

Job Guarantee: Marxist or Keynesian?

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Chris Dillow, *Stumbling and Mumbling*, May 11, 2018

For decades there has been a debate about the differences and similarities between Marx and Keynes. The question of whether we should introduce a job guarantee highlights this debate: is it a means of supporting capitalism, or a challenge to it?

A job guarantee is the offer by the government of a job at a living wage to anybody that wants one. This would, in effect, eliminate involuntary unemployment. Pavlina Tcherneva has a nice paper (pdf) describing the details. Other advocates of it are Randy Wray (pdf) and colleagues, FitzRoy and Jin (pdf), Paul, Darity and Hamilton and Wisman and Pacitti.

The case for such a policy seems obvious. Although official unemployment seems low, there are a further 2.1 million people out of the labour force who want to work. This means there are almost 3.5 million unemployed – 8.5% of the working age population. And for some groups – the young, unskilled, some ethnic minorities, the disabled or unwell – the jobless rate is far higher.

This matters because unemployment is a massive cause of misery. It is associated with (pdf) unhappiness, suicide, and lower wages (pdf) and worse job prospects even for those who return to work: Danny Blanchflower and David Bell summarize (pdf) its many ill-effects. As Jeff Spross says:

A job is not merely a delivery mechanism for income that can be replaced by an alternative source. It's a fundamental way that people assert their dignity, stake their claim in society, and understand their mutual obligations to one another. There's pretty clear evidence that losing this social identity matters as much as the loss of financial security.

What's more, there seems an obvious Keynesian* case for a JG. It would act as an automatic stabilizer, boosting aggregate demand in bad times but shrinking in good. By offering companies the prospect of high and stable demand, it should encourage capital spending.

It could then encourage a form of wage-led (pdf) growth. The JG would act as a floor for both wages and working conditions. In knowing that they couldn't drive these down, employers would have to raise productivity and try to economize on labour by investing in new technology. In this sense, a JG could do in the 21st century what strong unions and full employment did in the 1950s and 60s.

What, then, could possibly be said against the idea?

There are big practical problems. Do local governments really have the management expertise to identify necessary work and manage those projects? And there's a danger that under right-wing governments a JG will become not a way to offer dignity to the unemployed but rather a form of workfare. It's partly for this reason that I agree with Steve that a JG must be accompanied by a citizens' income.

There are, however, other issues here. Which is why I say a JG might be a Marxian policy rather than a Keynesian one.

Simon describes one:

Suppose we start with an economy with stable inflation, implying unemployment was at the NAIRU, and introduce JG. As this puts upward pressure on inflation because the costs of losing a job are reduced, the only way of keeping inflation stable is to deflate demand, which of course would reduce output.

Of course, you might claim – reasonably I think – that the NAIRU is low. And you could well argue that in bringing people into work a JG would improve skills and so help reduce the NAIRU in the longer run. But would the NAIRU then really be 0%? I suspect not, and that there'll be some point at which Simon's point holds.

When it does, a JG will crowd out capitalistic employment.

To some, such as Kate Aronoff, this is a feature not a bug. "What feeds a profit margin and what makes for a good society don't often overlap" she says:

From coastal remediation to oral history projects to avant-garde theatre [as the WPA used – CD], there's plenty of valuable and low-carbon work to be done that simply isn't valued by the private sector. It's hard to imagine any company, for instance, being able to make a profit off of building playgrounds or keeping elderly people company to help ward off loneliness, which has been linked in several studies to premature death.

This is one sense in which a JG challenges capitalism. It poses the question: what is economic value? Does it consist only in profitable activity, or instead in non-market work in reducing loneliness, and shoring up society and the environment?

There is, of course, another sense in which the JG opposes capitalism. As Jeff says, echoing Kalecki:

With full employment, the capitalists lose their leverage to depress workers' wages and must give up more profits. But, more than that, when it comes to running endeavours that are ostensibly "theirs," the capitalists are forced to bargain with and bend to the will of workers "below" them. Their position as the demigods of the economy—granting employment when they are appeased, and taking it away when they are angered—is undone.

How will capitalists respond to this? The benign possibility is that they do so by improving working conditions and thereby productivity: we've good evidence that more cooperative forms of capitalism are more efficient. The less benign possibility is that they simply close up or stop investing, as they fear that lower profit margins will do more damage to profit rates than higher aggregate demand does good. History warns us that both responses are possible: in the 50s and 60s we saw the former, but in the 70s the latter.

And then there's a third challenge to capitalism. A worthwhile JG will fit jobs to workers' needs: it'll design them around people's needs to care for family members and will provide jobs suitable for those with health problems. This is the opposite of much of what the

capitalist state has tried to do, which has been to change people to suit the needs of capitalists – to, in William Beveridge's words "make and keep men fit for service."

What we have there, then, are two different conceptions of a JG. On the one hand, it might be a policy which helps capitalism function better. But on the other, it might be a form of transitional demand – a policy which whilst fulfilling human needs is one that cannot actually be sustainably adopted by capitalism and is instead a stepping stone towards socialism.

I'm honestly not sure which it is.

** Yes, I know a JG has been more associated with MMT than with Keynesianism. I'm using "Keynesian" in the sense of policies designed to support capitalism by increasing employment. I'll leave the differences between Keynesians and MMTers for another time.*