Introduction

John Maynard Keynes once said “practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.” The ideas of the economist permeate through society subtly without overt recognition. Those with the title economist make it to high levels of government. They run central banks, they work in the Treasury, they advise presidents, and many research institutes packed with economists constantly push policy agendas. They work in banks, academic institutions, and have C level positions in firms. Economists are seen to have a mathematical skill that is higher than most of the other social scientists, yet lower than the physical sciences. This has led economists to strive to prove themselves as proper scientists with extensive mathematical models with deterministic solutions. This “physics envy” has been detrimental to a profession that used to be called political economy. “Top” (mathematically determined) economics grad schools heavily emphasize mathematical models and theories at the detriment of history and politics. Economics has its own branch of statistics called econometrics, in some ways lightyears behind state of the art statistical techniques but in other ways, namely in time series, ahead because of the nature of the datasets economists work with. Economists utilize the concept of equilibrium from the field of game theory discovered by mathematician John Nash, often treating it as Truth without discussing the caveats of the abstract model. Dynamic Stochastic General Equilibrium models permeate the research of top universities: Harvard, MIT, Princeton, and Chicago. These models all rely on “microfoundations” and are used to guide policy, namely monetary. In *Policy Analysis Using DSGE Models: An Introduction* put out by the New York Federal Reserve the word fiscal does not appear once. Yet top central bankers at a recent INET conference admitted to their models failing to explain the reality of the world they operate. Monetary policy has become the primary level economists pull, yet it is one that has become largely ineffective. In stepping away from politics and fiscal policy economists claim to be impartial technocrats. Yet their ideology pushes a dominant political agenda, perhaps without their realization. Mathematical models are assumed to be unbiased and more trustworthy than common sense and reality.

That these models actually have influence on policy agendas without all of their caveats being discussed is where the practical human becomes slave to the economist. Perhaps the most widely accepted idea in America today is that “free markets” are what make us great. The Tea Party movement popularized the libertarian ideology with economists like Milton Friedman and Ludwig Von Mises at the forefront pushing policies along this line. These economists use game theoretic models to show that more “efficient” allocations occur when every actor in the economy is allowed to trade freely. Friedman led the Reagan and Thatcher movements towards deregulation, with a belief that the economy would move towards full employment once barriers were brought down. This is the opposite of what happened. Deregulation led to a more unstable economy. After deregulation, we reached levels of unemployment not seen since the Great Depression in America and Europe. This is not mere coincidence. American reliance on prestige, our blind faith in technology and innovation, and pecuniary pressures uniquely positioned the most prestigious economists to create more complex models all supporting that same ideology from within the ivory academic towers, and bleeding out to other high prestige positions in society. The reliance on models that started the Chicago school with Friedman was not confined to the economics department, but penetrated the legal and business departments as well. Economists ideas pushed themselves into politics, whether they liked it or not.

This calls for economists that put the political back into political economy. The idea that there exists a rigid mathematical model that describes the future of humanity is the stuff of science fiction. (Check out psychohistory from Isaac Asimov's Foundation series). It's not about there being no regulation in the economy, it's about there being proper regulation. That there may not be an explicit model telling us exactly what level of spending we should be at or exactly what to set the interest rate at will require more creativity and breadth of thinking on the part of our leaders. Without these models to obfuscate their bias and promote neoliberal policy, explicit static analysis of policies within a concrete institutional framework could fill part of the void for an economist. This iterative dynamic approach to policy can create fast moving feedback loops that lead to better outcomes for society. The economist still has a skillset that is useful for this analysis. However, the best analysis is going to be from cross-disciplinary teams of sociologists, political scientists, historians, statisticians, and computer scientists. Economists need to broaden their horizons, and join teams that do not isolate themselves. Political economy requires understanding the incentives of many different actors in society. In order to do so they need to bring in the viewpoints of many different actors.

This paper attempts to define a policy direction for the United States that can counter the last few decades of deregulation and widening inequality. It requires no formal mathematical model, although one could certainly be made that supports the agenda. It draws on theoretical ideas for achieving full employment from economists going back to the Great Depression. William Beveridge in his *Full Employment in a Free Society* defines full employment as the state of affairs when "there are always more vacant jobs than unemployed people, not slightly fewer jobs" (Beveridge 10). Going further, it needs to be that case that the skills and regions of the vacancies match. With these conditions, it is then the case than anyone who loses a job has the opportunity to find a new one easily. Bernie Sanders has proposed a bill called Employ Young Americans Now that would provide $5.5 billion to give young americans jobs. This type of directed fiscal spending is a policy that would move us towards full employment in today's environment, one of the two goals of the political economist. The economists bias towards monetary policy and deterministic models over fiscal policy and subjective analysis has not helped society at large. This paper brings bias in the other direction, much like recent UMass Amherst economist Gerard Friedman.

Gerard Friedman analyzed the policy proposals of presidential candidate Bernie Sanders in *What would Sanders do? Estimating the economic impact of Sanders programs.* He estimates that $14,500 billion in spending offset by $15,828 billion in taxation would be the effect of his proposal. His proposals bias spendings towards wages bringing a 24% change in wage increases. $5.5 billion of that spending is encapsulated in Bernie's young employment bill. He estimates 293,000 average monthly jobs would be created, while Employ Young Americans Now directly creates over 382,857 of those jobs per year. Previous Council of Economic Advisors leaders report that Dr. Friedman's plan is impossible as it deters too far from CBO baseline estimates. They provide no counter argument or alternative estimate of why

Friedman's analysis is wrong, likely because they did not read it. They rely on their clout to advertise for Hillary Clinton who will promote a political class that helps support the wealthy ivy league academic institutions they have cushy employment at. Whether they like it or not, the CBO baseline models clearly promote a political ideology. Previous CBO baseline estimates have been wrong, namely the Levy Institute has predicted a recession which the CBO estimate clearly missed back in 2006. With this in mind, Friedman's estimate does not seem implausible if all policies could actually be implemented. Directed fiscal spending has the potential to alleviate much unemployment and poverty, it will just require a massive change of representation in our government.

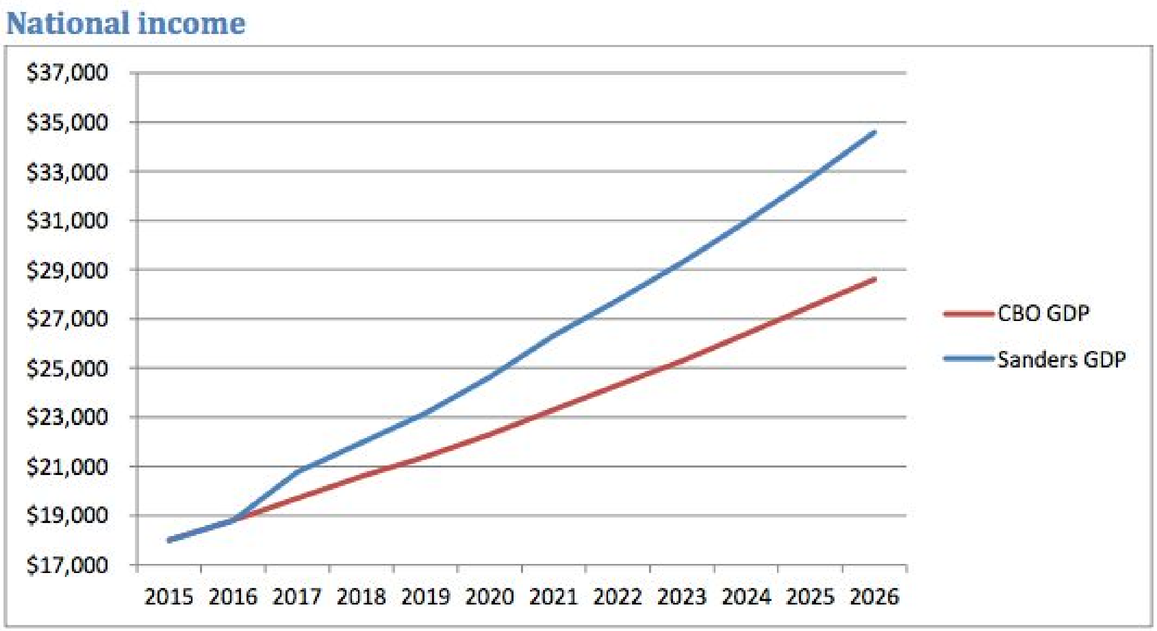


Figure 1. Gross Domestic Product under CBO forecast and with Sanders program with CBO price inflation

Note: This figure shows the Sanders GDP at CBO prices, without the approximately 1% higher inflation that will come with the Sanders program.

