

Federally Funded, Locally Organized: *An Affordable* Job Guarantee Program

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Abstract:

This essay proposes the implementation of a federally funded, locally organized Job Guarantee (JG) program in the United States. It begins by discussing how unemployment is a full-scale ‘social psychological’ crisis in the U.S. today. It then pivots by introducing the principles of Modern Money Theory, which will demonstrate that the program is financially affordable. The JG program will have local oversight and administration, and will tailor projects to address the needs of the local community. Many of its projects will be designed to promote environmental sustainability. The essay, then, highlights the economic benefits of the program, which include economic growth and, more importantly, a reduction in income inequality. Finally, it concludes with an argument in support of employment as a fundamental human right.

Keywords: unemployment, underemployment, labor markets, national debt, government deficit, right to work, job guarantee, employer of last resort

JEL codes: J680, J240, H630, H620, J580, B5, E6

Introduction

The very title of this paper will no doubt be met with skepticism. Surely not every citizen can be guaranteed employment! This sounds idealistic, but unrealistic. First, most agree that the federal government can’t afford such a program. Already steeped in ever-growing national debt, the government should not increase its borrowing, nor should it increase taxes. Second, a Job Guarantee program, were it affordable, would simply create a socialist state! Suffice it to say that the United States ethos does not tolerate any socialist agenda. This paper urges readers to suspend their disbelief and step outside the “conventional wisdom” of political and economic discourse. It does not offer some “Utopian” plan, but it does provide a proposal for correcting one gigantic socioeconomic problem—unemployment. I agree with Stephen Pinker, who once said: “We will never have a perfect world, but it’s not romantic or naïve to work toward a better one.”

Resistance to full employment is philosophically untenable. It is tantamount to saying that some people are simply unworthy of leading decent lives. Respectable, dignified existence is not possible without a job: it provides the individual with a sense of purpose (a reason to get out of bed in the morning) and, perhaps more importantly, the income necessary to meet basic needs. Furthermore, how can the connection between unemployment and a laundry list of social problems not be obvious to naysayers? Those who are privileged apparently cannot be bothered to understand the plight of those who have grown up in ghettos; how can we expect a kid surrounded by crime and without any educational opportunities to secure a steady job? I hope that my generation comes to share my concern by recognizing the severity of this injustice and acting to enforce employment as a fundamental right.

This paper proposes the implementation of a federally funded, locally organized Job Guarantee program in the United States. Section I begins by showing that unemployment is a full-blown social crisis. Section II pivots by introducing the principles of Modern Money Theory, which will demonstrate how the JG program is financially affordable. Section III outlines the JG program in detail. It shows how local oversight and administration are critical to the program and explains that the projects will engage in socially productive work. Meeting the challenges of global climate change and improving our nation's infrastructure are just two of the many shortcomings the JG program will address. Section IV discusses the economic benefits of the program, which include G.D.P. growth and, more importantly, a reduction in income inequality. Section V offers an argument in favor of employment as a fundamental human right. The conclusion provides a summary of the main arguments and briefly considers the policy implementation of the JG program.

I. Unemployment Crisis

As of November of 2014, the Bureau of Labor Statistics reported an official unemployment rate of 5.8% (BLS 2014 d, 1). This is the lowest rate since June of 2008 and would therefore seem cause for celebration, but this rate is rather misleading. First and foremost, the BLS only considers someone unemployed if the individual can demonstrate that he or she has actively sought employment in the last four weeks. Furthermore, if the person has not found work within the last 12 months, they are altogether removed from the labor force. Citizens mired in long-term unemployment of more than one year are not counted. Labor force participation has actually dipped since the recession and currently sits at 62.8% (BLS 2014d, 2). When labor participation dips, the unemployment rate also drops. The unemployment situation looks better, but folks are not finding jobs. The real unemployment rate in the United States today in November of 2014 is 11.4%, nearly twice as high as the commonly reported statistic (Federal Reserve of St. Louis 2014b, 1). The BLS also calculates this statistic, commonly known as underemployment, by including those who are "marginally attached to the labor force" plus workers who can only secure part-time employment for economic reasons (BLS 2014a, 1). These marginally attached workers include 'discouraged workers' and other citizens that have made an effort to find employment within the past year, and thereby

indicate a desire to work. It also includes part-time workers who would like to find full-time work, but have been unable to do so. Once these folks are rightfully accounted for, the 11.4% ‘real’ unemployment rate means that over 18 million individuals are currently unable to find work (BLS 2014d, 1). This is a wholly unacceptable state of affairs anywhere in the world, but particularly in the richest country in the world.

Unemployment: A ‘Social Psychological’ Crisis

The inability to find work breeds deep psychological problems. Job loss leads to heightened rates of mental and physical health problems (Belle and Bullock). It is associated with higher mortality rates, and has a detrimental effect on family relationships. Participation in the labor market is a necessary condition for participation in modern society, so it is not surprising that the unemployed are defined by what they are not (Kelvin and Jarrett 1985, 43). Over time, unemployed workers adopt a fundamentally negative definition of self (Kelvin and Jarrett 1985, 43)¹. They must endure a state of idleness, which leads to heightened self-consciousness that can become disabling (Kelvin and Jarrett 1985, 45). In their research on the ‘social psychological’ effects of unemployment, Peter Kelvin and Joanna E. Jarrett use autobiographical accounts of unemployment and conclude that the unemployed individual becomes aware rather quickly of his or her seemingly unending amount of free time (Kelvin and Jarrett 1985, 67). This feeling of restlessness may quickly turn to a feeling of worthlessness. Any occupation, despite the frustrations it may cause, benefits the individual by at least placing him or her within a system of relationships and gives him or her a sense of purpose (Kelvin and Jarrett 1985, 57-58). Friend and family relationships begin to deteriorate because the unemployed individual is failing in his or her role as provider.

His family, then, sees the unemployed individual as having ‘a problem’, and to that extent he is a problem to them—as a *person*, and not simply because he is, for example, failing in his economic role...The family may see the unemployed man as ‘less-than-the-man-he-was’, sympathetically or disdainfully, depending on earlier relations (Kelvin and Jarrett 1985, 80).²

Of course, unemployment also places a severe economic burden on the family. For many American families, putting food on the table and keeping a roof over their children’s heads is an all-consuming daily struggle. The point, though, is that unemployment is both economically debilitating and psychologically crippling.

The psychological stress of job loss manifests itself in various social ills. The distinction between psychological and social problems is somewhat arbitrary; what is harmful to one is often harmful to all. Unemployment is directly linked to poverty, and is responsible for a great deal of crime, poor health (both mental and physical), suicide, drug addiction, homelessness, cross-cultural antagonism, school dropouts, broken families, domestic

¹ Just think of how most dinner party conversations begin. “What do you do?” “Well, I’m a _____”. Not being able to fill in the blank means feeling like a blank.

² This perception by one’s family certainly applies to women who have lost their jobs.

violence, and many more social ills (Wray & Forstater 2004, 254). These problems are part of the national dialogue each and every day; unfortunately, policymakers and the media often overlook unemployment as their underlying structural cause. There is, of course, a wealth of research to support this conclusion, but basic intuition may suffice. The self-consciousness and restless psychological state of the unemployed worker leads this disenfranchised group to lash out, either out of necessity, frustration, or a combination of the two. Thus, society's negative attitude towards the unemployed only exacerbates the situation.

