in *Jefas* (Iturizza, Bedi and Sparrow, 2011: 829). Furthermore, for all the stigmatisation of workers in (for example) the WPA as lazy and unruly, surveys of businesses in Argentina found that 78% were willing to hire *Jefas* enrollees who met the job qualifications (ibid.: 835).

The drawbacks in the design and implementation of these work programs also provide lessons for the JG. Most notably, the programs’ dual mandates to create jobs and perform useful work are in tension. The imperative to create as many jobs as quickly as possible has two negative consequences. The first is that projects that could be done easily or immediately are prioritised over projects with lasting value (MacMahon, Millet and Ogden, 1941: 18), and the long-term maintenance of the assets created or services provided may be neglected (Mtapuri, 2014: 547). This can lead to poor quality services and assets (Reddy and Upendranadh, 2010: 17). The second negative consequence is that projects are planned and implemented in such a fashion as to be maximally labour intensive rather than efficient (McCutcheon and Taylor Parkins, 2009). This is wasteful both of capital and labour. The latter may manifest in the form of skills mismatch. As Tymoigne (2013: 77) shows, WPA workers were, on average, skilled or semi-skilled, while the work they performed was overwhelmingly unskilled. This is likely to be harmful both to their future employment prospects (Standing, 2013) and to their morale, as they are unable to apply their skills.

Some JG advocates argue that low-value work is not a problem, as (by definition) a JG worker would otherwise be unemployed and not producing anything (e.g. Wray, 2014). This should not be taken as a licence to ignore or downplay the question of productivity. There remains an opportunity cost to putting a worker in a low- or zero-value job, even if they were previously unemployed. Yet the JG is limited in its ability to match workers' skills to potential jobs, as jobs are meant to be provided "on demand". Mtapuri (2014: 549) argues that these programs may represent the worst of both worlds, by only ameliorating unemployment while not producing high-value assets or services. To this another tension can be added: if JG-like work programs do produce high-quality assets and services, this increases the incentives for governments to substitute JG workers for "mainline" public sector workers.

Conclusion

This chapter has examined four major work programs that share some features with the Job Guarantee. These features are: supporting the unemployed through public employment rather than income transfers; recognising adequate employment as (to some degree) a government responsibility; and using public workers to perform useful labour. As "JG-like" programs, they demonstrate that large-scale public works programs are practical and can produce benefits of lasting value, though the imperative to absorb as much labour as possible can lead to poorly planned and executed projects that may be subsequently neglected. The problems of skills mismatch and low-value work also carry important implications for the JG. Most of these problems can be ascribed to the tension between creating jobs at basic skills levels (essential for absorbing large numbers of the unemployed at below-market wages) and producing output of clear value that does not compete with either the private or mainline public sectors. This tension faces any large public works program, but would be particularly acute for the JG. This will be discussed in greater detail in Chapter 4.

Conversely, these programs are distinct from the JG in that they do not offer universal coverage and so do not attempt to entirely absorb the unemployed pool. Relative to the scale of the unemployment programs facing these countries, they are in fact modest. The absence of "loose" full employment in these programs leaves the most radical and unusual feature of the JG entirely theoretical. This will be examined in detail in Chapter 3.

3. The Macroeconomic Effects of a Job Guarantee

The central claim of the JG is that it provides a mechanism for achieving full employment *and* price stability, in contrast to what supporters see as orthodox economic views that there is an inevitable trade-off between the two (see, e.g. Mosler, 1997-1998). Mosler (*ibid.*: 167) is unambiguous: “The monetary system used in OECD countries today can sustain both full employment and price stability in both the short and the long run.” Thus, any assessment of the JG must address both its full employment and its price stability claims. The “full employment” claim will be left for Chapter 4, while this chapter addresses the second claim - that the JG would stabilise prices in a fashion superior to the current tools of monetary policy. The effect of the JG on price stability is twofold. First, there is the cost of the program, and consequently the means of financing it. Second, the impact of eliminating unemployment and the threat of such on the private-sector wage structure. These two issues will be addressed sequentially.

The first issue, the cost of the program, will be discussed with reference to the model of the economy held by advocates of the JG, most of whom are associated with the Modern Monetary Theory (MMT) school of post-Keynesian economics. This chapter will provide a (brief) overview of MMT and analysis of its major claims, but while some advocates claim that the JG cannot be appreciated without an acceptance of MMT (Wray, 1998: 180), in truth the two are separable and support for the JG does not require acceptance of MMT. Indeed, this chapter will argue that there is far less to MMT than meets the eye, as a clear analysis of the theory’s implications shows.

Modern Money and its Discontents

As outlined in Chapter 1, Modern Monetary Theory plants its intellectual roots in Keynesianism, Chartalism and Abba Lerner’s “functional finance” (Juniper, *et al.*, 2014-2015). MMT’s foundations rest on the fact that governments with a fiat currency have no limit on the quantum of currency they can issue. As the government may issue as many (say) dollars it wishes, spending is not limited by revenue but by real resource limits, expressed through rising inflation. MMT argues that the true function of taxes and bond sales is to drain excess liquidity from the economy to manage demand and

stabilise interest rates while allowing the private sector to meet its desired net savings (Wray, 1998: 75).

MMT advocates argue that governments should follow the “rules” of functional finance as set out by Lerner (quoted in Wray, 1998: 75-77). To wit: government should spend based on the level necessary to employ all economic resources, not on revenue; and should tax and issue bonds based on the desirability of removing money from the private sector, not on desired spending. MMT advocates thus claim that we can dispense with arguments over the budgetary cost of the JG. Wray (1997: 14; emphasis in original) declares that “nothing of substance would change [...] even if costs were two or three times greater (or half as much) - *economically* it would not matter, although it might matter *politically*.” Wray (1998: 180) also claims that the JG becomes a “difficult programme to sell, except in special cases, unless one understands the principles of functional finance and Chartal [i.e. fiat] money.” But to leave the JG resting on such a thin reed seems unwise, and unnecessary to boot. A JG could be financed through some combination of taxes and bond-financed deficits. More fundamentally, the logic of MMT does not lead to the radical conclusions its proponents claim.

It is true, albeit in a trivial sense, that the ability of the government to issue its own currency is not limited by its ability to obtain that currency from the private sector. The question is whether this allows for government policies denied by mainstream economics. In short, for MMT’s conclusions (such as its claim that the cost of the JG is unimportant) to differ from orthodoxy, it must show that significant resources can be extracted entirely through seignorage. Clear thinking about the implications of money-financed spending is therefore necessary.

Assuming a government spends entirely through the issuance of new outside money (i.e. no taxes or borrowing), that outside money in the hands of the private sector can only be spent or saved (including by financial institutions as reserve requirements), as it cannot be returned to the government in taxes or in exchange for bonds. It makes little behavioural sense for the private sector to hold a large proportion of its income as money, as holding cash as such is undesirable beyond the smallest hoards. According to Freestone, *et al.* (2011), Australian households save only 7% of their disposable income in the form of deposits or currency. Once the private sector meets its desired savings, it will react to “surplus” disposable income by increasing consumption

(Aspromourgos, 2000). Financial institutions will also lower interest rates to rid themselves of excess reserves (Mitchell and Mosler, 2001: 254). In a depressed economy, this would be the aim of government policy, but once the economy has been moved to a full employment position, any net injection of money in excess of that necessary to satisfy desired private savings will be inflationary (per MMT's own logic). Higher inflation would make the private sector more reluctant to hold cash (particularly if the government has committed to financing future spending through "money-printing"), spurring further consumption and higher inflation (Krugman, 2011). To keep interest rates in line with government policy and avert an inflationary cycle, outside money in excess of net desired private savings must be "mopped up" by taxes and bond sales. Aspromourgos (2000) and Lavoie (2013) demonstrate that under conservative assumptions this excess liquidity will surely be a very large proportion, if not tending towards 100%, of newly created outside money.

The conclusion is that bond sales and taxes *are* vital for "financing" government spending, as persistent money-financed deficits in a full-employment economy will be highly inflationary. Responding to Aspromourgos (*ibid.*), Mitchell and Mosler (2001: 254) call this "an issue of semantics", which is misleading. If taxes and bonds necessarily account for almost all government spending at full employment, functionally it makes little difference whether they are described as "financing" that spending or something else ("sustaining"?). MMT's emphasis on the mechanics of government financing seems disproportionate to its implications. For instance, Mitchell and Muysken (2008: 210) claim that the government budget constraint ($G = T + \Delta B + M$) "misleads" economists into believing it is an *ex ante* constraint rather than an *ex post* identity, yet this claim is made without evidence and they offer no practical disagreement with the (stated) orthodox view that "deficits [in a full-employment economy] are inflationary if financed by high-powered money". Mitchell and Mosler (2001: 254) agree that "the private sector can only dispense with unwanted cash balances in the absence of government paper by increasing their consumption levels", but remark that "whether this generates inflation depends on the ability of the economy to expand real output to meet the rising nominal demand." But if the economy's capacity is already fully (or nearly fully) utilised, additional demand can only be inflationary. Disputing the language used by critics serves to obscure this point rather than illuminate it.