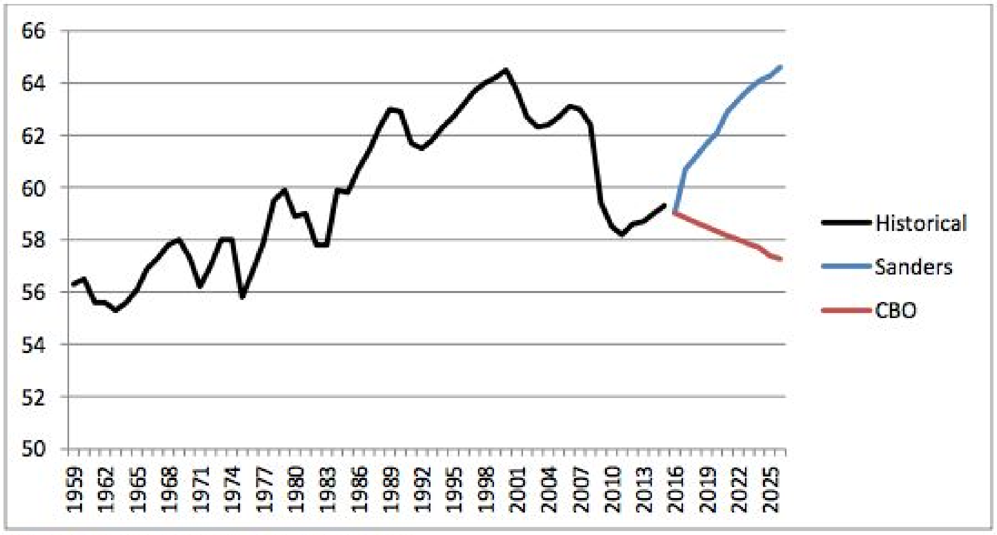


Figure 5. Employment rate, Sanders and CBO

Note: This figure shows the share of the adult population with jobs. After rising steadily into the 1990s, the employment rate remained around 63% from 1990 to 2008, when it fell precipitously with the onset of the Great Recession. While the CBO expects that the employment rate will fall further below earlier levels into the 2020s, the Sanders program will bring the employment rate back to its level before the recession of 2000.

Table 5. Changes in poverty, wages, inequality with Sanders program

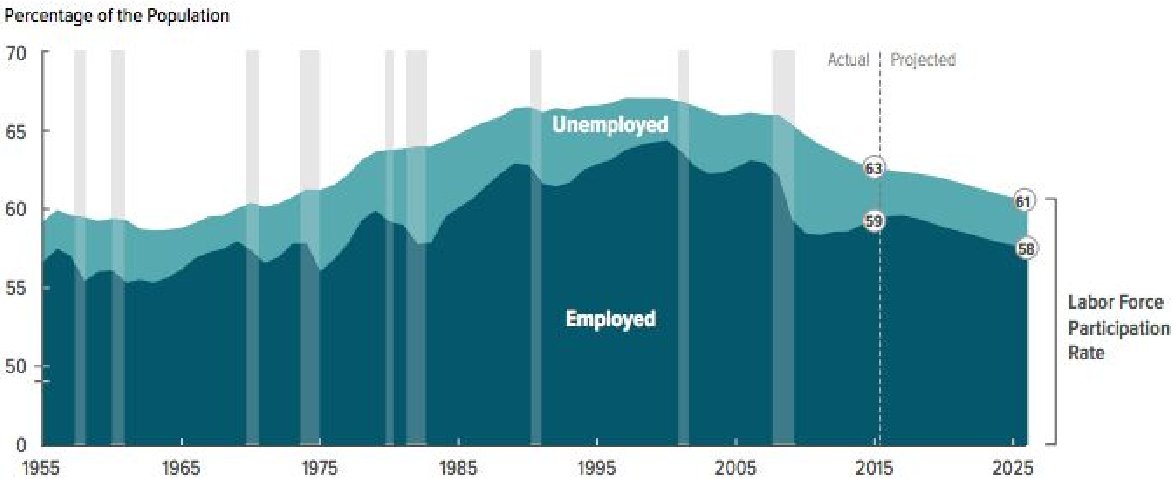
Variable	Baseline-CBO Forecast	Forecast with Sanders program	Change
Poverty rate	13.9%	6.0%	-57%
Child poverty rate	21.0%	10.7%	-49%
Annual real wage growth	0.33%	2.49%	665%
Shortfall: productivity - wages	1.22%	0.69%	-44%
Inequality: 95:20 ratio	27.5	10.1	-63%

Figure 2-6.

Return to Reference

The Labor Force, Employment, and Unemployment

The percentage of the population that is employed is projected to remain roughly unchanged over the next few years and then decrease through 2026 because of declining participation in the labor force, mainly by baby boomers as they age and move into retirement.



Source: Congressional Budget Office, using data from the Bureau of Labor Statistics.

The labor force consists of people who are employed and people who are unemployed but who are available for work and are actively seeking jobs. Unemployment as a percentage of the population is not the same as the official unemployment rate, which is expressed as a percentage of the labor force. The population is the civilian noninstitutionalized population age 16 or older.

Data are calendar year averages.

Productivity, employment, and unemployment

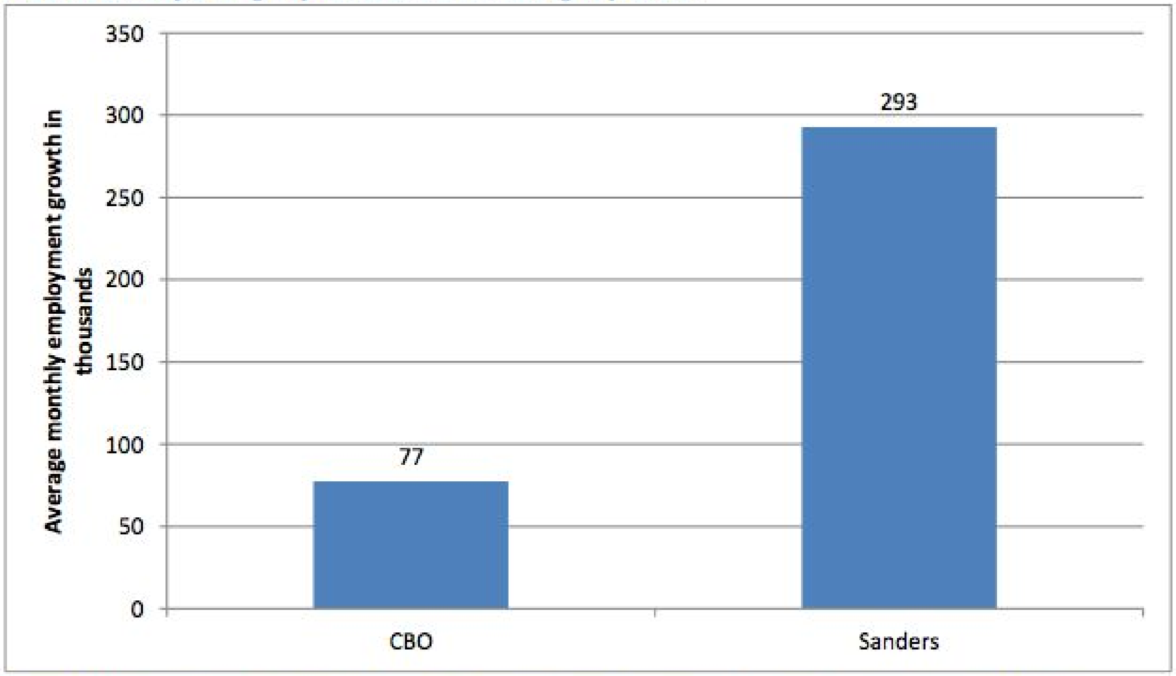


Figure 3. Monthly employment growth, Sanders program versus Congressional Budget Office baseline, 2017-2026.