Those who are privileged choose not to empathize with unemployed workers by failing to understand how these impoverished folks were systematically denied the means to succeed. The cultural norm is the Protestant Work Ethic, defined broadly (Kelvin and Jarrett 1985, 100). People must pick themselves up and find work; in truth, this is merely a tool of the privileged to justify their place in the economic and social hierarchy. This lack of empathy—the inability to see how basic opportunities are often denied to capable human beings—quite obviously causes the unemployed population to feel marginalized and act accordingly. Thus, crimes, such as theft, committed by the unemployed are not simply a means to an end, but also an end in itself; in other words, they are the frustrated expressions used by a neglected, stifled population. The complete ‘social psychological’ impact of unemployment cannot possibly be accounted for in a few short paragraphs, but it should at least remind readers that unemployment is far from an isolated issue. It depresses its victims, their families, and society at-large. The essay now transitions by introducing the principles of Modern Money Theory. This framework clearly demonstrates the functionality of government debt and the affordability of the Job Guarantee program.

II. Full Employment is Affordable

The conventional wisdom of government debt mistakenly relates the fiscal operations of government with those of businesses and households. The unique position of the United States government can be understood by introducing the distinction between the principles of functional finance and those of sound finance. Private citizens, households and businesses must abide by the principles of sound finance; namely, that income is needed and debt is bad. Sound finance holds that a budget ought to be “balanced” (income or revenue equals debt) or in surplus over some period of time (Lerner 1983, 300). Businesses and local or state governments must also abide by these principles, because they are *currency users* and therefore face real financial constraints. The conventional wisdom today says that tax revenue is, or should be, the government's budget constraint. In truth, the federal government faces no financial limits! As the *monopoly issuer* of the U.S. dollar, the federal government can spend *functionally*; it need not consider the “soundness” of its spending, only its effects (Lerner 1983, 298). This does not mean that the government should spend unwisely. However, unemployment is a sufficient sign that aggregate demand is too low and that greater government spending is needed (Wray 2012, 194). When Abba Lerner first introduced these ideas in the early 1940s, they were widely understood. The public had just witnessed the millions of jobs

created by government policies with New Deal and World War II projects, and saw firsthand the economic prosperity that followed. Sadly, the fiscal cliff mythology has once again taken hold thanks to policymakers and economists who insist on treating government expenditure like that of a corporation.

The United States is a financially sovereign government—one that taxes, spends, and borrows in the same currency (the dollar). As mentioned, these governments do not face any “real” budget constraints³. It can spend functionally, not “soundly”. Taxes and bond sales do not allow, or constrain, federal spending. Instead, taxes are an invention of the state that creates a demand for the state-chosen currency. The U.S. government requires its citizens to pay taxes with the U.S. dollar, so these citizens now demand the dollar; because everyone needs to hold dollars, consumers and producers have universally agreed upon the dollar as our country’s medium of exchange. Taxes are also a means of controlling inflation by limiting the supply of money in the private sector (Mosler 2010, 2). Thus, as Wray explains, “taxes drive money” (Wray 2012, 254). Likewise, the government is not “borrowing” when it sells bonds; this is actually a tool of the central bank. The Fed is able to raise the overnight interest rate to its desired target by selling bonds (which removes excess reserves from private banks), and can lower interest rates by buying bonds (Wray 2012, 112). The U.S. government does not face any risk of defaulting on its debt obligations because bonds are exclusively denominated in the dollar, which the Fed and Treasury have complete control over. Therefore, the federal government does not “need” your money; in fact, the IRS actually shreds tax dollars! (Mosler 2010, 14)⁴. The Fed and Treasury spend by ‘printing money’, which usually means crediting private bank accounts through simple keystrokes (Wray 2012, 112). Randall Wray, a pioneer of Modern Money Theory, neatly frames the public confusion on how the government spends:

While it is recognized that government can also print money, which is something households cannot do, this is seen as extraordinary behavior—sort of a last resort, and a bad idea to boot. There is no recognition that *all* spending by government is actually done by crediting bank accounts—keystrokes that are more akin to “printing money” than to “spending out of income”...the conventional view does not recognize that as the issuer of the sovereign currency, government *cannot* really rely on taxpayers or financial markets to supply it with the “money” it needs. From inception, taxpayers and financial markets can only supply to the government the “money” they received *from* government (Wray 2012, 198).

This is not a suggestion for how the government ought to spend, but rather a description of how it already does. This insight will hopefully dispel the foolish political rhetoric

³ Of course, should Congress pass a foolish “debt ceiling” law, the federal government would then face a budget constraint of its own creation.

⁴ For a thorough analysis of the utility of taxes and bonds, and how the federal government actually uses these tools, see *The Seven Deadly Innocent Frauds of Economic Policy* by Warren Mosler.

about where the money ‘came from’ or that money might ‘run out’, concerns that dominate contemporary, economic policy discussion.⁵

Money is not a physical thing that the federal government must obtain, but is rather a unit of account the government itself created and has complete discretion over. As Wray observes, most people tend to imagine that money must have some physical existence or that there must be some precious metal, like gold, that “backs” the dollar (Wray 2012, 262). This is plainly false: the United States gave up the gold standard in 1971. Moreover, the central bank does not actually print dollars when it credits bank accounts, nor does it typically spend with any physical dollars. Warren Mosler explains, “Government fiat money necessarily means that federal spending need not be based on revenue. The federal government has no more money at its disposal when the federal budget is in surplus, than when the budget is in deficit” (Mosler 2012, 17). There is also no reason to automatically fear a fiat currency; again, this is how the government does and has been spending for more than four decades. In fact, it is precisely the federal government’s willingness to accept only dollars as tax payments and debt repayments (bonds) that provides the solid backing of the dollar (Wray 2012, 262). Money is not a physical good, but rather a dual-natured unit of account that measures the debt of the issuer and asset of the creditor (Wray 2012, 272). Money is debt!