If we accept the argument above, the conclusions that can actually be drawn from MMT do not match the grandiose claims of its proponents. In a full-employment economy, the amount of resources that can be extracted through seignorage will be very small, and taxes and bond sales will account for almost all government spending, in the usual way. (When there is substantial unutilised capacity, this does not apply, but the aim of policy should be to minimise these periods.) If MMT proponents cannot provide a better response to this than Mitchell and Mosler's (2001: 254) aforementioned "semantics" rebuke - and the bland endorsement of their response by Juniper, *et al.* (2014: 302) indicates they cannot - then we should view MMT's claims to novelty as highly dubious. We should, in short, take the cost of the JG seriously, and not allow MMT to be used as a rhetorical crutch in the argument.

Cost

Hiring thousands, perhaps millions, of workers on an open-ended basis is likely to be very expensive. Cost estimates of a JG in an advanced economy vary dramatically, even among proponents (who might be expected to have a consensus on how the calculation should be performed). Some of these differences reflect relative minimum wage rates and levels of unemployment between countries. That said, estimates tend to be on the low side as a proportion of GDP. Minsky (1986: 310-312) estimated the cost of employing 9 million workers over age 16 in three public employment programs (see Chapter 2) at \$46 billion in 1983 (or 1.27% of GDP). Gordon (1997: 830) found an annual cost of \$79 billion for the United States in 1997 (0.92% of GDP), by simply multiplying the number of unemployed workers by the annual cost of a minimum wage job (then only \$4.75 an hour). Wray (1998: 128) did the same, but reached the greater figure of \$100 billion by using a higher minimum wage. In the Australian context, Watts and Mitchell (2001: 12) estimated a gross increase in expenditure of AU\$10.55 billion (2% of GDP at the time), with offsetting effects on tax revenue and private sector activity. Cook, *et al.* (2008) used detailed assumptions about the design of the JG and similar historical programs to reach a gross figure of \$17.6 billion for Australia (~2.2% of 2008 GDP), offset by higher taxes and lower welfare spending to reach a net cost of \$11.0 billion. Only a few years later, Mitchell (2013 [blog post]) used the same methodology but with even greater detail (including estimated add-on costs including superannuation, sick leave, etc.) to reach a gross cost of \$32.4 billion (~2.1%) and a net cost of \$22 billion for Australia.

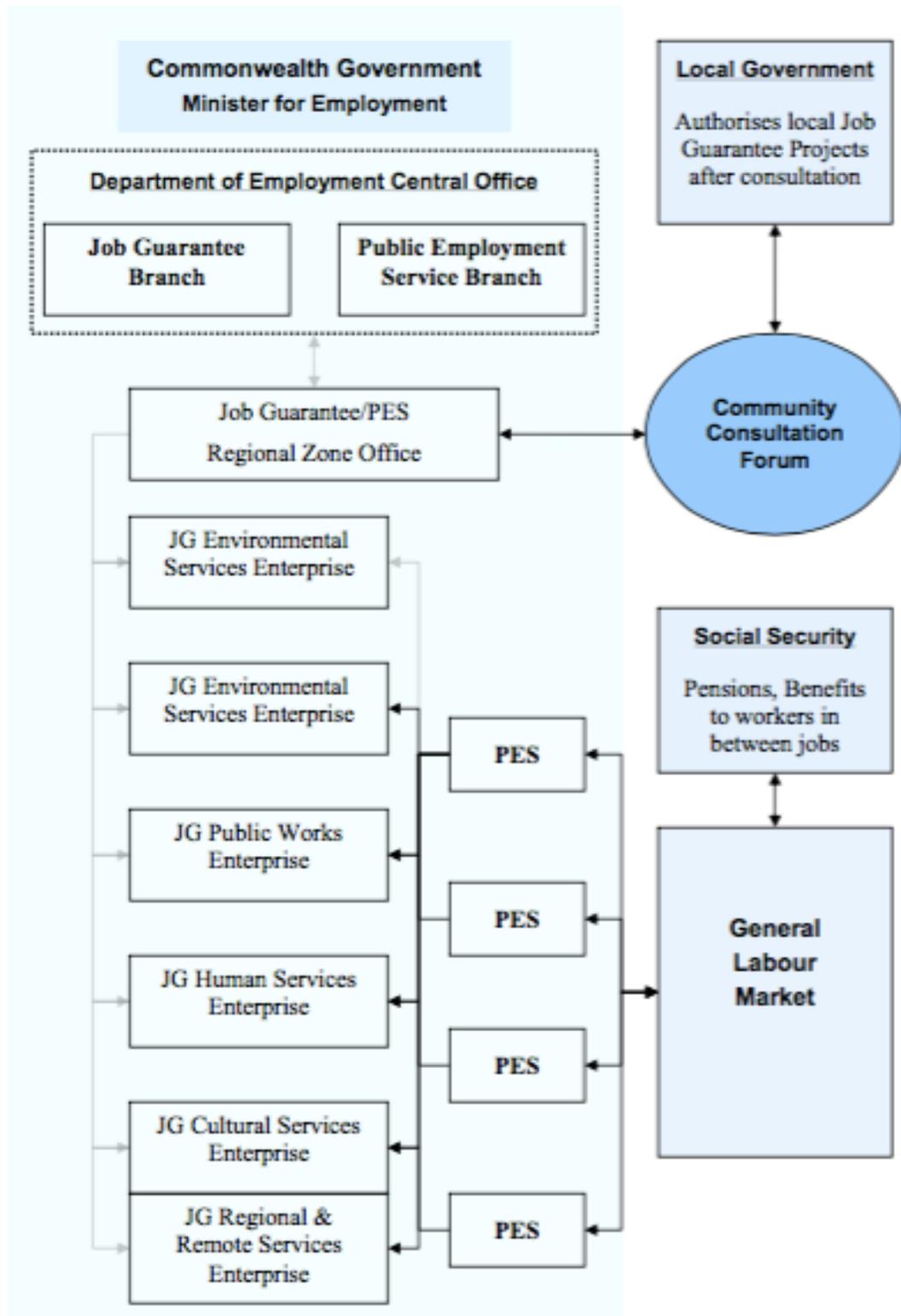
Table 1.: Cost estimates of a JG, including administrative costs if applicable

	<i>Loose full emp.</i>	<i>Share of GDP (%)</i>	<i>Non-wage Est.</i>
Minsky (1986)	No	1.27%	Yes
Gordon (1997)	Yes	0.92%	No
Wray (1998)	Yes	1.1%	No
Mitchell and Wray (2001)	Yes	2%	No
Cook, <i>et al.</i> (2008)	Yes	2.2%	Yes
Mitchell (2013)	Yes	2.1%	Yes

These figures are small relative to the size of their respective economies. However, they are certain to be serious underestimates, as they assume low or zero capital and administrative costs, as Table 1 shows. The design of the JG, such as that provided in Figures 1 and 2 (overleaf), is extraordinarily complicated, containing three distinct sources of authority (the federal government, local governments and a “community consultation forum”) and four layers of administration inside each “JG enterprise”. It is so complicated that it is hard to estimate what its administrative costs would be, though they surely would be substantial. (It appears that no JG advocate has made a serious effort to estimate this.) Similarly, capital costs are unknown until the jobs that would be performed by JG workers are clarified. That said, any job meeting the JG’s criteria would likely be relatively labour-intensive, and the examples of jobs given by JG advocates are generally in the service sector. Cook, *et al.* (2008: 256-257) provide examples of public works programs, including in developed nations, and find an average wage/non-wage ratio of 70:30. JG advocates are altogether too nonchalant about the ability to rapidly create jobs that meet their criteria (see Chapter 4), but they would by necessity have a low capital component.