Theoretical Background of Full Employment

Keynes

In 1803 French economist Jean-Baptiste Say introduced the idea which has been paraphrased as "supply creates its own demand" in his principal work *A Treatise on Political Economy*. Translated from French, roughly he said "A product is no sooner created, than it, from that instant, affords a market for other products to the full extent of its own value." (page #) This "law" is still taught to undergraduate economics students today. It is used as support for the laissez-faire ideology that the economy will tend to full employment on its own without intervention from the government. This allows neoclassical economists to assume the economy will always be at full employment, and do their analysis from that vantage point. If supply creates its own demand, then there is no possibility of an excess of supply over demand. Therefore, there can never be an excess supply of laborers. While generally accepted by most people in the 19th century and still capturing a minority today, it has not been without its opponents. At the time of writing Thomas Malthus saw evidence of these so called "general gluts" and rejected Say's interpretation. Perhaps the most damning evidence is that unemployment does actually exist in the economy. Belief in Say's law (and perhaps its validity) ebbs and flows with the tides of employment, which is why in the 1930's when unemployment reached upwards of 30% John Maynard Keynes was forced to reject it completely and write his own *General Theory*.

Keynes' interpretation of how the economic system worked was one in which anything produced would not automatically have a market to sell into. He instead popularized the idea of effective demand, where employment is determined based on business people's expectations, influencing their willingness to invest. Labor will only be hired if business people expect it will help them sell more goods and services at a profitable rate. Keynes says “this analysis supplies us with an explanation of the paradox of poverty in the midst of plenty” (GT 28). Businesspeople stop expecting it to be profitable to employ more labor long before full employment in the economy is reached. Even if there is more than enough supply and goods are overproduced, if consumers do not have enough income to purchase these goods then businesses are forced to sell at a loss, lower their expectations, and produce less in the next period. It follows directly that if businesses want to produce more goods, consumers need to have adequate incomes. Higher demand leads to higher supply, the opposite of Say’s exposition.

This principle of effective demand is what leads Keynes to call for a full employment policy of burying banknotes and leaving private enterprise to dig them back up. If enough banknotes are buried, businesses will expect it to be profitable to hire people to dig them up, employing people to do so. He goes on to say “it would, indeed, be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing” (GT 85). In the 21st century mechanization leads one to ask the question if business would really hire people to dig or if they would employ robots instead. It then becomes a question not only of burying the banknotes, but also ensuring their distribution in some way. Still, it is within the power of the state theoretically to provide jobs and incomes for everyone. Full employment is thus a political economy problem of not only deciding how many banknotes should be buried, and figuring out who gets access to the jobs that dig them all up, but also ensuring a policy agenda that makes sure the banknotes get buried in the first place. If whenever someone cannot find a job in the private sector, that is, no banknotes are buried, the government steps in to bury some and hires those people to dig them up, unemployment is over.

Better things exist for humans to do than bury banknotes and dig them back up again. Beyond a physical limit to growth, Skidelsky in *Keynes the Return of the Master* writes about how there should be a moral limit to growth. He says “the empire of greed should be progressively retracted as its job neared completion” (Skidelsky 132). His philosophy came from Moore and asking the ethical question “What is good?”. Pragmatist philosophy goes further and says act towards goodness. Moore and Aristotle both noted that it is hard to do good without the resources to do so. Directed employment policy allows resources to be used for the good of the country's citizens. Keynes argued it is a lot easier to be good when people enjoy a certain level of material comfort. Recent research supports this, a recent psychological study noting that people generally don’t feel happier above incomes of $70,000 a year. People at the bottom of the income distribution however are nowhere near this level. Something similar to this is why Keynes held the belief that money held no value in itself. People want goods, not money (Skidelsky 139). Keynes recognized the problems of independently wealthy people not finding purpose in their lives and drinking and binging recklessly. This is what encouraged his views in creating opportunities for things to do, not just incomes. Producing goods is better than producing money. Thus an economy that directs itself towards full employment should focus on producing goods and services that increase the wellbeing of peoples lives.

Kalecki

Michael Kalecki around the same time as Keynes writes the General Theory introduces his profit equation, which shows that business profits would be better off under a regime of full employment. In a political system bought by rich elites, why these “captains of industry” thus do not promote full employment policy is a discussion Kalecki also addresses. Kalecki’s business cycle framework is very similar to Keynes idea of effective demand. In his *Essay on the Business Cycle Theory* he comes up with the function Psi which states the level of investment as a function of expected profits and the interest rate. Investment levels increase when the expected profitability exceeds the interest rate, and decreases otherwise. This mechanism inherently leads to unsustainable booms as “an increase in investment orders calls forth an increase in the production of investment goods which is equal to the gross accumulation. This in turn causes a further increase in investment activity. However, after an interval of time has elapsed from the time when investment orders have exceeded the level of replacement requirements, the volume of capital equipment stats to increase. Initially this restrains the rate at which investment activity is increasing, and at a later stage causes a decline in investment orders” (Kalecki Collected Works Vol 1 76). Kalecki in his article *Three Systems* expounds an increasingly more complex mechanism for the business cycle. The first one there is no savings, all income received must be spent on investment or consumption goods immediately. This is the same as the classical economists economic system. The second system introduces the circulation of money and a central bank, and the third system finally introduces unemployment, “the reserve army of the unemployed” (Kalecki Collected Works Vol 1 207). Here he explains how quasi-equilibriums in the system can be generated without fully employing everyone as assumed by the system studied by neoclassical economists.

Kalecki argues that Keynes takes a static approach to the level of investment, when naturally it is dynamic, however. Kalecki by modeling the feedback loops is less optimistic than Keynes about the ability to reach full employment. In his essay *Some Remarks on Keynes’s Theory* he says “Keynes’s concept ... tells us only how high investment should be in order that a certain disequilibrium turns into an equilibrium .... In fact, the growth of investment in no way results in a process leading the system toward equilibrium”. According to Kalecki, Keynes takes the state of expectations as given and does not model the feedback loop that investment itself has on expectations. Hence Keynes inability to abandon old equilibrium approaches dampens his effectiveness of explaining the cyclical nature of the economic system. Kalecki works from a standpoint where cycles are normal and unemployment exists, which is at ends completely with the neoclassical synthesis which is equilibrium modeling without unemployment. This is what leads him to the conclusion that the major problem for achieving full employment is political, rather than anything inherently economic.

In *Political Aspects of Full Employment* Kalecki writes “a solid majority of economists is now of the opinion that, even in a capitalist system, full employment may be secured by a government spending programme, provided there is in existence adequate plan to employ all existing labour power, and provided adequate supplies of necessary foreign raw-materials may be obtained in exchange for exports” (347). This plan could subsidize mass consumption or be used for public investment. While a solid majority may be of the opinion that government spending can be used to do so, many seem to argue that it is not the best way. A neoclassical economist would say a market mechanism is more effective. This is because of a belief that public investment “crowds out” private investment. Kalecki makes the argument that it does not. Kalecki argues government spending is in fact the most likely way we will ever achieve full employment. The problem then is not that we need to stimulate and deregulate business. Investment levels never get high enough for the private sector to completely diminish unemployment. The public sector must be relied upon if it is ever to be achieved, which means we need a political system that prioritizes policies that move the economic system towards full employment. Profits tend to be higher when the economy is closer to full employment. This makes it seem paradoxical that in a political system bought by business leaders, full employment is not prioritised. The problem comes with the “captains of industry” expecting a state of permanent full employment.