The understanding that money is a unit of account that measures debts and liabilities is deepened through an analysis of the private sector balance, the public sector balance, and the foreign sector balance. This introduces a three-sector macroequilibrium accounting identity:

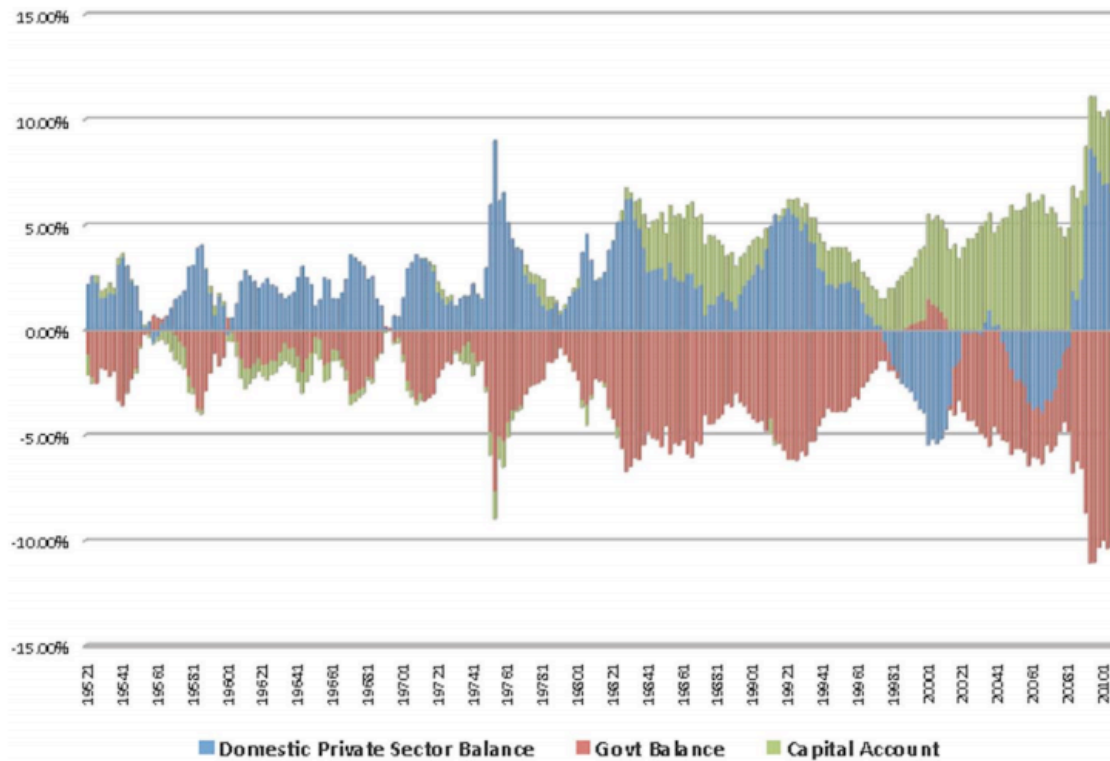
$$\text{Domestic Private Balance} + \text{Domestic Government Balance} + \text{Foreign Sector Balance} = 0$$

This balance is an empirical fact that holds true for each and every country – it is true by definition (Kaboub 2013, 309). Once again, this is because any financial asset is another’s financial liability (Wray 2012, 1). It is impossible to earn income that does not come at another’s expense. Because the United States is in a trade deficit, the only method of achieving a private sector surplus is through deficit spending.⁶

⁵ Wray notes that President Obama has often repeated the claim that government would “run out of money” if it continued to increase spending. Likewise, misguided policymakers drilled Chairman Bernanke about where he and the Fed had ‘obtained’ the money to fund its policy of quantitative easing (Wray 2012, 199-200).

⁶ This does not mean that a trade deficit is undesirable. See Wray (2012) for a discussion the functional finance approach demonstrates that exports are a cost and imports are a benefit.

Figure 1: U.S. Three Sector Balances as a Percentage of GDP



Source: Bureau of Economic Analysis (Kaboub 2013, 310)

Figure 1 (above) shows the U.S. three sector balances as a percentage of total G.D.P. As readers can see, the federal government deficit is simply a number that indicates how much the non-government sector has accumulated in surpluses (Kaboub 2013, 309). The critical point is this: government debt is both sustainable and desirable. First, it is sustainable because the federal government faces no “real” budget constraint. Anything that is physically affordable is also financially affordable for a financially sovereign government (Kaboub 2014, 1). The government is not constrained by tax revenue or borrowing operations. Inflation is indeed possible but far from inevitable; U.S. national debt is at an all-time high, but inflation is extremely low (perhaps even too low) and there are no inflationary pressures on the horizon.⁷ What’s more, federal deficits are actually desirable, assuming that we want the private sector to enjoy a surplus. Federal government surpluses are cause for concern, not celebration. In fact, the last government surplus of the Clinton administration was in part responsible for the largest deficit in U.S. history (Kaboub 2013, 309).

⁷ A more thorough discussion of inflation with respect to the proposed JG program and an MMT re-evaluation of the causes of inflation will be discussed later in the essay.

III. The Job Guarantee Program

The sustainability and desirability of government debt ought to inspire creative policy proposals that address societal ills. Policymakers need only weigh the benefits of any program against its “real” costs—affordability is not an issue⁸. As discussed, there is no greater national crisis than involuntary, long-term employment. This condition is both psychologically devastating and is directly responsible for, or can at least be linked to, a host of social problems. It denies individuals both a sense of purpose and the income necessary for a respectable existence. Thus, I propose a federally funded government program that guarantees a job to each citizen who is ready, willing, and able to work⁹. The federal government faces no budget constraint, so its unwillingness to provide U.S. citizens the means necessary for a respectable existence is no longer excusable. This proposal is in tune with Hyman Minsky’s proposal for the government acting as an “Employer of Last Resort.” Minsky, better known for his work on financial instability, recognized the fallacy of ‘trickle-down economics’ and insisted that the federal government pursue a “bubble up” policy by targeting their spending directly at the unemployed (Wray 2007, 13). He argued that the government should act as the Employer of Last Resort by hiring workers as they are and providing them with a job reasonably suited to their respective skillsets (Wray 2007, 13). The program will enact an effective price floor; with unemployment, the true ‘minimum wage’ is zero (Wray 2007, 13).

The Job Guarantee program will operate as a buffer stock mechanism; when there is a shortage of labor demand, the government will hire workers into the Job Guarantee program¹⁰. Likewise, when there is a surplus of labor demand, the government will happily allow its workers leave for better jobs in the private sector. This is no different than how the federal government operates its buffer stock program for wool, corn, and other essential goods (Wray 2009, 98). When wool prices are likely to plummet due to unusually high output, the government accumulates a large buffer stock. When low output threatens to increase prices, the government floods the market with the wool it has accumulated and lowers the price to its desired target. Wool is an essential input in many production processes, so preventing fluctuations to its market price is a critical tool for achieving macroeconomic stability. But there is no more important input than labor; therefore, enacting a price floor on wages should act as an even more powerful macroeconomic stabilizer than similar buffer stock programs.¹¹

⁸ This paper recognizes that there will be significant philosophical opposition to any increase in the size and scope of government. The “Don’t Tread on Me” mentality is alive and well. Hopefully, however, much of this skepticism can be assuaged through effective implementation of the JG program. Some of these folks are likely victims of unemployment themselves and will very much appreciate any job whatsoever, even if it is with the “untrustworthy” U.S. government. Decentralized administration and supervision will also help reduce fears of government bureaucracy and will be discussed later in this paper.

⁹ The definition of what counts as “ready, willing, and able” will be left to subsequent proposals. The issue of mental and physical disabilities precluding employment is of particular concern. However, this paper underscores the importance of work for each and every individual and advocates for creative suggestions on how these folks can be incorporated into the program. Isolation is harmful for those with disabilities, so their willingness to work should be embraced, even if careful supervision is required.

¹⁰ Here forward referred to as the JG program.

¹¹ A discussion of how the JG program will stabilize the economy by reducing income inequality will appear later in the essay.