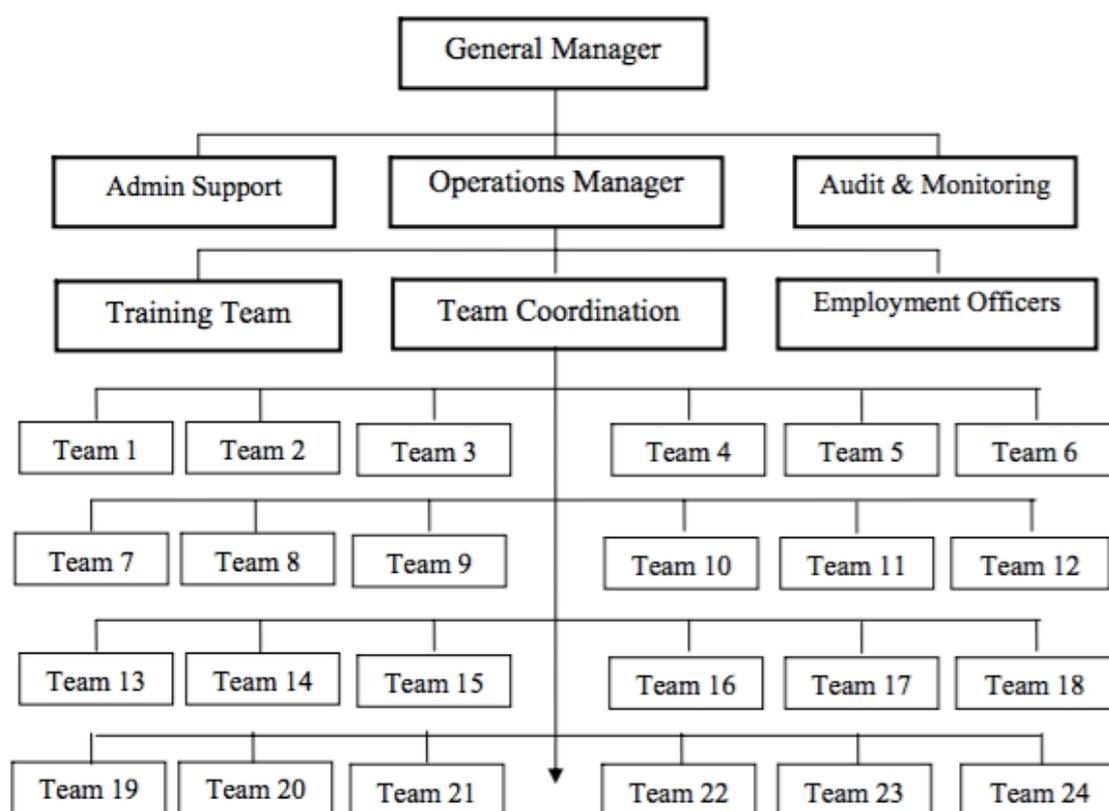
In general, cost estimates of the JG are too one-sided. Gordon (1997) and Wray (1998) are particularly crude in their calculations, making no effort to calculate the cost of capital and administration, yet banking offsetting savings from reduced unemployment benefits, higher tax revenue and less spending on various social problems (including a speculative link between unemployment and crime). Cook, *et al.* (2008) and Mitchell (2013) offset the cost of the program against new tax revenue from

Figure 1. Illustrative design of the JG



(Source: Cook, *et al*, 2008: 236)

Figure 2.: Design of a JG “Enterprise”.



(Source: Cook, *et al*, 2008: 241)

JG wages, but this assumes that the JG will have no negative effect on private sector wages (and thus tax revenue). If, as the second half of this chapter suggests, the JG serves to reduce employment in low-wage, marginal private firms, this will result in higher gross costs and lower offsetting revenue.

As shown in Chapter 2, historical JG-like programs have been provided at relatively low cost. Argentina’s *Jefas* program had a peak cost of around 1% of GDP (Tcherneva and Wray, 2005), and the New Deal work programs employed an average of 4% of the workforce at a cost of 2.2% of GDP (Tymoigne, 2014). That said, the programs did not pay workers the minimum wage. Had the New Deal work programs paid a “living wage”, their cost would have been an order of magnitude greater, and even in more normal economic circumstances (e.g 5-7% unemployment) the cost would have been above the estimates for the JG provided above (*ibid.*: 526). While a cost of 2-4% of GDP is not a huge proportion of a nation’s economy, it would still amount to a very substantial fiscal shift for governments. It would be an even larger shift in countries with high official or hidden unemployment rates (such as much of Europe or

developing countries). For all that Wray (1997: 14) claims that the cost of the JG is unimportant, it is notable that all the shortcomings in analysis noted above serve to suppress the cost of the JG, thus making it appear a more modest proposal than it actually is.

Price Stability and the Job Guarantee

This section analyses the impact of the JG on the broader labour market. As its advocates acknowledge, conventional economic theory supposes that there is a trade-off between unemployment and inflation. Nevertheless, the JG is, from conception, a proposal to generate full employment *with* price stability. Mitchell (1998: 550-553) outlines the argument. An economy with a JG will be characterised by two labour market sectors - a "regular" labour market sector (A) in which wages are set by bargaining and market forces, and a "JG sector" (B) in which the wage is fixed by the government and does not respond either to market forces or changes in the CPI (though Wray [1998: 135-136] acknowledges that political pressure would require the JG wage to be periodically adjusted upward). As demand for labour rises (as part of a broader economic expansion), wages will rise in sector A in response to competition for workers. As wages in sector A develop a greater premium over those in B, workers will be drawn out of B into A. As workers in B will have maintained job skills (even basic ones like punctuality) via JG work, firms at the bottom of the wage structure will have a larger pool of job-ready workers than currently, and this will suppress wage growth at the bottom of the labour market. Because the JG is fixed, it does not compete for workers at the margin but merely holds them in a "buffer stock" until a better-paying job is available. The JG serves as an effective reserve army of labour, albeit one that is actively deployed in the field.

Mitchell acknowledges that once the JG pool in B is drained, inflation can rise, but argues that as the wage differential between B (fixed) and A (upwardly flexible) increases, the ability of the government to sharply curb wage inflation increases. Sector B represents a greater loss of income and status as wages in A rise. Under these conditions, the government can use contractionary fiscal and monetary policy to suppress demand in A (in the usual fashion), but instead of generating unemployment it instead transfers workers to sector B, where the fixed wage serves to end the inflationary episode. The JG thus allows "slack" to be generated in the labour market to

stifle wage inflation, *without* producing unemployment (ibid.: 552). Conversely, both mechanisms will operate during disinflationary periods to moderate wage and price declines, as the JG wage will set a floor and (unlike the current system) declines in private-sector employment will not result in rising joblessness (ibid.).

The wage-disciplining properties of the JG are, logically, limited to the bottom of the labour market. Low- or general-skilled workers are most threatened by a greater supply of job-ready workers. Those with more specialist skills (or more organised workforces) would not be ripe for substitution at will with low-wage, low-skilled workers from the JG. These workers will not be discouraged from pushing for wage raises because of the presence of the JG. This means that the JG will have no effect on wage inflation in sectors of the economy already at “full employment” (i.e. characterised by a shortage of adequately skilled labour). Other, more traditional means of constraining demand (reducing government spending, raising taxes and/or interest rates) would presumably be needed in those cases. Mitchell (1998: 551) argues that while higher-skilled (and paid) workers will not be threatened by JG workers, they will also not see the JG as a hedge against losing their current job. Indeed, the JG would be a “possibly stigmatised” option for such workers. This means that *below* a certain wage rate, employers will see JG workers as substitutable for current workers, while *above* a certain wage rate, employees will see the JG as no better than unemployment. Should there be an intermediate wage rate at which *workers* see the JG as substitutable for (or a tolerable alternative to) their current jobs but *employers* see it as equivalent to unemployment, the JG will act to raise wages.

JG advocates advance rather contradictory arguments when it comes to the impact of the JG on the broader labour market. It is said to be a stabilising force on the labour market by suppressing wage claims, yet it is also framed in utopian terms as a way of eliminating “bad jobs” in favour of “good” ones (Tcherneva, 2013). The reaction to the institution of a JG would be a one-off increase in wages and conditions at the bottom of the labour market, so that even the lowest paid regular job represents a sufficient mark-up over a JG job that a worker will opt for the former over the latter (Wray, 1998: 131). Conditions in the JG would become the universal minimum entitlements of all workers, as workers would not accept an alternative job that offered a benefits package of lower value. So powerful will the effects of this be that legislative labour protections like the minimum wage would, JG supporters argue, be superfluous (Mosler,

1997-1998). Gordon (1997: 833) frames this in terms of workers being freed from putting up with “obnoxious bosses”.

Yet this contrasts with its purported anti-inflationary impact. Per advocates, the JG will apply downward pressure on low wages by making otherwise jobless workers more readily employable by marginal, low-cost firms (Wray, 1998: 133). Compare two statements in Juniper, *et al.* (2014-2015: 299): on the one hand, “employers are more likely to resist inflationary wage demands from current employees” because there will be a greater supply of trained labour; on the other hand, minimum-wage firms will face “greater competition for workers”, which “may promote job restructuring and higher productivity”. There will, it seems, be both a greater supply of labour (suppressing wages) and a greater demand for it (raising them). Both are realistic consequences of the implementation of a JG. What can be stated at the outset is that it is impossible for it to do both.