Kalecki argues “under a regime of permanent full employment, the ‘sack’ would cease to play its role as a disciplinary measure. The social position of the boss would be undermined, and the self-assurance and class-conciousness of the working class would grow.... It is true that profits would be higher under a regime of full employment than they are on the average under *laissez-faire* .... but ‘discipline in the factories’ and ‘political stability’ are more appreciated than profits by business leaders. Their class instinct tells them that lasting full employment is unsound from their point of view, and that unemployment is an integral part of the ‘normal’ capitalist system” (351). Kalecki then mentions how a political business cycle exists where governments step in for public works at the slumps but fail to continue other policies, namely subsidizing mass consumption, that could ensure full employment throughout the entire cycle. He conjectures that it is possible this fundamental reform to make its way into capitalism, but if not then it will prove to be “an outmoded system which must be scrapped” (356). This leads into Hyman Minsky’s ideas of the different flavors of capitalism. Capitalism which secures full employment for all would be what he called “shared prosperity capitalism”.

Minsky

Hyman Minsky spent his life writing about stabilizing the economic system and advocating policy fighting poverty. Minsky followed Keynes and saw general faults in the system that could be remedied with proper action. Minsky added the third fault of “a financial system that tends toward debt deflation dynamics leading to deep depressions” to the two that Keynes posited, the “failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes” (Keynes GT ch 24). These issues are intricately linked together. For Kalecki the two issues Keynes had were solvable in the same way. In *Three Ways to Full Employment* Kalecki notes that a redistribution of income from higher to lower income classes would help get us towards full employment. The other two methods he notes are the government spending on public investment or mass consumption, and stimulating private investment. Minsky agreed and saw government spending as the solution to the failure to provide full employment, which would if provided for help alleviate the other two problems of capitalism as well. A capitalism with full employment built in would be one in which downturns would be milder, and booms less pronounced. Expectations, which drive the system, would be less volatile as businesspeople would know that the government would always step in to provide employment to those that they themselves do not employ. Minsky called on the government to implement such a policy as “the employer of last resort”, as the twin policy to the Federal Reserve’s role as the “lender of last resort.”

Minsky’s employer of last resort (ELR) program is one which would employ anyone who is ready and willing to work at a defined minimum wage in which any skills required would be obtained as the result of paid training. The federal government would provide the funding to local municipalities who would determine how they could employ the unemployed to best serve their communities. Minsky proposes that this policy would be a permanent feature of the economic system, so that anyone at any time could choose to enter into one of the jobs. These jobs effectively set the minimum wage and would make other minimum wage laws obsolete. The jobs could also provide health benefits, defining the minimum level of benefits the private sector would be required to give to its employees. A part-time minimum wage Walmart employee who does not have health care would be able to enter one of the ELR jobs and receive full benefits, so if Walmart wanted to keep employees they would have to keep pace with the public job benefits. Minsky’s program would be able to do away with most other welfare programs then, as it would provide all of the same benefits under one umbrella instead of the patchwork system that exists today. Poverty associated with being unemployable would be eliminated, leaving only those who choose not to work as unemployed. If the wage and benefit level was high enough, it could also do away with the poverty that is associated with jobs that do not provide living wages. Beyond the poverty fighting benefits, Minsky argues that his program would also help stabilize the economic system, leading to fewer and shallower recessions and depressions.

This argument follows from Kalecki’s profit equation. Starting with the identity that gross domestic product and gross domestic income are equal, some algebraic manipulation yields that the total profit in the system is equal to the sum of investment, consumption, the government deficit, and net exports, then subtracting out wages (Papadimitriou Wray 1999). With the ELR policy, the government deficit keeps profits high even while investment is falling. The system doesn’t fall into deep recession or depression if aggregate profits are sustained. This is because of the stabilizing effect this policy would have on expectations. When employers know that firing someone does not reduce their incomes, because the government would be replacing the income of the unemployed worker, they can keep their expectations high for the amount of goods and services they will sell. By keeping expectations high, investment decisions do not fall as rapidly, and this keeps deep depressions and recessions from breaking out in the system. A policy of maintaining aggregate profits avoids debt deflation dynamics, maintains employment, and drives incomes towards more equality. This one policy has the potential to alleviate the main faults major economists have seen with the capitalist system as it exists today.

Minsky makes the point that capitalism is an ever evolving system. In his book *Stabilizing an Unstable Economy* he talks about the different forms of capitalism that have existed throughout time. Before the 1900’s capitalism banks worked on the basis of “industrial capitalism.” The 1930’s and the great depression led to policy responses which transformed capitalism to “paternal capitalism” which had a generous welfare program and maintained consumption through income transfers to the bottom of the distribution. This era has been called the golden age of capitalism by some, noting that this period has shallower, less frequent recessions, and was generally a more equal society. In the 1970’s a wave of deregulation and financial reforms transformed the system to what Minsky called “money manager capitalism” which is the system we still have in place today. This period has been marked by widening income distributions by factors on both ends: excessive CEO pay and the failure of wages to keep up with productivity. Large pools of money, namely: pension, insurance, and sovereign wealth funds are managed by a smaller amount of individuals who do not have proper agency. A pension fund manager has the responsibility to protect their clients wealth, but protection is defined as benchmarking to a standard. As long as money managers move their funds in sync and do not drift too far from the benchmark naive citizens accept whatever minimal losses or gains accrued in the pension funds, as their neighbors are not doing much better than them. However because money managers have access to such massive funds, they can time trades with their personal wealth such that they can get ahead of the slow moving managed money and reap massive gains. This system driven by short termism and lack of corporate responsibility has been detrimental to the everyday citizen. Minsky saw two futures for the next phase of capitalism, one called “shared prosperity capitalism” and the other “fortress capitalism”. An ELR policy would put us on the path towards shared prosperity, while the failure to do so means the fortress’ get bigger everyday.

Shared prosperity is one in which poverty as defined today no longer exists. Minsky believed that poverty in the United States was intricately linked to unemployment. “It has never been shown that a thorough program of job creation, taking people as they are, will not, by itself, eliminate a large part of the poverty that exists” (Minsky Jobs 1). The policies of the 60’s “War on Poverty” were about changing workers rather than changing the system. The belief that a good education would lead to a good job was sold to the populus. With the hindsight of history we can see how this worked out. College tuition has skyrocketed, poverty rates remain virtually the same, and even college graduates have a hard time finding a job. The belief was that a growing economy would trickle down the wealth to everyone else. Instead, it accumulated wealth massively to the top of the income distribution. Besides the costs involved with having a lack of income, unemployment is also stigmatized in the American economy. If you don’t have a job, you must be lazy and uneducated. Minsky’s approach flips this maxim on its head. The system needs to change, not the workers. Poverty is not the result of being lazy, or uneducated, it’s the result of a systematic failure to provide employment for all. The current “welfare” system sustains itself, “welfare babies” growing up to be “welfare queens”. The measured poverty rate, posted by the Bureau of Labor Statistics, fails to take into account the distribution of poverty. A measured 5.5% poverty rate could have some communities with over 50% of people living in poverty (Minsky Jobs 63). Thus the solution is not to promote general growth, through tax cuts and other measures that benefit the well to do, but to directly create jobs in the communities that need it most. Kennedy’s famous aphorism, “a rising tide lifts all boats”, only works if everyone has a boat in the water.