This paper proposes that the program pay its employees a wage of \$10.10, the very figure proposed by President Obama as the new federal minimum wage. The JG program will match the higher minimum wages of cities or states where minimum wages are currently higher or may become higher, such as Seattle and soon San Francisco. Many pundits and policymakers argue that an increase of the national minimum wage will cost thousands of jobs, but any such effect is greatly exaggerated and should be understood as an argument that serves the corporate elite. Second, and more importantly, the program could simply hire those who are fired. The reality is that it is nearly impossible to support oneself at \$7.25 per hour, let alone an entire family. It is therefore tempting to propose a JG program that pays workers, say, \$15 per hour or perhaps more, but this would likely shock private sector employers. This move should be gradual. There are two schools of thought within the JG proposals of Modern Money theorists on the wages the program will pay: some insist on paying the minimum wage to avoid competing with the private sector, while others call for the payment of living wages or higher and see the program as an opportunity to enforce higher standards of living. This proposal intends to strike a balance. The JG program will pay its employees wage of \$10.10 for all program employees in the first year with annual increases that will increase wages to living wages within ten years. The living wage that each employee will receive beginning in the program's tenth year will be determined by region and by his or her family size. It will also provide employees with healthcare and childcare benefits, which would also pressure private businesses to do the same. Like employment, healthcare and childcare are fundamental human rights. By offering the rather low wage of \$10.10, the federal government would not 'steal' employees from the private sector. However, it also recognizes the income inequality crisis in the United States today and the impracticality of leading a dignified life on these low wages; therefore, this paper proposes that the JG program raise wages to the living wage as determined by region and family size within ten years of its implementation.

1. Local Oversight

Local administration and supervision is also critical to the JG program. Bureaucracy, at large, is responsible for the lack of faith in government programs. As John Kenneth Galbraith notes in his book *The Good Society*, bureaucracy has taken on a decidedly negative connotation, and for good reason (Galbraith 1996, 105). The prevailing view of government organizations is that they are inefficient and slow to respond, perhaps staffed by unmotivated or disengaged employees. Although this line of thought is typically aimed at public entities, most private corporations also wallow in bureaucratic excess. Galbraith explains:

In all great organizations a strong and even irresistible tendency is to add managerial, technical, professional and other employees. Only as one gets to the shop floor in the industrial corporation—to, as significantly they are called, the working levels of the enterprise...is there a close, continuing assessment of needed workers to product (Galbraith 1996, 106).

The strength of corporate bureaucracy also contributes to the marginalization of the ‘working class.’ There is no doubt that many existing federal organizations, such as the Department of Veteran Affairs, are failing. This failure is due to a top-down approach that emphasizes discipline rather than critical thinking on how a common goal can be achieved (Galbraith 1996, 105). In brief, it is well known that federal programs often fall short.

Consequently, this proposal advocates that the federal government be limited primarily to footing the bill. Congress will only announce the federal government’s willingness to provide each individual that is ready, willing, and able to work with a job. It will rely on local governments and non-profit organizations to hire workers; volunteer organizations could now offer to pay people. These organizations will remain “non-profit”, but the volunteers they currently depend upon would be supplemented with federally-funded employees. As a result, these organizations will be able to carry out their objects far more effectively, and could even add new community-oriented projects to their plate. In order to avoid the possibility of organizations embezzling federal money, the JG program will pay its employees directly (Wray 2012, 1). In communities where there are many idle workers but few non-profit organizations, the local and federal government may act to assist in the creation of new ones. The program will not be permitted to provide employment for private, for-profit companies; as Wray notes, this would add the incentive for employers to replace existing employees with lower wage JG program participants (Wray 2012, 1). Just like many private sector ventures, the JG program will hit some snags, but utilizing local organizations will significantly reduce these obstacles. Local policymakers and non-profit managers will be responsible for the administration and supervision of projects best suited to the various needs of that community.

2. Socially Productive Work

This program will either create jobs or supplement existing efforts that improve public good; it is a “public service employment” (PSE) program (Forstater 2006, 63). Employees will perform socially productive work tailored to the needs of the given community. There are countless projects that contribute to societal wellbeing that desperately need greater (hu)manpower to achieve their objectives. For example, infrastructure in this country has been crumbling for decades, but no sustained private or public initiative has yet been made to correct the problem. A well-worn bridge is left to rot because either the local government can’t afford to fix it or because no corporation stands to gain from its repair. Just because something is not financially profitable does not mean that it is not socially profitable! The American Society of Civil Engineers conducts an analysis of infrastructure in the United States every four years and grades the various categories of infrastructure, such as aviation, dams, bridges, etc. Overall, the 2013 report is not pretty: it assigns a D+ to infrastructure in the United States. The Executive Summary reads:

We know that investing in infrastructure is essential to support healthy, vibrant communities. Infrastructure is also critical for long-term economic growth, increasing GDP, employment, household income, and exports. The reverse is also true – without prioritizing our nation’s infrastructure needs, deteriorating conditions can become a drag on the economy [...] it is clear that we have a significant backlog of overdue maintenance across our infrastructure systems, a pressing need for modernization, and an immense opportunity to create reliable, long-term funding sources (American Society of Civil Engineers 2013, 1).

The JG program is that very opportunity. The renovation of infrastructure alone could employ millions of new workers, given just how many bridges, dams, roads, and so on that are in desperate need of repair. Moreover, there are countless other ‘socially profitable’ jobs the program can create. The JG program will support programs that address the specific, localized needs of different communities, but will also hire workers to support more global efforts.¹² This proposal focuses on ‘Green Jobs’: a significant number of JG employees will work to curb environmental decay. Thus, the program seeks not only to solve the crisis of unemployment in the United States, but also to stem the devastating effects of climate change.

3. A ‘Green Jobs’ Corps

The JG program and environmental sustainability efforts fit nicely together. The typical objection to sustainability initiatives is their prohibitive cost; as Mathew Forstater points out, the conventional thinking is that environmental regulations somehow stunt job growth (Forstater 2006, 58). If unemployment is rightly understood as the root of many socioeconomic problems, then the depletion of natural resources and environmental destruction at large should be understood as the defining crisis of our time – it threatens the very existence of the human race (Forstater 2006, 69). Once again, the private marketplace cannot sufficiently curb wasteful or unsustainable production methods. Short-run cost consideration and profit maximization will almost always trump concern of environmental impact. Sustainability is often unprofitable because it discourages regular consumption; in fact, some producers actually intend for the product to deteriorate rapidly (Forstater 2006, 65). Herein lies the unique opportunity: because the JG program will not earn profits, there would be no conflicting objectives. The program will thereby address the two most pressing issues of our generation—unemployment and environmental decay—through the implementation of a variety of sustainability jobs. The mentality of “jobs versus” the environment will be abandoned in a world where protection of the environment actually creates jobs.