The Benefits of a JG Job

The case for the JG assumes that workers would move from the JG to regular work smoothly, as they will opt for a job that pays a premium over the JG wage (e.g. Juniper, *et al.*, 2014-2015: 299). Fullwiller (2007) and Tcherneva (2012a) model the impacts of a JG on GDP growth and inflation, the former using the Fair macroeconomic model and the latter a “Minskyan-Kaleckian” model. Both find it to stabilise the economy, raising growth during periods of recession and applying disinflationary forces during upswings. However, the focus is on relative wage rates and not on non-wage job characteristics, which are likely to be significant given the particular features of the JG. Sullivan and To (2011) find that up to a third of the benefit of changing jobs comes (in the United States) in the form of non-wage characteristics such as health insurance, retirement benefits, flexible hours, paid holidays, personal autonomy on the job, commuting time, safety of the work environment and intangible factors like personal fulfilment and relationships with colleagues. Several non-wage characteristics would be particularly pertinent in the case of the JG. Some of the non-wage benefits of a JG job would include: infinitely flexible hours (Mitchell and Muysken, 2008: 253), health insurance (in the United States) and retirement benefits (Wray, 2007; Mitchell, 2013), a substantial training component (Cook, *et al.*, 2008) and guaranteed ease of commute

(since it would likely be in as local an area as possible, though JG advocates are not clear on this point).

JG advocates have occasionally suggested that competition for workers will lead all jobs to adopt the same non-wage benefits as the JG (e.g. Mosler [2009, blog post], for health insurance). The performance of companies like Costco, which provides health insurance and retirement plans to almost all its workers, shows that it is possible for low-cost outlets to offer substantial worker benefits and wages in excess of legal minima while remaining profitable (Cascio, 2006). Indeed, Costco provides evidence that an economy-wide increase in wages and conditions at the bottom of the labour market would increase productivity and reduce turnover - a boon for both workers and management (ibid.). Alternatively, some of the “pull” factors (e.g. JG-provided health insurance, retirement plans, etc.) could be eliminated if the state adopted those responsibilities. However, some JG job benefits (flexible hours and short commute) are intrinsic to the job itself. These are uncommon job benefits, especially at the bottom of the labour market, and it is hard to predict how private firms will (be forced to) react to the JG establishing them as “basic” entitlements. For one thing, JG benefits would not be dependent on the profitability of JG work - placing profit-constrained firms in competition with loss-making activity by the government.

Additionally, two intangible benefits would distinguish a JG job radically from those at a similar wage in the private sector. The first is that, as a government job, its conditions would be determined in a democratic, political fashion. “Obnoxious bosses” and cultures of bullying that might be accepted as merely “high-pressure” in the private sector would be more likely to be challenged, for instance by representatives of public sector unions. JG workers unhappy with their conditions could petition the public for support to change them to a greater degree than workers in private firms. The second, and potentially most important, is that a JG job that meets the requirements set out by its advocates (that is, a job that is low-skilled but socially beneficial) will be much more personally fulfilling than a similarly or somewhat better paid job in the regular economy. Rather than menial work for the benefit of a company (for instance at a fast food outlet), a JG job will be a publicly spirited activity aimed at benefitting the worker’s local community. Watts (2002: 29) even suggests that JG jobs should increase the Genuine Progress Indicator. The JG will, in short, be public service, and may be valued by the worker accordingly. Under these circumstances, one should expect many

workers will prefer the JG to a private-sector job even if the latter pays somewhat (though not substantially) more. A worker may feel that they cannot leave their JG job undone, even if a (somewhat) better paying “regular” job is available. Given that many of the jobs suggested by JG advocates (discussed in more detail in Chapter 4) are working with vulnerable people (e.g. in child care and elder care), and that a substantial training component would be included, it is not hard to imagine that workers would feel duty-bound to remain on the job.

This illustrates the problem with treating labour as a perfectly flexible commodity. Some JG advocates, notably Mitchell and Muysken (2008: 230), compare the JG to agricultural buffer stock programs like the Australian Wool Price Floor Scheme, which they characterise as providing “full employment” for a particular commodity. But if we contrast the disposition of the wool/wheat/etc. in an agricultural buffer stock to workers in the JG, the flaws in the analogy become apparent. Wool in a wool store (for example) is lying idle - it is by definition *unemployed* for the purposes for which it was produced. JG workers, in contrast, are being put to work and given responsibilities in serving the community. The equivalent for our wool store would be if the government knitted the wool into jumpers and gave them to the homeless, only to snatch the jumpers back again when demand for wool picked up elsewhere. There will inevitably be a degree of “stickiness” to JG jobs, and that will affect the JG’s ability to provide “loose” full employment. The irony is that advocates like Mitchell and Wray (2005) have demeaned the social benefit of low-wage private employment in contrast to the JG - it is precisely the low value of so much private-sector work that will make the JG look more attractive *even given a lower rate of pay*.

Here we should pause to remember what a radical change in the logic of employment a Job Guarantee would represent - in short, it would reverse it. Currently, a worker is hired to meet a firm’s demand for labour. Under the JG, the prospective employer (the state) would find itself in the position of having to create a job to meet the worker’s demand for employment. This would dramatically change the dynamic of the employment relationship. Without the threat of unemployment, workers may become less reluctant to quit existing jobs, encouraging better “job match” and thus higher labour productivity (Konczal and Steinbaum, 2016). The attractiveness of the JG’s benefit package and the job mobility it encouraged would pressure employers to provide higher wages, better conditions and greater job security. At some wage/benefit

premium, even the lowest-paid, least pleasant job in the regular economy would become attractive over the JG, though the higher that premium the larger its effects on employment levels. For instance, if the minimal wage needed to attract workers out of the JG is 50% higher than the current minimum wage (now the JG wage), we should expect, *ceteris paribus*, a decline in the share of private employment in low-wage, low-capital sectors (i.e. hospitality, retail, etc.). Whether this results in a permanently enlarged JG buffer stock depends on how the broader economy reacts.

In addition to a substantial wage premium, low-wage firms could attract workers by eliminating much of what makes search for a private job burdensome or degrading (supplying resumés, working for free as an introduction to the firm, flattering the employer or offering him/her personal favours). Firms could counter the relative appeal of the JG by replacing extensive vetting of workers with a “first in, first hired” policy. It is possible that radically reducing the cost to the worker of finding and gaining a new job would offset, to some degree, worker wage claims. That said, this will also work against better job match and higher productivity.

This notwithstanding, some workers, maybe many, will still prefer the much easier process of getting a JG job, which has a mandatory “all in, all hired” policy that cannot discriminate even on grounds of skill or the availability of the worker (which no other firm could do). The unique flexibility of the JG may be so attractive that workers, particularly those seeking short-term or temporary work, opt for the JG rather than chance their luck in the regular economy. In that circumstance, the JG would become the employer of *first* resort. For many workers, the JG would also be an appealing permanent option. Since Sennett (1998), researchers have acknowledged that many workers value security of employment over higher wages. A JG job - a guaranteed, permanent low-responsibility position serving the community - would be a welcome perch for some workers unhappy with or unsuited to high job mobility. If the number of workers for whom this applies is small, then perhaps it is acceptable. If the number is large, then the cost of the scheme and its (negative) effects on the rest of the economy become dramatically greater.

The degree to which this occurs depends on how great a wage/benefit premium is needed to ensure workers will prefer the regular labour market to the JG. Both small and large premiums have negative implications. If the premium is small, it may be that

low-wage workers are simply reducing their effort, as the income cost of being fired for shirking will be minimal (as suggested by Shapiro and Stiglitz [1984]). If the wage/benefit premium is large (say 50%), JG jobs will either have to be extremely unproductive or JG workers will be earning less than they would in a similar job in the private sector and would thus be (relatively speaking) “working for nothing” (Sawyer, 2003: 895). The latter has been an issue in India, where the Supreme Court upheld a finding that the MGNREG violates the law by paying below the minimum wage (Dutta, *et al.*, 2012: 13). In practice, it is most likely that firms would initially offer a small premium, and progressively ratchet it up as they noted the effects on worker effort and retention.

An additional point to make is that unless the private sector prefers to cut its profit margins rather than raises its prices, the initial upward adjustment of private-sector wages would surely manifest as a short burst of higher inflation, which would erode the value of the fixed JG wage. What began as a living wage may quickly become a poverty wage. Ironically, this argument (the initial price effects erode the value of the original benefit) is used by Tcherneva (2013) and Wray (2015) against the Universal Basic Income.

If the government did not want to “push” private-sector wages higher (after the initial adjustment), the JG-private wage gap would have to remain stable, even if the JG wage was adjusted upwards from time to time (Wray, 1998: 135-136). The larger the gap, the more distinct and implicitly “lesser” JG work would be, and depending on the jobs provided could constitute exploitative labour. Many jobless workers may prefer to live without income support of any kind or work in the shadow economy than enrol in the likely heavily stigmatised program. Such a JG could not replace bad jobs with good ones. It would indeed be the employer of last resort - the last resort of the desperate.