The Kennedy-Johnson program for ending poverty was based on the “Keynesian” idea that raising aggregate demand would trickle down jobs for everyone. The Council of Economic Advisors at the time held views that diametrically opposed Minsky. They believed that “poverty is not inextricably linked to unemployment, and unemployment could in any case be sufficiently reduced through aggregate fiscal policies” (Wray 115). This approach focuses on hoping the private sector will employ everyone, which is wrong headed from the post-Keynesian view. The private sector will only employ people when it finds it profitable to do so. As demand in the economy is cyclical, private sector employment will always have its ups and downs. In order to ensure full employment there needs to be an employment option that exists outside the private sector. Of course a few such options do exist today. However the major two, public sector and nonprofit employment, tend to move with the private sector as governments cut spending in economic downturns, and charitable donations to the nonprofit sector are reduced at the same time. The other choice at scale is the military. Other options like Americorps exist, but they are small programs with relatively little funding. The military is a prime example of how the public can provide opportunities for almost anyone. However, war is not something that everyone can morally support, the public sector could and should provide more options. The space race is an example of a massive public employment program that directed resources towards objectives that were not profit maximizing. The National Aeronautic and Space Administration employed 400,000 people and commanded 4% of the federal budget at its peak in 1968. Today, the space race approach could be applied to solving climate change (Grainger). All that is required is for people to prioritize public employment towards social objectives. The employer of last resort would be a program that recognizes the benefits of such social goals, and could direct resources towards them.

Another idea that's in vogue right now along with a "job guarantee" is a "basic income guarantee". Milton Friedman proposed something similar with his negative income tax, and the idea goes back to C. H. Douglas who called it the "social credit". This program has similar macro effects to an employment based program, it replaces wages from the private sector with money from the government. It is a transfer payment however, which is a one sided transaction, whereas the employment based solution gives income in exchange for the person's labor, ideally producing something useful. For Minsky, a problem with the transfer based approach is it is more likely to induce inflation. If money is transfered to everyone, firms could anticipate that these resources would be available to all households and raise prices. If money is only transferred to those below the poverty line, households would be likely "to substitute leisure for income as a result of the lower net return from work" (Minsky Jobs 88). In an employment based approach, if the goods and services produced are sold then because of their competition with the private sector, raising prices would not be as easy. Even if the products are not sold, producing public goods, like parks, still raises national wellbeing more than producing nothing. Both approaches act as a floor to incomes, sustaining consumption and profits, but the transfer based approach leaves households with more free time. Measured gross national product thus will be lower as a result of the transfer based approach than the work based approach. Work is also highly valued in the American economy, so providing jobs seems more widely acceptable than promoting "laziness" with transfers. Some argue the basic income approach could induce more creativity from persons receiving it than a stifling government job. This libertarian ideology posits that humans individually can decide what's best for themselves, and that the government could not possibly do such a thing. This view underplays that the government is just composed of individuals though. The employer of last resort program could be designed in a democratic way, that does not have to produce meaningless jobs. A mixed strategy, combining a job and transfer based approach, might be a better way to pacify both camps.

The positive side of the employment based approach is the ability to produce socially useful outputs that the profit maximizing private sector has not been able to prioritize. Minsky notes that “it is not a matter of picking winners in some technological struggle, but rather a matter of defining needs that can be filled with known techniques but which require special organizations to carry them out” (Minsky Jobs 176). By this he is comparing public jobs to the typical growth based strategies that promote a lot of research and development to invent new technologies that produce more and more cheap goods at lower costs. Many of Minsky’s early writings failed to see how much technology would advance in his lifetime. He noted in 1969 that the “impossibility of substituting machines for the human reader of human scrawls” (Minsky Jobs 56) would cause the postal service to be relatively more expensive than new technologies (email!). Machine learning has effectively mastered this technique however, and now 99.7% of all letter addresses are read by computers. These technological advancements tend to substitute capital for labor, and one can imagine structural unemployment rising to unforeseen levels as technology advances further. As this becomes the case, it is more about distributing the massive wealth we create than actually producing more wealth. For Minsky the employment based approach could involve “[determining] how complex jobs might be divided into jobs within the grasp of the existing unemployed” (Minsky Jobs 19). With sufficiently advanced technology, society could produce healthy food for everyone, but if it’s hoarded it will not do any good. The psychology of work suggests that people feel more rewarded when they work for something than if they receive it for free. In this sense, if people participate in producing what they need they will have a better sense of ownership in receiving the massive wealth produced. A jobless future where machines dole out what we need seems feasible, but that would come with high psychic costs if persons do not have a sense of purpose. If employment is specifically prioritized within the system, then everyone could take part in the production, no matter how technologically advanced. This might sound inefficient, but it depends on what is being prioritizing. The employment based approach allows a feeling of deserving what you receive, and with how valued work is in the American context, keeping humans involved in production seems like the better approach.

Minsky’s job based approach to solving poverty is not without its historical precedents. In his writing in 1965 he notes “Sweden today generates public works jobs for the seasonally unemployed in its north country” (Minsky Jobs 20). It was also tried before in America after the great depression with the New Deal’s Works Project Administration, National Youth Administration, and Civilian Conservation Corps. Art produced under the WPA can still be found in museum’s in the nation’s capital today. Two billion trees were planted by “Roosevelt’s Tree Army”, miles of trails in national parks were created, and countless improvements to public infrastructure like repaving highways, and building dams and bridges were performed by these programs. Today, America's infrastructure is falling apart. The society of civil engineers gives the country a solid D+ grade, and estimate it would take nearly 3.6 trillion dollars to get our infrastructure up to date. Employment in public works thus seems desperately needed, and the private sector does not seem to see it as profitable to do such work. Some argue that such public works projects could not be administered by a job guarantee type program due to the long time frame and skills required. This is probably the case, so a specific long term program would be better for infrastructure projects. The idea that public employment is always wasteful though needs to change. Public employment is useful in it's own right, even if the incentive is not profit motivated. Climate change is another massive social cost which the private sector does not seem keen on fixing. Public jobs could be a way to fix this, and a simple low-skill, short time-frame job for the employer of last resort program could be planting trees. If people see others in the jobs program planting trees continuously, this could pave the way for support for long-term public works programs. These long-term jobs do not need to fall under the employer of last resort, but could be created through separately administered public programs. Unleashing human creativity towards promoting well-being, rather than profit, could be a great ancillary effect of a job guarantee program.

Minsky's ELR or JG program has clear benefits for stabilizing the economic system. Such a program would fight poverty more effectively than today's welfare system, would promote public investment in a system that attacks public goods as being against business' best interest, and would prevent deep recessions and depressions from ever happening again. In a world of full employment new challenges would come to being, namely inflation would be a much greater threat. In today's global economy that faces deflationary threats more than inflationary however, a little inflation would not be a bad thing. Kalecki noted this threat in a full employment economy as well, but since we have never had full employment for a sustained period there is no empirical evidence that inflation would be rampant and this should not preclude us from trying. As Minsky said success in the system is transitory, and future generations will always face the challenge of "turning a failing capitalism into a successful capitalism" (Minsky Jobs 178). Implementing an ELR is a purely political problem. We need politicians that support such policies and an educated populace that understands the massive benefits. Franklin Delano Roosevelt and his economic advisors understood how the government could be beneficial in stabilizing the economy. Today, Bernie Sanders seems to be the politician advocating for similar ideas in the most forceful manner.

Legislative Background of Full Employment

1946 Employment Act

The battle for full employment has been ongoing. The great depression saw the worst parts of capitalism when unemployment reached upwards of 30%. The initial reaction of president Roosevelt was to create public jobs in the form of the Works Project Administration, Civilian Conservation Corps, National Youth Administration, and the Public Works Administration. These institutions were responsible for creating the Hoover dam, planting a couple billion trees, clearing miles of trails in public parks, creating beautiful murals to put in public post offices, and in general put millions of Americans back to work. The goal of these administrations was not to reach full employment, but to counter the sharp downturn of the business cycle with government deficit spending. Their budgets were not large enough to employ every American who was out of work, and the collective willpower to make them large enough was not there. The programs helped, but what ultimately brought America out of the Great Depression was another form of government spending. World War II put every American to work helping with the war effort. The war saw the highest levels of employment this country has ever seen. It came about through a concerted effort to direct government spending towards employment without concerns of the deficit or profitability. The war showed that full employment was possible, and some economists and politicians hoped to make that possibility a reality in peacetime as well.