There are a host of occupations awaiting the ‘Green Jobs Corps’ as part of the JG program, or what Forstater calls the “Public Serve Employment” program. Possible jobs

¹² “Think globally, act locally!”

include those in recycling, insulation improvement, rooftop gardening, urban landscaping, solar energy installation, environmental education, research support, and the enforcement of green laws (Forstater 2006, 64). The benefits of each are well documented and can only be discussed briefly in this paper. Recycling is known to have a number of benefits, including a reduction in new resource depletion and pollution, and existing locally organized recycling programs have been largely successful (Forstater, 2006: 64). According to an estimate by Michael Renner, weatherizing homes with insufficient insulation in the United States could create almost two million jobs (Forstater 2006, 65). Even small improvements will drastically reduce household expenditure on energy (Forstater 2006, 66). Rooftop gardens not only provide food, they purify air, water, and soil (Forstater 2006, 66). Basic education and informational dissemination about sustainable practices is a pivotal step in cultivating new thinking about the environment; JG employees could make presentations in classrooms and workplaces (Forstater 2006, 67). Finally, new regulations would create the need for monitoring and enforcement – effectively a green police, although Forstater does not use this term (Forstater 2006, 67). Fortunately, most of these jobs would require little to no advanced skills or prior education and could be mastered with on-the-job training programs (Forstater 2006, 64).

Environmental sustainability will be of foremost importance to the Job Guarantee program. The previous paragraph outlines a variety of potential occupations the JG program could and should create. However, the goal here is not to provide an exhaustive list of green jobs, but instead to demonstrate how many unfilled jobs there really are and also to inspire creative policy recommendations for others. There is good reason to believe that the enactment of a Green Jobs corps will not only directly reduce waste and promote sustainability, but also that it will cultivate a deeper respect for the severity of the ongoing climate crisis and how we might slow its progress. Program employees would certainly learn sustainable habits they can carry into their private lives and spread within their social circles. Sustainable production methods will improve considerably with time and many will spill over into the private sector. Environmental organizations, think-tanks, activists, and other groups have achieved significant reform, but they have been unsuccessful in eliminating the prevailing attitude of ignorance, or at least lack of concern. This problem demands a fresh perspective and approach, and the implementation of green jobs as part of a Job Guarantee program is an ideal solution.

4. Low Cost of the Program

Most program estimates peg the cost of a JG program between one and three percent of total G.D.P (Wray 2014, 1). As Figure 2 (below) shows, this is less than the 3.4% the United States already spends on generally ineffective anti-poverty programs.

Figure 2: Social Welfare Spending

Spending on the Largest Anti-Poverty Programs (Millions of 2013 Inflation-Adjusted Dollars)			
Program	2003	2013	Change
Medicaid Grants to States	\$201,389	\$266,565	32%
Food Stamps	\$31,717	\$82,603	160%
Earned Income Tax Credit (EITC) Payments	\$40,027	\$55,123	38%
Supplemental Security Income (SSI)	\$38,315	\$50,544	32%
Housing Assistance	\$37,205	\$49,739	34%
Child Nutrition Programs	\$13,558	\$20,866	54%
Support Payment to States, TANF	\$28,980	20,842	-28%
Children's Health Insurance Program (CHIP)	\$5,454	\$10,022	84%
Feeding Programs (WIC and CSFP)	\$5,695	\$6,671	17%
Low Income Home Energy Assistance	\$2,542	\$3,704	46%

Source: Wray 2014, 1.

Kaboub's article about the low cost of full employment considers two possible cost scenarios: one in which the JG program hires all unemployed workers in the first year, and another in which the process is gradual. The latter scenario seems more politically plausible and will therefore be analyzed¹³. By the third year, the program will have hired all workers who are ready, willing, and able; he estimates a workforce of roughly 23 million (Kaboub 2012, 65)¹⁴. He also proposes a wage structure with a base pay of \$15 per hour and sliding scale up to \$21 per hour, which exceeds the wages proposed in this paper (Kaboub 2012, 65)¹⁵. Kaboub budgets a material cost of \$50 billion for the projects themselves, and also includes an annual benefits package of \$10,000 (Kaboub 2012, 65). Given a reasonable federal income tax of 15%, he calculates that the program will raise \$121 billion in tax revenue (Kaboub 2012, 66).¹⁶ It will save the federal government at least \$234 billion in various cost reductions, including \$150 billion in savings from unemployment benefits, \$100 billion in food assistance programs, and \$75 in incarceration costs (Kaboub 2012, 66). All things considered, the program will cost less than \$600 billion—practically pennies in comparison to the \$29 trillion that the Fed has spent bailing out Wall Street (Kaboub 2012, 66). Most importantly, by year three, the increased purchasing power of the formerly unemployed will generate over \$1 trillion annually to U.S. G.D.P. (Kaboub 2012, 66). Once again, affordability is not an issue, but, regardless, this analysis demonstrates the JG program's relatively low cost and its contribution to economic growth.

¹³ This proposal is not strictly committed to either the "shock therapy" or "gradual approach" (Kaboub 2012: 65). The shock therapy approach solves the issue immediately, but may cause some administrative and organizational mishaps. The gradual approach should decrease these miscues, but leaves people employable individuals unemployed that much longer.

¹⁴ The following estimates are not closely dependent on this figure of 23 million; a few million more will not wildly alter the analysis. In fact, I suspect that the figure will be below 23 million as the newly employed workers will spend their money and expand the economy. Private corporations will need to hire more workers in response, and will look to the JG program to do so.

¹⁵ Therefore, these estimates likely exceed the costs of the JG program proposed in this paper.

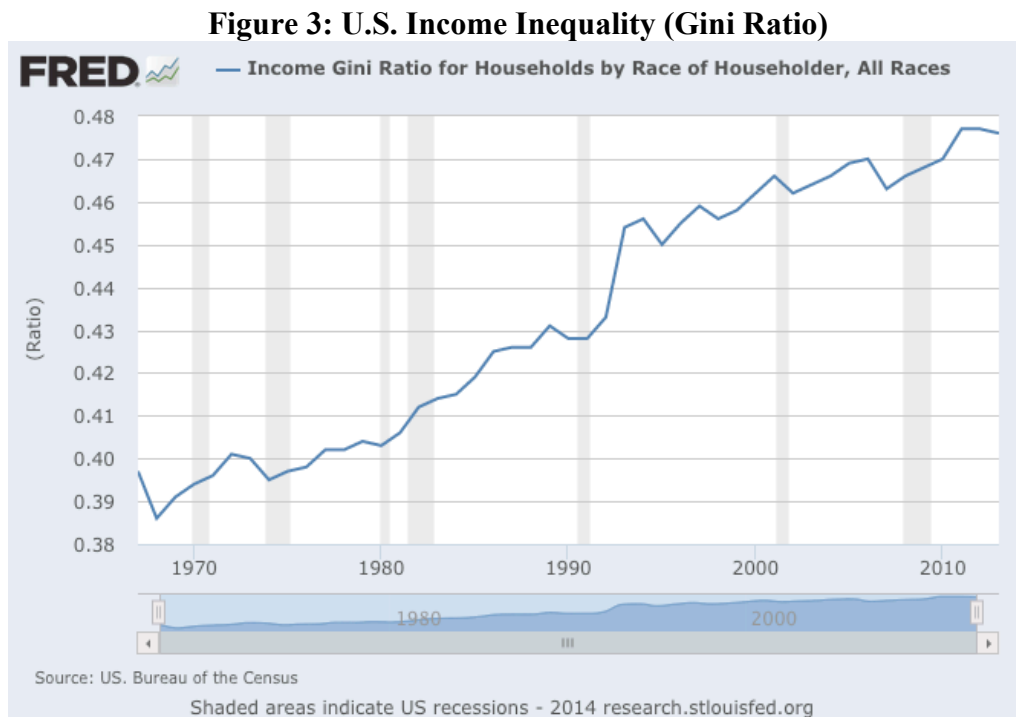
¹⁶ Let us temporarily leave aside that the federal government does not actually use tax revenue to spend.