Conclusion

In summary, this chapter has argued that: (1) Modern Monetary Theory is mostly right on the mechanics of government accounting, but this does not in itself have important implications; and (2) that the putative counter-inflationary tendency of the JG comes with important caveats. As regards the first, MMT proponents are correct that governments issuing fiat money are not constrained by financial limits, but by their

own logic the scope for money-financed government spending is very likely to be small or close to zero. Advocates of MMT have not provided an adequate response to this argument. *Pace Wray (1997: 14)*, we must indeed take the cost of a Job Guarantee seriously, which JG advocates have not done.

Regarding the second point, the impact of a universal offer of a job at the minimum wage to all adult citizens on the broader labour market has been shown to be a lot more complex than the model of the JG's advocates. Any JG job will display some stickiness due to its remarkable non-wage benefits, and a JG that lived up to its advocates' expectations (a socially beneficial enterprise which one could simply "walk into") would be more appealing to many workers than even better-paid private-sector work. If this is the case (and this thesis submits that it is), then the private sector would have to provide a very large wage/benefit premium over the JG, and restructure jobs to make them easier to get and more appealing to hold. This could benefit workers, albeit with uncertain outcomes for productivity, but at the cost of marking the JG as less than "real" employment, indeed as little more than workfare. This would affect the kinds of jobs JG workers could perform, which is the subject of the next chapter.

4. The Job Guarantee in Practice: Political and Administrative Realities

So much of the JG - its cost, its effect on the economy and (for the purposes of this chapter) its political sustainability - depends on the kind of work JG workers would perform. Advocates have set out the criteria for jobs provided by the JG. These are:

1. They must produce output of *social benefit*.
2. They must require *low or general skills*, have low capital costs and be commensurate with payment at the minimum (per Chapter 3, sub-minimum) wage.
3. They must be *distinct from the rest of the public sector*.
4. They must be *buffer stock employment* - it must be ultimately a matter of indifference whether the job is performed or not, so that workers can move between the JG and regular employment at will.

It is undeniable that a government could offer a job to anyone *and* that a great deal of socially beneficial work is currently undone. However, it is not clear that a government could address both problems with the same solution. This chapter proposes that the JG is faced with an “impossible quadrilateral” (see Figure 1, below) that prevents these criteria from being met simultaneously. It will examine the tensions and contradictions along the axes of the impossible quadrilateral. These can be divided into three overarching tensions: (1) many suggested JG jobs require skills that are not commensurate with the minimum wage; (2) most social needs are ongoing, so should not be addressed through short-term jobs provided in a countercyclical fashion; and (3) it is difficult to keep the JG and the mainline public sector distinct. The kind of jobs JG workers perform is not just an administrative question, but bears on the political sustainability of the program. Even if the macroeconomic concerns surrounding the JG are unjustified, the program will only last as long as there is political support for it.

Figure 1: Illustrative depiction of the “Impossible Quadrilateral”

Social benefit	Low or general skills
Buffer stock employment	Distinct from public sector

1. The Impossible Quadrilateral: "Social Benefit" vs. "Low Skills"

JG jobs are minimum-wage jobs - and must, therefore, be commensurate with payment at the minimum wage. They must require few specialist skills and little training. Many, if not most, of the jobs suggested by Wray (1998: 142-143) and others do not meet these criteria. "Companions to the elderly [and] orphans, the bedridden, and the mentally or physically disabled", "public classroom assistants" and "day care assistants" (for example) are not the type of work that can be done without training, and workers generally have to go through criminal background and character checks to determine whether they are suitable to work with vulnerable people. Wray (*ibid.*) goes on to exclude most work in education and care work (and infrastructure) because they are too skilled, implying that JG workers in these fields would instead staff low-responsibility assistant and administrative positions. Other JG supporters cite large-scale public infrastructure projects among examples of the kind of work a JG could perform (Gordon, 1997; Forstater, 2005). Beyond the previously mentioned objections, construction work is a potentially unsafe work environment, particularly to untrained workers, and poor construction quality poses a hazard to future users.

Many of the jobs proposed for the JG have a wide range of possible safety issues, both for the workers and the public. For example, Cook, *et al.* (2008: 134) suggest that JG workers could "support [...] alcohol free zones" and staff "community patrols". It is not clear what this would entail, but to have JG workers enforcing public safety in any fashion would require giving them training in dealing with potentially aggressive or erratic individuals, while still leaving open the (possibly significant) risk of physical injury. It is possible that the JG would allow workers to refuse certain jobs, though, as Sawyer (2005: 240) notes, this is not stated. That JG advocates would even suggest such work is an indication that they do not appreciate the obstacles it presents.

The belief that jobs that require significant skills and training are ripe for filling with temporary, basic-wage workers is widespread among JG advocates. There are clear class and gender aspects to this incorrect belief. Wray's (1998: 142-143) list is notable for the services it proposes aimed at low-income people - upkeep of affordable housing, care for low-income pensioners and even the children of other JG workers. Similarly, Tcherneva (2014) suggests operating the JG through the non-profit sector, which would (she says) have a better idea of local needs and how to respond to them. This would

(presumably) still be an employer of last resort operating an “all-comers” hiring policy, otherwise it would be no different to normal public funding of charities. This creates the possibility of using JG workers to provide public services to the poor “on the cheap”, hiring poorly trained, temporary workers to look after the parents and children of the poor while wealthier families can afford high-quality services on the market. Kostzer (2008: 24) remarks that the community services provided by workers in Argentina’s Plan *Jefas* were already provided by the state or the market, but unaffordable to the poor. Solving this problem by providing a lower quality, “temporary” version of those services is a retrograde move.

Similarly, many of the social services recommended by JG supporters are heavily feminised (child care, etc.). The implicit assumption that they do not require significant skills or that those skills are innate to everyone echoes gendered cultural attitudes that undervalue skills and jobs coded as feminine (Fraser, 1994: 664). A particularly notable example of this is in Forstater (2005: 253), who claims that “help with English language and GED” can be offered with “minimal skill”. This is difficult to credit. The US Federal Work-Study Program hires students to serve as tutors to schoolchildren (among other things), but these are college students with high educational attainment levels (US Department of Education, 2016). Unemployed workers enrolled in the JG would disproportionately have low levels of education (Mitchell and Wray, 2005: 240) and may have difficulties with literacy themselves. The class and gender implications intersect in negative ways, as working-class communities will be more likely to have large numbers of JG workers, and thus will be most affected by poorly trained care and education workers. Unequal outcomes would thereby be reproduced.

It is true that care work is poorly paid, earning almost 40% below the US median wage (Gould, 2015), but it does not follow that it *should* be poorly paid, or that it is easy work. The requirement that the JG pay only the basic wage is particularly problematic. JG workers providing (say) elder care and child care would be paid the same amount as JG workers providing much easier and less skilled work such as “gardeners” to “manage road-side vegetation” (Cook, *et al.*, 2008: 132). If the work is important, it follows that it be treated as such. Forstater (2005: 252) argues that the private sectors of post-industrial economies will predominately produce low-wage, insecure jobs anyway, but, as Sawyer (2005: 254) notes, the JG’s “solution” to the problem is to increase the number of low-paid, temporary positions in the public sector as well.

Health care, social care and education are likely to become a greater share of employment in the future as societies grow both richer and older, and offer prospects for secure, high-paying, rewarding employment (DeLong, 2016). The JG would undermine that if it attempted to provide those services “on the cheap”. Such a policy would degrade the quality of the care provided, undercut wages of permanent care workers and entrench the sector as an undervalued industry.

One way the JG addresses this problem is including a training component. Wray (1998: 142) suggests that JG workers performing social care could “attend classes and seminars in care-giving”, while those working in public schools could study to earn “high school diplomas or advanced degrees”. Cook, *et al.* (2008) provides a detailed plan for training programs, including technical education and on-the-job experience. This would avoid some of the problems posed by hiring temporary, base-wage workers to provide public services, but it would conflict with the JG’s “buffer stock” role. A comprehensive training and job-placement program would not be a buffer stock absorbing the unemployed during cyclical downturns, but a serious educational service training workers in a particular set of skills for a discrete period of time. Workers would presumably remain in the program until their training was complete, and thus would not move between the JG and the regular labour market smoothly to stabilise wages as the JG is intended to do.

At the other extreme, JG workers could be placed only in auxiliary positions with few or no responsibilities. Forstater (1998: 556) argues for additional “helping hands” in schools, hospitals and public spaces. If this means performing low-responsibility, routine work - making tea and fetching stationary, perhaps - then this could indeed be done with little or no training. But it would not develop human capital, and would “solve” unemployment by simply absorbing jobless workers into low-value jobs from which they will gain little benefit (Kadmos and O’Hara, 2000). This would amount to unemployment by another name, or at least serious underemployment. Equally, it could be considered a form of workfare, not least by the workers themselves. JG workers may see low-value, low-responsibility “jobs” as a fiction to mask their unemployment or as a punitive test of their willingness to work. While labour has non-economic benefits (a sense of accomplishment and involvement in the community), those benefits depend on whether the work being done puts the workers’ skills to good use and rewards them appropriately (Tymoigne, 2013: 81). The social benefit from

overstaffing entry-level positions in public services will be small, and diminishing returns will quickly manifest; potentially, given that overstaffing will increase utilisation of public facilities, the returns may even be negative (i.e. overcrowding). It is likely that the public will not view these kinds of jobs as a good use of resources. As Sawyer (2003: 894) argues, if workers are paid in excess of the productivity of their work (as perceived by the public), then it will be as though they are being paid for nothing. The lifespan of such a program is unlikely to be long.