Alvin Hansen was a prominent public economist at the time who understood that "the public debt differs from an individual's personal debt and how retiring the public debt could cause deflation, depression, and unemployment by lowering the national income" (Wasem 22). This led him to write *After the War--Full Employment* of which President Roosevelt used some of its ideas in his 1944 State of the Union address. Perhaps this was the peak of public opinion for the role the federal government could play in job creation. The senate and house had different ideas however. The 1946 Full Employment act was initially drafted following Hansen and Roosevelt's ideas, but for it to pass through Congress it became watered down. Instead of promoting "full employment" the language was changed to "maximal employment." The bill also established a Council of Economic Advisors who would serve the president. While Hansen had a role in drafting the economics for the original bill, he was not selected for the council. According to Wasem, "his prominence on full employment may well have been the reason he was *not* selected" (148). President Truman instead selected the vice president of the Brookings Institution Edwin Nourse, an economist at the University of Chicago. Still, even with its watered down language and original champion not head of the helm, the act provided the public with a sense of security in their ability to find jobs. The 40's-70's became the golden age of capitalism, in its as Minsky would call it paternalistic form. While causation cannot be said for sure, during this period the government played a large role in subsidizing mass consumption and investing in public works. The Humphrey Hawkins act would be the last hurray of Keynesian economic policy, as the 80's and Ronald Reagan's administration brought waves of deregulation and laissez-faire beliefs to prominence.

The Humphrey-Hawkins Act

Senator's Augustus Hawkins and Hubert Humphrey introduced the Full Employment and Balanced Growth Act of 1978 in order to ratchet up the earlier Full Employment act from "maximum employment" to "full employment." This bill established the prominent dual mandate today of the role the government must play in ensuring full employment and price stability. While full employment is not defined in the previous bill, this legislation set an unofficial unemployment target of 4%. CETA, or the Comprehensive Employment and Training Act was repurposed in 1978 to target employment for the poor, which added to its political woes. With unemployment in the mid 1970's reaching higher levels than anytime since the 1930s those with incomes above the poverty line were also trying to compete for CETA jobs, and the program was not well funded enough to provide for all. CETA was cut by the Carter administration and then eliminated by the Reagan administration (Ginsburg 129).

Employ Young Americans Now

Summary of Bill

The bill establishes a fund initially endowed with $5.5 billion to be used by the Secretary of Labor to employ young americans. Young for the purpose of the act is defined as those in the ages of sixteen to twenty-four inclusive. $4 billion gets used to provide summer and year round employment for low-income youth, while the other $1.5 billion is used for competitive grants which are to be granted to local entities to carry out work based training and education to provide necessary skills to gain future employment. The $4 billion dollars gets divided between states and then further between Public Use Microdata Areas (PUMA) within each state. .5% of the funds gets divided equally between the states, for the initial endowment this comes to $20 million for each State. The remaining $3 billion is divided between the states on the basis of the relative amount of youth to the overall amount of youth, the relative amount of unemployed relative to the overall unemployment level, and the relative number of disadvantaged young adults compared to the overall number. A disadvantaged young adult is one who is 16-24 and lives in a household whose income is one which does not exceed the higher of the poverty line for their family size, or 70% of the lower living standard income. The lower living standard income was established in the Workforce Innovation and Opportunity Act as a regional minimum standard of living and is used in many other employment programs to determine eligibility. It helps alleviate some of the many problems with using the federal poverty line. After the money is allocated in this way to the states, the money is allocated within the State to each PUMA. The money is divided between PUMAs by calculating the relative number of youth, unemployed, and unemployed youth compared to the total for the state. For example the formula yields $300 million dollars that go to California, then the formula allocates $1.7 million to the Lancaster PUMA which has .41% of the State's youth and .43% of the State's unemployment.

While the money is allocated formulaically, the state's and local boards must submit plans for how they plan to correctly use the funds in order to receive the money. In general the funds must be made available to provide summer and year round employment opportunities for low-income youth. The priority is to identify opportunities that are in emerging or in-demand occupations in the local area, in the public or nonprofit sector in order to meet community needs, and opportunities that lead to activities that will provide industry-recognized certificates or credentials. No more than 5% of the funds allocated to each area can be used for administrative purposes, the rest of the money must make its way into the hands of disadvantaged youth, which means more can be spent on administration duties if young americans are employed to do so. While the bill does not provide specifics on how each local area would identify or create these opportunities, past experience shows that administering programs like this through community colleges and workers centers has provided lasting impacts on the communities.

The allocation of the remainder of the funds, the $1.5 billion in grants, would work differently. Here the bill specifies that in order to receive a grant the application must be in partnership with a chief elected official and the local board for the local area involved, or be an entity eligible for a grant under section 166 of the Workforce Innovation and Opportunity Act. This is XXXX. Then the bill lists potential entities for partnerships, which also seems like likely candidates for groups that would administer the first $4 billion. These include employers or employer associations, adult education providers or postsecondary educational institutions including community colleges, community-based organizations, joint labor-management committees, work-related intermediaries, and labor organizations that sponsor training or employment upgrade programs. In the applications specifics must be included for how the eligible entity will provide unemployed low-income youth with skills that will lead to employment, along with a laundry list of other criteria which will help determine the ideas which would have the most impact, which in this sense means lifting the youth in America's most marginalized regions out of unemployment. The goal is to give unemployed low-income young adults entry into, and retention in, unsubsidized employment and attainment of industry recognized credentials.