IV. Economic Benefits of JG Program

An increase to G.D.P. is certainly not the only economic benefit of the program nor its most important. The United States is the richest country in the world almost twice over, yet income inequality has been steadily increasing for decades and tens of millions of citizens remained unemployment against their will. Clearly, G.D.P. is not the only measure of a country's economic wellbeing. First and foremost, The JG program will help struggling families by providing them with the means to afford the most basic necessities and allow them enjoy at least some material comforts. The increased purchasing power of the newly employed workers will trigger a boom in the aggregate demand of many goods and services. Businesses will respond to the increased activity and higher profits by hiring more workers into middle-management positions, which will curb rising income inequality. Local and state governments will also see significant increases in tax revenue. Workers will be able to afford homes and pay property taxes; they will consume more goods and services and pay the corresponding taxes. Unlike the federal government, local governments are not currency issuers and do rely on tax revenue and borrowing to spend. There is little reason to doubt that more money will help local and state governments operate more effectively and encourage the development of previously unaffordable projects.

1. Reducing Income Inequality

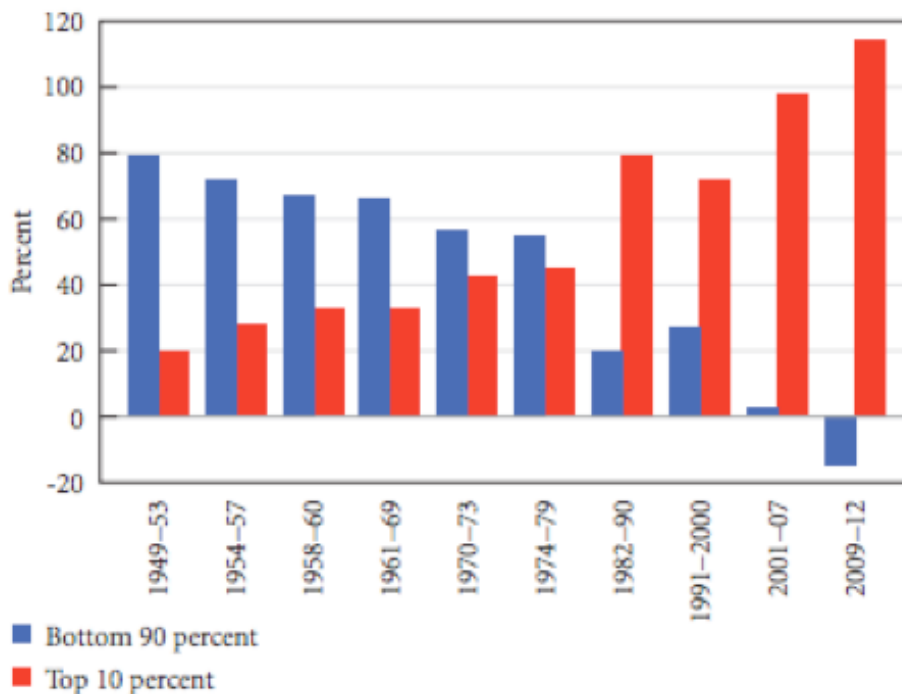
The Job Guarantee program will also critically reduce income inequality in the United States. As Figure 3 shows, income inequality has been increasing steadily in the U.S. for decades.



Source: Federal Reserve Bank of St. Louis 2014, 1

Luckily, the issue is finally gaining some traction in political discussion; President Obama recently called solving this issue the “defining challenge of our time” (Obama 2013, 1). Unfortunately, no real progress has been made on this front and the divide in our country is only escalating. In her article “Growth for Whom,” Pavlina Tcherneva illustrates this crisis in his historical context. She points out that during the recent economic expansion between 2009-2012, the top one percent received 95 percent of the income growth and the top ten percent took home an absurd 116 percent of growth, while the bottom 90 percent of the distribution actually fell! (Tcherneva 2014, 1) Figure 4 (below) demonstrates that inequitable gains during periods of growth are not a necessary outcome. Aside from the injustice of the matter, Tcherneva explains that income inequality is actually a key contributor to financial instability (Tcherneva 2014, 1). Current policies designed to curb instability, such as improving banks’ balance sheets, fail because they adopt a “top-down” approach. They do not generate employment directly and, if they do, it is an aftereffect that favors a small increase in high-skilled positions (Tcherneva 2014, 1). The alternative approach, of course, is the Job Guarantee program. The program will close the gap by allowing the bottom incomes of the bottom 90 percent to grow faster than those at the top (Tcherneva 2014, 1). The income the JG workers earn will be re-injected back into the economy, as these previously unemployed individuals become full-time consumers. This, in turn, will require private firms to hire workers from the JG program at a higher salary, and should also encourage these companies to fill more middle-management positions. Thus, the JG program will bring long-lasting, meaningful improvements to the escalating income inequality crisis in the United States today.

Figure 4: Distribution of Growth



Source: Tcherneva 2014, 1

2. Inflation: A Non-Issue

The conventional wisdom will claim that this proposal, if adopted, will trigger runaway inflation. This fear is misinformed, and greatly exaggerates the consequences of small annual price increases. Most policymakers accept that unemployment helps prevent inflation, although they would likely not say so in a campaign speech. The first obvious objection to this unspoken approach is ethical: Wray asks:

Should a nation attempt to maintain macroeconomic stability by keeping a portion of its population sufficiently poor [...]. More generally, is unemployment and poverty an acceptable policy tool to be used to maintain currency stability? (Wray 2012, 225)

In other words, is inflation *so* bad that it justifies keeping tens of millions jobless? Ethics aside, the program will actually stabilize prices in the long-run by operating as a buffer stock mechanism, which will effectively allow the federal government to maintain wages at a target level. During an economic boom, private sector wages will not skyrocket because corporations will always have the option of hiring workers from the JG workers (Wray 2012, 224). Just as the buffer stock program for wool stabilizes its market, job security will stabilize the macro-economy far more effectively than widespread unemployment. Granted, the newly employed workers will have greater purchasing power and this may lead to modest increases to short-run prices in certain industries. However, the private sector will rebound by increasing their supply of those goods and services and consequently slow price increases; once again, when businesses need more employees to meet the new demand, they can hire workers from the JG program. It is ironic how the loudest advocates of an unregulated private sector have so little faith in its capacity to respond to increased demand!