JG supporters argue around this problem by claiming that government does not need to meet “narrow ‘efficiency’ criteria” (Forstater: 1998: 554). This is true if “efficiency” is defined as maximising profits, but hostility to the logic of markets makes JG supporters exaggerate the degree to which government should not be bound by efficiency concerns. Forstater (ibid.: 556) argues that the government should “simply engage in those activities that utilise equipment for which there is sufficient supply or where the elasticity of supply is known to be higher”. Likewise, Mitchell and Wray (2005: 241) frame JG work as having “near zero value in the private market place” but still having positive “social value”. Statements like these seem to suggest that the government should not consider the merits of JG projects at all. Tcherneva (2012b: 65) makes the case that whatever JG workers do is always better than doing nothing at all. Likewise, Wray (2014) asserts that the noneconomic benefits of work (to the individual) may make JG work a net positive *even if*, from a “narrow economic standpoint”, the costs exceed the benefits. This assumes that there is no opportunity cost to hiring a worker to perform useless work. On the contrary, even following MMT logic, a useless JG job will make a claim on national resources that could be more productively deployed to other projects. It also implicitly assumes that workers will reap the social and personal benefits of work even in a clearly arbitrary job.

Mitchell and Muysken (2008: 247) argue that just because JG workers are poorly paid, it does not mean that the program’s “social productivity” (a term they do not define) would be similarly poor. This is one of many statements by JG supporters that is difficult to parse, but the most likely interpretation is that JG workers will (or may) be more productive than their wage implies. This amounts to exploitation and (once again) providing public services “on the cheap”. Distinguishing between “market value” (even though the JG wage is set by the government) and “social value” seems

like an attempt to justify underpaying valuable workers or, alternatively, asserting that the benefits of seemingly pointless work are large but unmeasurable.

This demonstrates the tension between the first two axes of the impossible quadrilateral: JG jobs must be socially beneficial, but also low-paid and low-skilled. This dramatically reduces the scope of JG work, excluding skilled occupations such as child and elder care, education and infrastructure provision. This problem cannot be resolved by distinguishing between the market value of JG jobs and their “social” value, as the very logic of the JG is that the government should not make its decisions based on market value. Nor is hiring JG workers to overstaff support positions a good substitute, both for the workers themselves (who will not benefit much from the experience) or the public (who will likely perceive such jobs as wasteful).

2. The Impossible Quadrilateral: “Social Benefit” vs. “Buffer Stock Employment”

Another criterion is that JG jobs be “buffer stock employment” - i.e. rapidly created and destroyed as demand for labour in the rest of the economy fluctuates. JG jobs must therefore be highly indifferent to time. This is in conflict with the requirement that these jobs be of social benefit. If a project is of social benefit, it is responding to some social need - and that need is likely independent of the state of the labour market. One of the most serious questions facing the JG is whether there is an infinitely elastic supply of socially meaningful jobs in a given region that can be rapidly created at any time. This is not a minor problem or one that can be removed by a small modification to the JG. The defining feature of the JG is that it is a blanket offer of a job to anyone at any time, and one that marks it out from historical and existing employment programs with limited eligibility. If workers cannot take up a job immediately and abandon it just as quickly, there is little to distinguish a JG from a standard public employment program (which forces us to abandon its purported price-stability aspects).

It is true, as Mitchell and Wray (2005: 239) say, that the private sector creates and destroys large numbers of low-wage, low-skill jobs at any given time, but this comparison ignores the logic of the JG. In the private sector and the mainline public sector, employers hire workers to meet their current or expected needs, but the number of JG employees would be independent of the needs of either the employer (the state) or its “clients” (the public), and would be highly volatile. For instance, a region with a

dominant employer may go from low unemployment to high unemployment within weeks if that firm closes, and the JG would need to (potentially) double the number of positions it offers. This situation cannot be compared to the creation and destruction of private-sector jobs. JG advocates do not even take this argument seriously themselves. They would not distinguish between social and economic productivity, or (as Forstater [2005] does) dismiss much private-sector work as “make-work”, if they actually believed that the private-sector’s ability to rapidly create jobs showed the feasibility of a social-benefit-oriented JG.

Tcherneva (2014) suggests that funding the JG through the social and not-for-profit sector would improve the value of the services provided. The reasoning is that the social sector addresses needs that are at least partly cyclical and are exacerbated by economic downturns. There are two problems with this. The first is that a lot of the social needs serviced by not-for-profits stem from scarce and insecure employment. As JG advocates emphasise, unemployment has a plethora of negative social impacts like poverty, ill health, malnutrition and homelessness (Wray and Forstater, 2004: 254). Unemployment benefits in Australia are so meagre that recipients often go without essential items such as food and medicine and experience acute housing stress - forcing them to rely on charity (Morris and Wilson, 2014). If all but wait unemployment was eliminated by a JG, the demand for (say) food banks and homelessness services would be reduced. The second problem is that if social policy succeeded in eliminating (say) homelessness and food insecurity (not an unreasonable goal), JG workers could no longer be employed tending to their consequences. A stranger case of perverse incentives is hard to imagine.

An alternative solution is offered by Mitchell and Wray (2005: 239), who concede that the JG may not be able to provide a worker with a job immediately, and instead could provide pay (presumably at the JG wage) for a period of job search, followed by counselling and on-the-job experience. This would reduce the number of jobs the JG would need to support and give planners more time and information to design JG projects based on the skills profile of available workers. It would also be unemployment by another name. Such a policy may be a dramatic improvement over the existing level of income support for the unemployed, but it would not “eliminate” unemployment, nor serve as a buffer stock. It would be an admission of defeat on the main front of creating full employment.

The requirement that JG jobs be such that they can be stopped and started at will excludes work addressing ongoing social needs (such as care and social work, public amenities like cleaning and refuse collection) and work on capital projects (which cannot be abandoned half-done). Mitchell and Wray (ibid.: 239-240) recognise this and suggest dividing the JG into a “stable core component that represents the ‘average’ buffer stock” performing ongoing work and a volatile “outer buffer” that performs essentially unimportant work. These “core” workers would, presumably, still be paid the minimum wage, and could quit their jobs immediately if another job came along. (The possibility that a worker may suddenly quit is faced by any employer, but the JG would be at the extra disadvantage of not being able to raise workers’ wages to retain them.) On its face, it appears to be a strategy for deliberately maintaining a permanent pool of (sub-)minimum wage jobs filled by temporary workers, providing important public services that could, by their nature, be better done by permanent, well-paid labour. It is hard to see how this could not threaten the security of public-sector workers more generally (see section 3).

This proposal seems unworkable in any case. In describing a stable “core component”, Mitchell and Wray are guilty of a compositional fallacy. A “stable” level of buffer stock employment (or unemployment as currently) does not indicate that no one is moving in and out of that state. Even during economic expansions, large numbers of workers are moving into and out of unemployment at any one time. During the economic expansion of the 2000s in Australia, total unemployment inflows and outflows in a given year equalled 2% of the workforce, or between a third and half the headline unemployment rate at that time (Borland, 2009). This constant churn means that jobs could not be ones that require continuity of workers. They would be obliged to slow down and perhaps pause altogether as a new worker “learned the ropes”, gained vital on-the-job skills and settled into his/her new role. Helping pensioners with shopping or gardening might not need uncommon skills, but a permanent assistant will know a pensioner’s preferences and so will be more efficient and have a better personal relationship with their client. All this could perhaps be allowed for or worked around, but in attempting to maintain the JG buffer stock model it would mean deliberately degrading the quality of JG work. Mitchell and Wray (2005: 239) are nonchalant at the scale of churn, estimating “only” a year-to-year change of 25%. This would still inevitably disrupt the provision of JG work.

The oscillating “outer buffer” merely returns the debate to the discussion of what services exactly do not require any planning, yet are socially beneficial, but are not missed when they are ended. Mitchell and Wray (*ibid.*: 239) agree that it would not be “sensible” for even low-skill, low-priority jobs as shopping or gardening for the elderly to be transitory. It is notable that they decline to give an example of a job that would be “sensible” in such a form, preferring to merely sketch a new administrative design without detail.