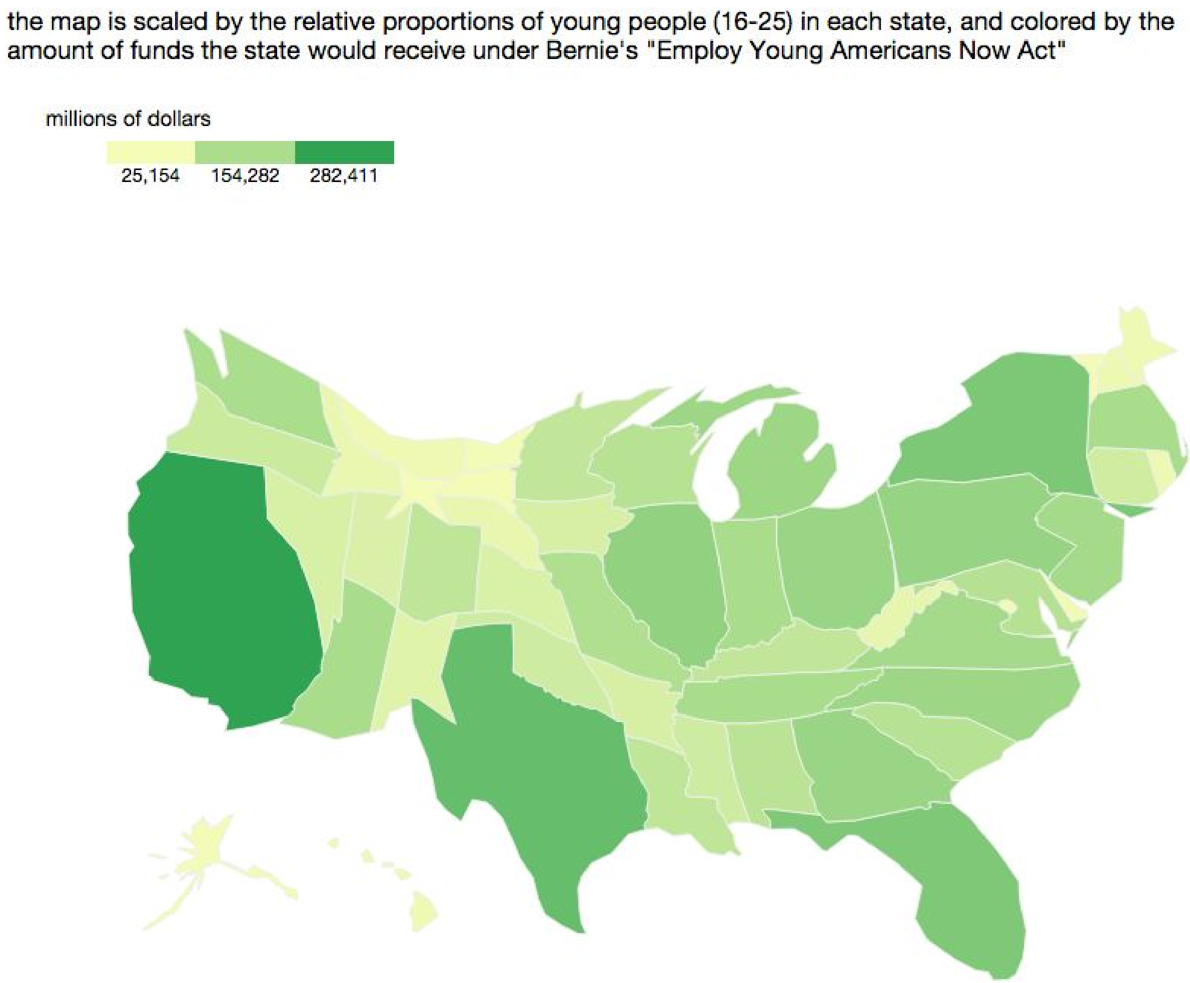
Data & Methodology

Data is collected from the 2014 ACS through the https://usa.ipums.org/usa/ website. STATA is used to model the formula in the bill and calculate actual estimates. The source code used to generate all estimates, tables, and graphs can be found on github at https://github.com/braddv/employamericansnow. The calculations are relatively straightforward. First the number of youth, unemployed, and disadvantaged youth are calculated in each State. Each category is summed together to calculate the totals, then the relative percentages are calculated by dividing each individual state's number by the total. For unemployed I used the ACS's empstat == 2. For disadvantaged youth I use the ACS's poverty variable <= 125, which does not match the lower living income standard but hopefully acts as a proxy. The results on a statewide level are summarized in Figure 1. California gets near 400 million dollars while smaller states like wyoming get around 25 million from the bill.

state	# of youth	# disadvantaged youth	# unemployed youth	% youth unemployed	youth jobs	% newly employed
Alabama	677702	255244	71965	0.1061897412	6537.5913	0.09084403946
Alaska	117878	34800	9939	0.08431598772	2596.6072	0.2612543717
Arizona	947570	346541	81939	0.08647276718	8166.397	0.09966434787
Arkansas	414093	162536	30113	0.07272037924	4561.4941	0.1514792316
California	5669637	1840512	514594	0.09076312999	39112.074	0.07600569381
Colorado	732209	230799	52579	0.07180873221	6220.6719	0.1183109587
Connecticut	490279	135112	45725	0.09326322359	5083.3765	0.1111728048
Delaware	133009	37359	9589	0.0720928659	2701.345	0.2817129002
District of Columbia	105839	51013	8912	0.08420336549	2725.6292	0.3058381059
Florida	2557144	841195	222741	0.08710538006	18969.701	0.08516483719
Georgia	1453421	533913	139363	0.09588618852	11728.911	0.08416086766
Hawaii	194618	53219	13617	0.06996783442	2950.8384	0.2167025336
Idaho	225594	82562	13488	0.05978882417	3257.9695	0.2415457814
Illinois	1795641	573933	187503	0.1044212067	13951.591	0.07440729482
Indiana	933728	339372	79033	0.08464242263	7958.0732	0.1006930421

Iowa	438075	165870	31522	0.07195571535	4513.9351	0.1431995146
Kansas	417665	144394	29483	0.0705900662	4370.3149	0.1482316894
Kentucky	596342	233818	57237	0.09598015904	5959.8374	0.1041256076
Louisiana	657550	243450	57909	0.08806782754	6196.6997	0.1070075411
Maine	163576	60076	10495	0.06415977894	2962.9895	0.2823239162
Maryland	803108	212299	71935	0.08957076757	6838.5903	0.09506624453
Massachusetts	983452	330712	79963	0.08130849294	8184.9722	0.1023594938
Michigan	1399039	508772	136296	0.09742115838	11435.327	0.0839006794
Minnesota	720809	227961	54066	0.07500738753	6077.563	0.1124100729
Mississippi	433483	190426	49307	0.1137460985	5137.418	0.1041924676
Missouri	829813	290054	72181	0.08698465799	7190.4849	0.09961741871
Montana	142543	60479	10542	0.07395663063	2821.4016	0.2676343768
Nebraska	262325	91886	14859	0.0566434766	3356.8145	0.2259111986
Nevada	377760	105141	34812	0.09215374841	4446.8745	0.1277397018
New Hampshire	186131	54429	13703	0.07362019223	2980.0156	0.2174717653
New Jersey	1159603	272298	94900	0.0818383533	9024.1992	0.09509166702
New Mexico	300734	111928	30386	0.1010394568	3938.3391	0.1296103173
New York	2767635	908392	230685	0.08335094765	19503.836	0.0845474825
North Carolina	1372215	525683	138124	0.1006576958	11434.432	0.08278381744
North Dakota	123798	47441	4564	0.03686650834	2566.7942	0.5624001315
Ohio	1555889	541645	152053	0.09772740857	12130.616	0.07977886658
Oklahoma	552551	196237	40761	0.07376875619	5171.1572	0.1268653173
Oregon	505953	192322	44590	0.0881307157	5439.0049	0.1219781319
Pennsylvania	1721766	605658	151486	0.08798291986	13197.289	0.08711886907
Rhode Island	159091	61343	13827	0.08691252176	2984.8054	0.2158678961
South Carolina	676282	269024	73655	0.108911667	6642.7437	0.09018727446
South Dakota	122036	48157	8329	0.06825035236	2606.259	0.3129137952
Tennessee	902409	344814	92778	0.1028114746	8070.4585	0.08698676949
Texas	3919149	1283632	292039	0.0745159217	25053.188	0.08578713117
Utah	469197	134904	29149	0.06212529066	4328.7407	0.1485039178
Vermont	89428	34724	6016	0.06727199535	2483.4163	0.4128019116
Virginia	1174466	382689	91522	0.07792647893	8980.3887	0.09812273224

Washington	952826	287219	89944	0.09439708824	7753.9912	0.08620909899
West Virginia	238712	93399	18847	0.07895288046	3453.7932	0.1832542686
Wisconsin	790368	278033	54257	0.06864776914	6708.1235	0.123636093
Wyoming	81169	29309	3211	0.03955943772	2390.0559	0.7443338212



Once the money is distributed to states it needs to be turned into jobs. My analysis assumes that the jobs created would be paid out at a $15/hr wage, with students working 30 hrs a week in the summer and 10 hrs a week during the school year. This comes to about $10,500 a year which is more than liveable except in the most expensive urban areas in the country. Even in Los Angeles you can find a room for $700/month, and while you're then scraping by, this job would have you self-supporting. For california which gets around $400 million, with these wage assumptions around 39,000 jobs are created for 5,669,000 young adults who live in the state. Of the 5,669,000 young adults who live in the state, 9% are unemployed with no work experience. With the bill in place, 7% of these unemployed youths would be able to find jobs with the program. The largest job segments for employed young people are in the food service industry. 1.8% work as chefs and cooks, 1.5% as food preparers, 2.5% work as waiters and waitresses, and 5.25% are cashiers (the largest segment). Childcare also stands out with 1.2% of young adults working in this segment. Creating 39,000 additional jobs, and assuming they all went into childcare, would increase this segment over 50% from 67,528 jobs to 106,000. The advantages to the community in investing in childcare are talked about extensively in Antonopoulos, discussed in a later section of the paper.