This brings us to an MMT analysis of inflation, which, in brief, demonstrates that inflation will only occur where the physical resources necessary for production are limited; otherwise, there is no reason to expect unmanageable inflation¹⁷. There is also an important distinction between mild price increases, which the program should create, and problematic inflation (Mosler 2012, 70). Price increases typically reflect a market that is effectively allocating resources; inflation and hyperinflation occur only when there is a shortage or restriction on the supply of certain goods (Mosler 2012, 70). Wray demonstrates that inflation and hyperinflation are almost always tied to social and political upheaval, a civil war, a collapse of productive capacity, or an otherwise weak government (Wray 2012, 257). He concludes:

There is nothing in the current or prospective condition [with the JG program] of the United States {or the United Kingdom or Japan – all high deficit nations at the end of 2011} that would lead one to expect high inflation, let alone hyperinflation (Wray 2012, 248).

¹⁷ Resource limitations are ever-growing due to climate change; thankfully, much of JG program will be dedicated to promoting and enforcing more sustainable production processes.

This paper does not have the space to fully assuage those who will be horrified by the prospect of price increases; nonetheless, it has intended to at least demonstrate that the program will not trigger problematic inflation.

V. Employment as a Fundamental Human Right

The right to work and earn a decent income has profound philosophical support. Thus far, this proposal has sought to establish the affordability of a Job Guarantee program and the economic benefits it would generate. These macro-economic gains are certainly nice, but this proposal is more concerned with social justice. Job security addresses systemic inequality that assigns human beings to poverty by denying them work. Galbraith imagines that a “Good Society” with a population who all enjoy access to a rewarding life, regardless of race, gender, and any other differences (Galbraith 1996, 23). He explains: “Nothing, it must be recognized, so comprehensively denies the liberties of the individual as a total absence of money, or so impairs it as too little” (Galbraith 1996, 23). Although not a Modern Money theorist, Galbraith nonetheless concludes that the only possible solution is for the federal government to fund a full employment program by whatever means necessary. In his book *Development with Dignity*, Amit Bhaduri depicts the destitute poverty in India, where unemployment above 25% is responsible for a very denial of human liberties. Bhaduri concludes:

Moving rapidly towards a sustainable full employment society is the only way available to attain the goal of participatory democracy...[here] is the essential element economic content of participatory democracy: the right to regular income for a decent living, and the duty to contribute to social production (Bhaduri 2005, 47-52).

In other words, the right to employment is a fundamental, inalienable human right.

The capability approach to social justice argues that it is morally imperative that each individual be afforded an opportunity to achieve wellbeing (Robeyns 2011, 1). There are two stages in the human development framework: the *capacity*, or freedom, to achieve a certain state (level of wellbeing) and the state itself. The former state of potential is known as capabilities and the latter end states are called ‘functionings’ (Robeyns 2011, 1). This line of thinking emphasizes the former state; in other words, each individual should be free to realize one’s basic needs and desires¹⁸. For our purposes, this means that each U.S. citizen is entitled to a job if he or she is ready, willing, and able to work, but he or she is neither obliged to accept this job nor limited by the opportunity in any way. What is important is that each individual at least be granted access to employment; once again, this is because unemployment is quite possibly the most powerful debilitating

¹⁸ This approach seems preferable John Rawls’ suggestion that each person be secured of some basket of “primary goods”, because it leaves little room for variation in tastes, and perhaps even ‘needs’, across cultures (Robeyns 2011). Regardless, in our globalized, market-driven age, job security is not among those variable desires—it is a universal human right. Furthermore, the right to a decent income enables the worker to spend on goods of his or her choice and not a pre-defined basket.

force in the United States. Each individual must have the opportunity to secure a long-term job.

The right to employment is not only a human right, it also enables so many other inalienable, fundamental rights. Martha Nussbaum outlines ten ‘central human capabilities’; a list she considers work in progress, but one that should encourage consideration of just how many human beings are being denied the opportunity to lead respectable lives. Included in this list are rights to enjoy a life free of crime, a right to form practical reasoning, and a right to laugh and play. Also included are rights to control one’s own environment, which includes a right to political participation and the right to pursue and attain employment on an equal basis with others (Nussbaum 2006, 77). Nussbaum explains:

The basic idea is that with regard to each of these [ten central capabilities], we can argue, by imagining a life without the capability in question, that such a life is not a life worthy of human dignity...I believe that the process, and the list, can gather broad cross-cultural agreement...The capabilities approach is fully universal: the capabilities in question are held to be important for each and every citizen, in each and every nation, and each person is to be treated as an end (Nussbaum 2006, 78).

This paper is of course only focused on a Job Guarantee program here in the United States, but does agree with Nussbaum that all of the aforementioned capabilities should be extended to all human beings. The point worth emphasizing is that all of the capabilities are only possible if the individual has an occupation and earns sufficient income from that occupation. Bodily health is not possible without income; for example, unemployment forces families to consume cheap, unhealthy meals. An individual cannot be secure of personal attachments (a right to emotion, the fifth capability) if he loses a job and thereby loses his family.

Wray and Forstater also notice how even if the right to employment is not immediately or intuitively obvious, the rights that employment enables (or that unemployment denies) certainly are. Access to employment allows for the right to a decent standard of living, including good health, decent housing, adequate nutrition, and a long life (Wray & Forstater 2004, 255). It also promotes the right to contribute in one’s community, the right to live free of violence and discrimination, the right to develop talents and abilities, and rather importantly, it also recognizes children’s rights (Wray & Forstater 2004, 255). The effects of unemployment on children seem to be lost in the discussion, but are certainly powerful; the Job Guarantee program recognizes that children also have inalienable rights. Forstater concludes that employment is a fundamental human right that each government must protect. He quotes Amartya Sen, a pioneer of the capabilities approach, whose monograph written to the International Labour Office in 1975 outlined three components of employment: the production aspect, the income aspect, and the recognition aspect (Forstater 2014, 1). The first aspect is related to the lost production that results from having idle workers, while the second highlights how unemployment denies families the income for survival in a capitalist society (Forstater 2014, 1).

However, employment cannot be reduced to an economic concern—it denies individuals the chance of leading dignified, worthy lives. He quotes Sen, who explains:

There is plenty of evidence that unemployment has many far-reaching effects other than loss of income, including psychological harm, loss of work motivation, skill and self-confidence, increase in ailments and morbidity (and even mortality rates), disruption of family relations and social life, hardening of social exclusion and accentuation of racial tensions and gender asymmetries (Sen 1999, 94-95).

As surprising as this may seem, a number of governments have already passed legal acts that explicitly recognize employment as a right; in the United States, these include Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978 in the United States (Forstater 2014, 4-5). Likewise, the U.N. member countries passed as in the Universal Declaration of Human Rights, which states that “everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment” (United Nations).