The requirement that JG projects be highly indifferent to time conflicts with the other requirement that the projects produce output of value. Any project needs to be able to plan, which means having some predictability as to the number and calibre of the workers involved. The extreme flexibility of the JG rules out construction projects or the provision of important services, and tilts the job profile towards low-value, unnecessary make-work.

3. The Impossible Quadrilateral: “Social Benefit” vs. “Separate and Distinct”

Forstater (2005: 252) enjoins critics of the JG to remember “the zoos, theatres, public buildings, parks, drainage systems, schools, and bridges built or repaired [...] and the art, drama, oral histories, music, day care, school lunches, archeological and historical preservation” provided by the New Deal work programs. A JG, he argues, could provide the same services. There are two clear problems with this argument. Firstly, all these projects require planning and preparation that could not depend on the fluctuations of the broader labour market, and so could not be JG jobs. One cannot leave a school half-built because the workers have been offered higher paying jobs at (say) a fast food outlet. Secondly, the public sector *already* does all of these things, and much else besides. Many of our social needs are not currently neglected entirely but rather in degree. Public works, environmental schemes, infrastructure, the arts, education, health care, social care, and so on are provided by the government or the market, however inadequately. It seems perverse to respond to an under-provision of physical, social and cultural infrastructure by establishing an entirely different form of public-sector labour - the JG - that would use under-skilled, under-paid workers instead of well-paid and -trained workers.

If there is no clear distinction between the work done by the JG and that done by the mainline public sector, JG workers pose a significant threat to the employment, wages and conditions of better-paid, secure public-sector workers. As Seccareccia (2004: 33) notes, in periods of state retrenchment, there would be an enormous incentive for state and local governments to substitute low-wage JG workers for (relatively) high-wage and often organised permanent public servants. This is not a hypothetical concern. As noted in Chapter 2, anecdotal evidence suggests that some local governments substituted *Jefas* and WPA workers for regular public employees. During the Global Financial Crisis, states such as New South Wales and Victoria responded to the federal government's social housing construction program by cutting their own funding for social housing, effectively shifting the cost of construction to the Commonwealth (ABS, 2012). The fact that JG workers would be paid for by the federal government but employed by third parties would be a powerful incentive for those third parties (such as state and local governments) to replace their workforces.

Juniper, *et al.* (2014-2015: 301) argue that "a more enlightened public sector administration in which cost cutting and cost shifting were not viewed as a badge of honour", would distinguish between the JG and the mainline public sector, but this is a hope rather than a programmatic feature. Their language implies that they believe public sector management is *not* currently "enlightened", so presumably would not distinguish between the two sectors. To prevent local governments from substituting JG workers for existing workers, a government introducing a JG could include maintenance-of-effort provisions, but these would be difficult to enforce, and if JG workers were used permanently to provide social services (see section 2), they would undermine public sector workers in any case.

JG advocates have failed to grasp this concern, and often rely on wishful thinking or mere statements of preference to defend against it. For example, both Wray (1998: 124) and Mosler (1997-1998: 168) suggest that organised labour would welcome the safety net of a guaranteed job. This envisages "labour" as a homogenous interest bloc, whereas parts of the labour movement will find its interests very much threatened by a program that provides public services through temporary "day labourers", for the good reason that governments may use JG workers to shift costs or to attack public sector unions. It is not hard to imagine an anti-worker government using JG workers as effectively scab labour in response to a strike. Kriesler and Halevi (2001-2002: 11-12)

warn that in the absence of strong countervailing forces, a labour consortium controlled by a capitalist state is a recipe for disciplining and controlling workers. JG advocates condemn such a political strategy, but they do not provide a way to prevent it. Occasionally their arguments are incoherent. Mosler (1997-1998: 168) opines that “unlike [the JG], workfare often was seen as a program that created a new class of subminimum-wage employees to replace higher-paid public employees”. Parsing this curious sentence, what is striking is that while it is an idiosyncratic description of workfare, it is a perfect description of concerns raised by critics of the JG: that it could be used to replace public-sector employees (e.g. Palley, 2001; Kriesler and Halevi, 2001-2002; Sawyer, 2003). To blithely dismiss it with pure assertion (the JG is “unlike” this, but Mosler does not explain how) suggests that Mosler and other JG supporters do not understand this.

The requirement that the JG provide public services without infringing on the mainline public sector subjects the JG to irreconcilable requirements. The public sector is a large, diverse entity that provides or funds a vast variety of activities. The jobs suggested by JG advocates (broadly, care work and public amenity) are well within its existing ambit. Yet the further one moves away from this end of the spectrum, the more likely it is that the jobs provided will not be of great social value.

4. Political Considerations

In a democratic society, the sustainability of a social welfare program depends on the support of particular interest groups as well as the broader public. Therefore, the potential political consequences must be considered. The preceding sections have already named issues with political implications: undermining wages of existing workers in care work, etc.; the safety of the public and JG workers; paying workers to perform arbitrary jobs; and undermining organised labour in the public sector. The interest groups that will potentially resist a JG because of these factors are: certain professions (such as child care, elder care, public amenity workers, and so on), local community groups concerned about public safety, “taxpayers” broadly defined (and politically represented by various ideological groups such as political parties and pressure groups) and public-sector unions. These groups’ likely opposition to (or at least serious misgivings about) a JG are activated by issues along different axes of the impossible quadrilateral. The more administrators attempt to address the concerns of

unions and workers in similar jobs (by maintaining JG jobs as very low-skill and low-value), the more likely the public is to view the program as wasteful. This section will briefly discuss other political implications of a JG.

Stigmatisation of the JG. JG supporters frequently assert how society, business or labour “should” view the JG proposal. They believe that a JG would be less stigmatised than unemployment because it is “work” not “welfare”, and so satisfies society’s preference for employment as the means of gaining income (Wray, 1998: 148). This is superficially plausible, but it ignores the social and political construction of stigma. The oft-heard belief that the unemployed are work-shy and live large on the dole at society’s expense (for a representative example, see Carswell and Michael, 2015) flies in the face of evidence that Newstart is a miserly payment not sufficient for even a basic standard of living (Morris and Wilson, 2014). As Windschuttle (1978: 155-167) shows, the media plays an active role in constructing the unemployed as “dole bludgers”, both for commercial sensationalism and as part of a political effort to undermine support for redistributive programs. As prejudice towards the unemployed is not based on facts, we should not expect facts to change it.

If unemployment is eliminated (as a JG proposes to do), the cultural valence of “work” versus “welfare” would change. It is possible, perhaps likely, that JG workers would come to be seen as not engaging in “real work”, but rather as lazy and unruly, as workers in New Deal programs often were (Danbom, 2014, in chapter 2). A job that can be immediately gained, without developing skills or even inconveniencing oneself, could be seen to reward those who have not sacrificed time and money to “get ahead” in the regular labour market. Even public-sector jobs that are permanent and important, such as administrative workers in government departments, are often ridiculed as “make-work” (e.g. Albrechtson, 2016). The JG would be particularly susceptible to this charge if, as this chapter has suggested, the JG *would* provide mostly unskilled, unnecessary, “useless” work. It would be no surprise if oppositional political, social and media groups successfully paint the JG as a hammock for the idle and a cause of increasing “pickiness” among workers (“job snobs”).

Exploitation of JG flaws and mistakes for political purposes. The media and political campaign against the 2007-2013 Labor government’s home insulation program during the GFC shows that a small number of mistakes can be used to discredit a government

program (Tiffen, 2010). In such a large and diverse program as the JG, accidents will happen: a worker or member of the general public will be seriously injured or killed, some JG work will be substandard, a JG worker with a criminal record will be placed in proximity to vulnerable people such as children, and so on. Even the much smaller work-for-the-dole program has resulted in injury and death (e.g. Miko, 2016). Each incident will be newsworthy, as the JG will be a novel program and inevitably the subject of political controversy.

Business resistance to full employment. Kalecki (1943) predicted that organised capital would resist the attainment of full employment on grounds of: (a) reducing the political importance of business “confidence” as a driver of economic growth; (b) steadily expanding government power over and ownership of investment; and (c) the long-term social and economic effects of a workforce freed from the threat of the sack. Mitchell and Muysken (2008: 237-238) argue, initially persuasively, that subsequent events have demonstrated that business does not oppose government spending per se (indeed it may actively lobby for it, e.g. infrastructure and research). However, they again fail to appreciate the revolutionary impact of the JG and the effects on workplace relations of eliminating unemployment. A JG would reverse the logic of employment by making business the beggars and workers the choosers. Unless the JG is extremely punitive (and the model put forward by its supporters is not), it would inevitably give workers greater confidence to demand wage and conditions improvements. It is designed explicitly to provide greater security (of income, personal and social dignity, etc.) to workers, and as such will be opposed by business, particularly low-wage employers used to a compliant workforce. Such opposition can be overcome if the general public believes the program works, but if its shortcomings dominate its public perception, it will be unsustainable.