6.55 million families composed of 12.16 million people are helped out of poverty if the program was expanded to give one youth per family a job. The bill actually only helps around 10% of these people, and would need to be expanded in budget 10 fold to 47,870,000,000 to reach the 6.55 million families. Still, it is a positive thing. I detail some of the families that would be helped out by this bill. Serial 1104 is a 20 and 19 year old black couple in rural Alabama. They have 1 year of college and grade 9 respectively. He works as an Inspectors, Testers, Sorters, Samplers, and Weighers 40 hrs a week making $6000 dollars a year. This second job for the family would nearly triple their income. If she worked as a caretaker for another mother who was stuck at home taking care of her child and unable to work, this opens up the opportunity for another income to be made. A 43 year old black couple (serial 1166) who worked intermittently as a government laborer for 2300 and a nurse rounding out their income to 20,300 a year supporting a 17 year old son and 12 year old daughter. When the son gets a respectable job getting good grades in school and planting trees in the community their income increases 50% and they are lifted out of poverty. Serial 733174 a native american 22 year old man in Omaha who made 1400 in law enforcement with 1 year of college but is looking for a job is given the opportunity to work full time instead if the community determines it can use the funding on additional policing. In Portland the 16 year old son of a family of 5 can be paid to complete schooling supporting the family and heavily increasing highschool completion rates. 886301 is a family of 4 with a single father in New York making 20,000 a year to support all 3 kids. The 17 year old son is still in school but likely drops out before graduating to help support the family, 28% of black youth do not graduate high school. By getting a summer income he lifts the entire family out of poverty. 151312, a 22 year old single male in my hometown Lancaster CA, could very well be my best friend. If he is able to make a decent salary not even working full time maybe he could go beyond his associates degree, but making 10000 a year as a customer service agent working 40 hrs a week nearly year round degrades him as a human being and kills his drive.

Americans are not all thriving. In fact, many are grasping still even in 2014. Each individual helped by Bernie's bill is another American near the bottom of the income distribution lifted slightly higher but for the families at the bottom even small amounts immensely improve living situations. Until incomes of $75,000 a year, every extra dollar increases happiness according to research from swedish prize winner daniel kahneman.

The bill is weak about ensuring that the most disadvantaged people get the necessary jobs. The jobs programs after world war 2 were inherently racist, and work by Hellerstein Neumark shows that not only are employment problems for people of color related to spatial mismatch of jobs, but also racial mismatch. Since the bill is not large enough to employ everyone, the bill would be more effective if it specifically targeted youth of color living in poverty. In *Connecting Communities to Work* they argue that epistemal knowledge centers are required for ensuring lasting employment opportunities within certain communities. This evidence shows that for this bill to be most effective it would give funds to community centers of color who understand the needs of the community they represent and could allocate the funds towards “non profits and public sector jobs that best serve the community”. Investing in young people is important, as this demographic was one of the hardest hit in the Great Recession and lifetime earnings models show that starting a career at a lower wage has huge costs throughout the person's lifetime. By getting young people back to doing productive work we are setting them up for success throughout life.

Forward Thinking

How much more do we need to spend?

Bernie’s youth job plan, if expanded to larger demographics and given more money, can be a policy which opens back up the public sector to play a role in creating jobs for citizens. Since the 1980’s deregulation has led to massive pay increases for CEOs, and declining incomes for the lower and middle class. Relying on the private sector to keep decent standards of life has not succeeded in raising living standards for a majority of Americans. Meanwhile, living standards for the upper class have skyrocketed. If once again the public sector is seen as one that can promote useful employment then they can target the communities in our society that are the most impoverished and create new opportunities. Political clout is necessary for the public to believe that spending money will not just end up in the hands of corrupt politicians or businessmen. The common maxim of “who is going to pay for that” is outdated and builds an internal model of the economy for the layperson that is inconsistent with reality. In reality, the government spends money into creation before it can tax it. It does not use tax money to fund its spending operations. The federal government can always issue treasury bonds which can deficit finance any of its fiscal spending operations. Thus the federal government could play a role in doling out a job to those ready and able and a basic income for those not. I estimated how much it would cost to expand the program and give every household with disadvantaged youth a $10,500/yr job and it would cost $89.731 billion, lifting 6 million families above the poverty line.

Public sector involvement at this scale would need local administration which are ready to create a job database for communities to access. Since there always needs to be more vacant jobs than those leaving their jobs, a reservoir of jobs available at different skill levels should be a public good the government provides for its citizens. Possible jobs could include creating art, planting trees, growing vegetables, and caring for other citizens. These type of caretaking jobs are typically relegated to the household production sector. Redefining “work” allows us to pay people incomes for jobs they already do. The niece is the family is taking care of grandma. The nephew is skipping school to work at McDonald’s. Paying kids to go to school could possibly alleviate these issues. “Home-based care in the United States consists of managed health care that deals with basic medical care for post-operative recuperation, managing chronic illness, and other noninvasive care performed by nurses and nursing assistants. The early childhood development programs offer child care with an educational component—for cognitive and noncognitive growth—for children under age five, before they enter a school-based educational system. 9 Most of the workers in these occupations are women. In home-based health care, 88 percent of the care providers are women and minorities

(52 percent), especially African American women (30 percent). Recent immigrants constitute 21 percent of the workforce. The wage rate is low, at $10.31 as of 2008 on average, and the annual mean earnings are $21,440 (King et al. 2009). The majority of jobs in early childhood development are preschool teachers and assistants and child care workers, whose average wage rate is $11.32 per hour—much lower than private industry average of $18.08 (BLS 2009a)" (Rania 2011 Levy WP).

Table 5. Total Employment Distribution across Industries

Industry	Social Care	Infrastructure
Agriculture	2,928	1,969
Mining	520	2,463
Utilities	773	1,808
Construction	4,489	345,955
Manufacturing	16,797	46,402
Wholesale	7,139	11,421
Retail	4,432	36,628
Transportation and Warehousing	7,020	12,715
Information	4,989	4,312
Financial and Real Estate services	13,621	11,474
Professional and Business services	57,672	55,675
Education	688	719
Health Care and Social Assistance	21,046	675
Social Care	956,082	107
Leisure and Hospitality	15,650	6,509
Other services	3,113	5,009
Government	69,384	12,099
Total	1,186,342	555,942

Source: Antonopoulos et al. (2010)

Investing in caring about each other over concrete buildings pays larger dividends. This seems like common sense but economic theory chooses to obfuscate it. The economics that takes hold of the mainstream psychee is usually a watered down version of some complicated mathematical model which isn't meant to hold for the entire economy. Pro-poor policy is defined as those that improve the incomes of the poor more than the nonpoor. Care work has a large pro-poor bent, and Bernie's Employ Young Americans now is also inherently propoor. The fact that is has zero chance of passing in this Congress is depressing, but with large voter turnout we could win Congress and see our political system begin to work for the many on the path towards shared prosperity rather than working for the few on the path towards fortress capitalism. The nature of the law makes it exactly the type of policy that could be the stepping stone for a full on Minsky like Employer of Last Resort program. It is not without it's historical precedents. The Comprehensive Employment and Training Act of 1973 also provided funding to low income households, the long term unemployed, and summer jobs for high school students. Over the years that legislation has evolved into the Workforce Investment Act of 1998, and has lost its focus on helping the bottom of the income distribution. Bernie's legislation would revitalize a history of providing funding for training the workforce and employing specifically young people as "painters, muralists, musicians, performing artists, poets and gardeners to work in schools, community centers, prisons and wherever their skills and services were of value to the community" (wikipedia CETA).

Conclusion

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