Political and Ideological Obstacles

Unemployed workers have had their political voices muted and are therefore thoroughly marginalized in today’s society. Simply put, money talks in politics. In the United States today, the economically elite are wielding serious political power that suppresses the voices of unemployed workers. Regardless of one’s own political biases, it seems hard to dispute that our system of democracy has been reduced to crippling ineffective gridlock. Bhaduri explains that a healthier economic environment of full employment would lead to a stronger, healthier political environment (Bhaduri 2005, 18). He explains that, “Nothing is more destructive to a political system than the lack of hope for a better future” (Bhaduri 2005, 24). How can we expect unemployed workers to care about a government that has abandoned them? Without their voice, the economically elite only gain more political power and encourage policymakers to pass legislation that protects their interests under the guise of the free market ideology. Galbraith writes:

Socially desirable change is regularly denied out of well-recognized self-interest...When it is said that some action may be good but is politically impractical, it must be understood that this is the common design for protecting a socially adverse interest. It is the nature of the privileged position that it develops its own political justification and often the economic and social doctrine that serves it best...To invent a plausible or, if necessary, a moderately implausible ideology in defense of self-interest is thus a natural course (Galbraith 1996, 5).

Thus, this paper calls on the unemployed and impoverished masses of this country to demand better from their policymakers. Standing against these deeply-entrenched

ideologies may not be the foremost concern for those seeking a job, but it is a pivotal step towards the realization of a full employment program.

One kneejerk response to this proposal will be to label it socialism. This form of fear mongering invites clarification on what socialism truly is; namely, policies that explicitly redistribute income. Nothing in the JG program calls for any redistribution of income. Hopefully the program will reduce income inequality by elevating those currently in poverty, but it absolutely does not seek to take money from anyone's wallet. Fellow proponents of a JG program also anticipate such a response. Bhaduri explains:

The orthodox socialism model was largely based on mechanisms of income transfer from the state...almost all employment was in the over-crowded state sector, either in administration or in state enterprises (Bhaduri 2005, 32).

This is far from what the JG program proposes, as it does not allow for any income transfers and will act only as an Employer of Last Resort for those who cannot find higher paying jobs in the private sector. It will not impinge on the private sector in any way. Galbraith notes that if socialism is seen as an 'extreme' system that re-allocates income, then the privatization model of unregulated, profit-seeking markets as promoted by the World Bank and IMF is the opposite extreme and is equally unsuitable (Galbraith 1996, 19). He seems to suggest that socialism is correct to observe the many inadequacies of the capitalist system but is blind to its own. This issue aside, the JG program is not a cleverly disguised socialist agenda. Should policymakers react to this proposal by labeling it as such, let us see that claim for what it is: a baseless scare tactic designed to protect the special interests of the economically elite.

Another natural response will be to claim that complete job security will make people unmotivated. Because everyone is ensured a job, young people will not be motivated to learn advanced skills, and the adult workforce will not feel as dedicated to their existing jobs. In other words, the fear of unemployment keeps people working hard. This seems highly unlikely for a few reasons. First and foremost, will a low wage, government job really dissuade young students from studying to become doctors and lawyers? This would seem ridiculous. Second, there are healthier approaches to motivating a workforce than the threat of unemployment, which leads to unnecessary stress rather than a dedication to the job. Any argument in favor of the psychological utility of unemployment goes hand in hand with the misguided belief that unemployed workers are somehow less deserving of employment. Their inability to find work is confounded with laziness. In truth, it seems that the Job Guarantee program would actually justify this otherwise-ignorant perspective. As mentioned, there really are capable, able-bodied men and women who are involuntarily unemployed because the private sector simply cannot support full employment. However, with the JG program, any individual who is physically and mentally capable of a job but chooses to remain unemployed will have done so voluntarily. This does not sanction undue criticism of those who choose not to work, but it at least makes the 'pick yourself up by the bootstraps' more legitimate. In other words, it would seem more appropriate to criticize an unemployed worker for being lazy if he or

she was actually refuting an employment opportunity (as provided by the JG program) in favor of remaining idle.

The JG program is affordable and socially desirable, but it will certainly be difficult to pass in the current, head-bashing political climate. There are a host of powerful interests and ideologies that will immediately reject this proposal and, as mentioned, money talks in this country. Simply put, policymakers defend these interests. Most business leaders also oppose full employment because it provides workers with greater bargaining power, although these executives take care to avoid saying so publicly (Harvey 1989, 112). They will seek to frighten folks by labeling it as a socialist scheme. Meanwhile, academic economic circles typically scoff at any government intervention; they will resort to their simple, textbook neoclassical models built on a list of ridiculous assumptions that intend to demonstrate the possibility of full employment (Harvey 1989, 112). The fact that economic scholars are often the biggest critics of government efforts to stimulate the economy is depressing. Phil Harvey explains:

Given the influence of neoclassical economic theory on public policy analysis in the United States, it is not surprising that employment assurance proposals have not attracted much scholarly support, or even interest, in recent decades; and without academic support, such proposals are not likely to receive serious political consideration (Harvey 1989, 113).

Job security as a fundamental human right has, to this point, failed to attract significant support from grassroots movements or civil rights groups. These organizations do not typically direct their energy at solving economic issues. This lack of ground-up support is not surprising, since the beneficiaries of the program (the unemployed) have a rather muted voice in politics.

Passing legislation that implements the JG program will be an immense challenge, but the political practicality of doing so can no longer be used as an excuse for the proposal's dormancy. As Harvey points out, there is also precedent in United States for such a program. In the aftermath of the Great Depression, economists began thinking creatively on how the crisis could be stopped as unemployed workers had become fed up with capitalism's inability to provide sufficient employment. Nonetheless, President Roosevelt's decision to approve the Civil Works Administration in November of 1933 was controversial. Despite employing nearly four million Americans, there were still many vocal opponents of the program, even within Roosevelt's administration (Harvey 1989, 104). These opponents argued that the federal government could not afford the program any longer without raising taxes or borrowing significantly (Harvey 1989, 104). Business leaders also rallied against the program by claiming that it severely damaged the labor market (Harvey 1989, 103). The socialist fear also seems apparent—the belief that some people do not deserve a job was not uncommon. In brief, the political

opposition that will undoubtedly confront the JG proposal is not completely foreign territory¹⁹. Its success will, however, require courageous leadership.

Conclusion

This proposal details a federally funded, locally organized Job Guarantee program. It first outlines the ‘social psychological’ crisis on unemployment, and then transitions into a introduction of Modern Money Theory. The MMT principles of functional finance and financial sovereignty demonstrate how the JG program is affordable. It concludes by offering a philosophical argument in favor of employment as a human right and some brief consideration of the political and ideological barriers that will face the program. As the many footnotes of the essay may suggest, there is plenty of work to be done and logistics to be hashed out. This paper demands better leadership from our policymakers, but it also calls for action from the “ground up”. It challenges readers to utilize the information in the essay and the works it references to ask questions of their local policymakers, and encourages civil rights organizations to take up employment as a human right. We cannot confuse what is “practical” with what is morally right. Policymakers will not even consider such a program unless citizens demand that they do so. Ask your congressperson what he or she knows about MMT and the JG program; better yet, demand that he or she provide an extensive plan to address unemployment. Let us at least bring the issue to their attention; suffering from unemployment will not end until we do so. This analysis is merely a stepping-stone and is written in the hope that it others will carry the baton.

¹⁹ To be fair, the CWA and New Deal initiatives were not full employment or job guarantee programs. Thus, there will likely be far greater resistance to the JG program than that which faced the CWA.

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