Conclusion

As this chapter has argued, the JG is undermined by attempting to serve too many masters. Satisfying some of its requirements inevitably means not satisfying others. This impossible quadrilateral expects the JG to eliminate involuntary unemployment through jobs that are accessible to all regardless of skill, but are of social value, yet not currently done by the private or public sectors, and can be started and stopped at any time. It is the contention of this thesis that the JG cannot be both a temporary “buffer

stock” and a generator of productive output. This is not a small problem, but one intrinsic to the two aims of the JG: full employment and price stability.

There is also likely to be significant political opposition to the JG, including from public-sector unions who would be required in a progressive coalition. Political opposition alone is not reason enough not to implement a policy, but the supposed benefits of the JG do not seem to outweigh the likely political costs. The counter-inflationary aspects, as discussed in Chapter 3, are far more contingent than its advocates claim, and the benefits to society and individual workers of hiring them to perform JG-compliant work are likely to be small. Since workers cannot be paid more than the basic wage, and cannot engage in any activity that requires planning, skills or completion, they are likely to perform work that is both economically and socially useless, with attendant feelings of stigma. The alternative as proposed by Wray (1998), to offer JG-level pay for full-time job seekers, is simply a more generous system of unemployment relief. This contradiction at the heart of the JG can only be resolved by radically reshaping its aims.

Conclusion: Securing a Right to Work

In a period in which unemployment remains a persistent problem, even in countries such as Australia with relatively low official unemployment rates, the Job Guarantee is admirably direct. Rather than stimulating employment creation indirectly, through skills formation, public investment or behavioural “nudges”, the JG solves the unemployment problem through the simplest means: a permanent offer of a job to anyone. It would be a radical departure from current economic practice and historical job programs. It would attempt to create and maintain a dynamic “army” of otherwise unemployed labour, providing socially beneficial services of almost unlimited range. These are grand objectives, and this thesis has shown that the JG is unlikely to achieve them. This chapter will summarise the findings of previous chapters, before proposing a workable alternative to the JG. Concluding remarks will follow.

Chapter 1 showed that the JG descends from a large family of planned or implemented programs designed to make a “right to work” a practical reality. It emerged at the time when full employment had fallen off the policy agenda of most Western governments, and attempted to restore unemployment as a problem of the macroeconomy rather than inadequate skills, inflexible labour markets or personal deficiencies of the unemployed. Four historical or contemporary work programs (the WPA, Plan *Jefas*, the EPWP and the MGNREG) were examined in detail in Chapter 2. These programs employed large numbers of beneficiaries without negative impacts on private sector employment, and some of the work performed was highly beneficial. However, they were characterised by poor planning of work projects, little skills development and often substantial skills mismatch.

The JG differs from historical work programs in two respects: its offer of a job is limited only by the number of applicants, and it is assumed to become an important tool of price stability. Drawings inspiration from the Modern Monetary Theory school of heterodox economics, the JG’s advocates argue that the fiscal cost of the JG is not important, and that its design - a wage fixed below all market wages - anchors wages and prices. These claims were examined in Chapter 3, which concluded that cost concerns cannot be answered by appeals to MMT and that there are large uncertainties surrounding the impact of a JG on the broader labour market. JG advocates themselves

cannot seem to decide whether the JG would suppress wages and conditions through a greater supply of job-ready workers or would empower workers to reject poor conditions through a greater supply of jobs. The JG is unlikely to precipitate an ongoing wage-price spiral if the JG wage remains fixed, but Chapter 3 argued that this would lead either to the JG wage becoming a poverty-level sub-minimum wage or to political pressure for the JG wage to be regularly adjusted, undermining its role as a wage anchor. The macroeconomic sustainability of the JG is the greatest uncertainty surrounding the proposal, as it is the most speculative.

Chapter 4 examined the administrative, practical and political obstacles facing by a JG. JG jobs are required to be basic-level jobs that benefit society but are distinct from the rest of the public sector, and can be quickly stopped if necessary. These criteria are not all mutually achievable - what this thesis has termed the "impossible quadrilateral". The contradictions are many. Jobs with social benefit may require specialist skills or respond to ongoing needs, and so cannot (or should not) be provided by basic-wage, unskilled workers on a temporary, countercyclical basis. Jobs that resemble too closely the existing work profile of the public sector would undermine the existing public workforce. The requirement that JG projects be highly indifferent to both time and skills - that they could be started and stopped at short notice and with a volatile supply and calibre of labour - prevents it from doing anything requiring planning, continuity or completion. The jobs most likely to be provided would be low-value auxiliary positions over-staffing public facilities and spaces, which would amount to unemployment or underemployment by another name. Furthermore, a JG would inevitably be the target of opposition from a variety of interest groups, and any flaws in design or implementation would threaten its political sustainability. Political opposition is not in itself a reason not to implement a policy, but a JG that provided the sorts of low-value employment suggested above is unlikely to be beneficial enough or to enjoy the broad public support needed to counteract entrenched hostility from business, public-sector unions and ideological groups such as political parties and lobby groups.

With these points in mind, it is hard to avoid the conclusion that the JG would not be a progressive reform. To be economically sustainable, it would be obliged to provide subminimum-wage labourers with low-intensity, low-skill "make-work" jobs to justify the fiction that they are not unemployed. Such a JG would serve mainly to provide

income support to the unemployed, with the job an effective work requirement. It would be workfare, according the definitions provided by JG supporters: it would “force welfare recipients to work” to obtain income support (Wray, 1998: 124), creating “a new class of subminimum-wage employees [threatening] to replace higher-paid public employees” (Mosler, 1997-1998: 168). It would probably be highly stigmatised (Mitchell, 1998: 551). The morale of the workers will not benefit if the jobs they are given are obviously arbitrary.

Securing a Right to Work

This is not to say that the JG does not provide a model for a successful, if more modest, practical realisation of the right to work. Such a model requires removing two features of the JG that are particularly problematic: keeping JG work distinct from the mainline public sector and requiring that work to be temporary. A workable “job guarantee” would need to provide jobs resembling those of the regular economy: created to address a specific need for a specific time. Quiggin (1993) proposed a “policy program for full employment” that included a “job guarantee” targeted at the long-term unemployed, through direct public employment and wage subsidises to employers. These public/subsidised jobs would be for (he suggests) one year, and could be accompanied by an expansion of training schemes for the unemployed (ibid.: 46). Such a scheme, he (ibid.: 42) argues, would establish employment as a universal right of Australian citizenship, while also providing genuine “mutual obligation” between the unemployed worker and the state. Quiggin wrote in much the same context as Mitchell (1998), a period of high unemployment in Australia after the early 1990s recession, and so his proposal is a less radical but more workable response to the same conditions.

Such a program would employ a smaller, more stable group of workers, as the long-term unemployed have far lower rates of re-employment than short-term unemployed (Nichols, Mitchell and Lindner, 2013: 8; Fowkes, 2011). It would also hire them for a set period of time. This would allow for the planning of projects based on predictions of the number and calibre of workers available, improve the quality of the work done and make investment in training and skills programs worthwhile (as those trainees will be expected to put those skills to work immediately). The Comprehensive Employment and Training Act (CETA), implemented in the United States between 1973 and 1983, worked along these lines, providing training and direct public sector employment to

long-term unemployed workers for up to one year. Data available from the program's participants indicate that CETA was well-targeted and produced significant positive earnings effects for beneficiaries over the short and medium term (Bassi, 1983). Data from Swiss active labour market programs, which combine direct public employment and temporary subsidised jobs, suggest that, of the two, job subsidies are the most effective at raising re-employment rates (Gerfin, Lechner and Stieger, 2005).

A job guarantee thus designed would achieve many of the positive features of the JG: (1) it would recognise that unemployment is a social rather than individual problem; (2) it would address unemployment directly through job creation; and (3) it would have a broadly countercyclical impact. It would avoid the weaknesses of the JG, as it would not attempt to meet all the criteria of the "impossible quadrilateral". The most significant difference is the absence of an "all-comers" hiring policy. Instead, eligibility would be limited to the long-term unemployed, discouraging workers from quitting jobs in the regular labour market for "easier" JG work. A more generous system of unemployment insurance, combined with a job guarantee, along the lines proposed by Belchamber (2010), would make short spells of unemployment more tolerable while ensuring that no one remained unemployed long-term.

Concluding Remarks

Reducing unemployment and the ills that stem from it are important policy goals, and ones that have been neglected to differing degrees since at least the 1980s. The JG has received public attention because it offers a strikingly simple solution to joblessness: provide jobs. The JG presents itself as a comprehensive policy addressing not just unemployment but price stability, skills formation and deficient social services provision. As this thesis has shown, the JG attempts to solve multiple problems with a single policy, and cannot sustain the tensions this creates. A less ambitious, more targeted policy is more likely to be successful, in political terms as well as policy, than a "true" Job Guarantee.

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