

Why Socialist Job Guarantees Are Better than Universal Basic Income

By [Alexander Kolokotronis](#) and
[Sam Nakayama](#)



Universal Basic Income (UBI) is on the rise. Pilot programs providing income on an unconditional basis are being implemented at national, provincial and municipal levels in places like [Finland](#), [Scotland](#), [Kenya](#), the Canadian province of [Ontario](#), the city of [Utrecht in the Netherlands](#), and [Oakland, California](#). Anti-work advocates see UBI as a victory against neoliberal productivist ideology and subjectivity (what some have referred to as "[homo economicus](#)"). Workerists see UBI as a way of tipping the balance of power in favor of labor.

While these qualities of basic income are ones worth aspiring to, the policy contains macroeconomic deficiencies if adopted universally. In addition, UBI advocates overlook one of the fundamental questions of power in political economy: Who controls the means of production? One way to address this question is through a self-managed socialist job guarantee. That is to say, providing a job to anyone who wants one, within a self-management institutional framework.

UBI as Hyperinflationary

Economist Pavlina Tcherneva has argued there could be disastrous results from wide-scale implementation of UBI. In a [paper](#) from 2006, Tcherneva argues that solely implementing UBI would lead to "stagflation," i.e., "low employment and high prices." She writes:

In order to coax [UBI] recipients back into the labour market, employers will need to offer higher wages (which, at first approximation, is a desirable result). However, soon thereafter, these same employers will also raise prices, to cover the increases in wage costs. As a consequence, rising prices will erode the purchasing

power of the [UBI] payment, which will affect particularly those recipients who did not return to the labour market. To maintain the objective of the universal guarantee and provide just levels of standard living, there will be pressure to revise the [UBI] benefit upward. If this happens it will further induce some exit from the labour market, drop in output, a compensatory rise in wages and prices and further drop in [UBI] purchasing power. This vicious cycle renders the income guarantee self-defeating. Note that, if the benefit is continually increased – the income guarantee becomes not just inflationary, but hyperinflationary.

Within a political-economic climate preoccupied with budget-neutrality (i.e., balanced budgets; running no fiscal deficits), "if taxes are raised ... they will also induce workers on the margin to exit the labour force." This coupling of a rising UBI to compensate for increased prices, with rising taxes (again, partially resulting from an obsession with budget-neutrality), will result in declining output.

UBI as Oppressive Volunteerism

Besides macroeconomic incoherence, other issues emerge. Tcherneva points to the likely stigmatization of those who do not work. More than this, UBI points to the emergence of a new subaltern class, as UBI "does not deal with the loss of skill and deterioration of human capital that result from unemployment." Nathan Tankus, a research scholar at [Modern Money Network](#), has noted that, "If you distributed to everyone the same amount of IOUs regardless of whether they worked, production will fall into volunteerism and the community has no method of insuring that work is distributed equally or that

production continues at adequate levels given the goals of the community." This holds the potential for exacerbating gender and racial inequities.

UBI programs hold the potential to actually fit quite well into a neoliberal paradigm. Some see UBI as administratively efficient; this ethos could evolve into one that only further perpetuates decreases in welfare provision and accompanying decreases in public employment. In support of a [pro-UBI article](#) in the Wall Street Journal, John Daniel Davidson has [written](#) in the conservative-leaning magazine The Federalist that, "Instead of the sprawling mess of welfare programs we have today, the idea is to end all social welfare programs and instead just cut everyone a check."

This is hardly an end to neoliberalism; it is an intensification of it, as every individual is granted a certain sum of money to fulfill their status as a good and abiding consumer. With UBI – and the presumably unchanged state and capitalist control of credit – one's status as a consumer is perpetuated while their status as a worker is tentative and subject to elimination. Capitalist control over the means of production remains intact, and the finance, insurance and real estate sectors continue to go unchecked and unconstrained.

A Chartalist Understanding of Money

The hyperinflationary argument is not the same argument against raising the minimum wage. Tcherneva's argument against UBI stems from an understanding of money – and the operation of inflation – that radically departs from orthodox economics.

Government-backed full employment programs have faced elites that opposed them on fiscal grounds, and thus took steps to reduce or limit the scope of full employment programs. The classic lament of the liberal is that while the aims of the left are sound, we cannot achieve those aims because we must truck with a finite store of money, sourced from the rich.

Contra the liberal understanding of money is a framework known as "chartalism." What chartalism teaches us is that money is infinite – only resources are finite. Those who understand chartalism understand that government with its own currency (known as a sovereign currency) does not borrow money from "bond vigilantes" to spend. Rather, it spends first and then collects taxes.

The US dollar is a [sovereign](#) currency (unlike, say, Greece, which does not have authority over the euro). It is the power of the US government to impose tax obligations that gives the dollar its value. A chartalist understanding of money implies that a monetarily sovereign government can afford to employ all who seek employment, without first seeking money from rich people.

The Job Guarantee: History of a Non-Reformist Reform

The real reason that elites resist full employment programs is because they facilitate class consciousness and help build dual power. This elite resistance is exactly the reason why the left must press all the harder to make full employment a reality, and take charge of its policy design. Full employment both requires class consciousness and creates it. In this regard, there are three full employment programs

worth noting: the French National Workshops of 1848, the Argentine Jefes program and the Indian National Rural Employment Guarantee Scheme.

THE FRENCH NATIONAL WORKSHOPS IN 1848

Marx chronicled the French National Workshops in his classic *The Class Struggles in France*. The National Workshops were an attempt to implement the Revolution's "organization of work" in the ferment of 1848. Unclear in what this meant, local elites outside of Paris resisted the creation of the Workshops. Only when workers rose up to demand the formation of the Workshops in their locales did the elites relent in some cases.

Across France, local governments organized everything from "charity workshops" to full on bridge-building and public works programs. While some National Workshops were the domain of only unskilled labor, in others, disgruntled artisans and skilled craftsmen demanded the socialization of their labor. Contra their reputation in some circles, it has become apparent that the National Workshops mobilized large sections of the French proletariat and delivered real wage gains, before elites destroyed the program.

Naturally, elites resisted the Workshops as a waste of public resources and a locus for radical political agitation from the working class. Not all localities established national workshops, and even where the workshops emerged, there was a constant struggle between local elites and workers over who would control wages, hours and working conditions. It was in the industrialized cities of Paris, Lyon

and Marseilles, where relations between workers and elites were most volatile, that the National Workshops had the greatest scope and effect.

Funding for the National Workshops largely came from the state, and not the local municipalities. The activities funded included not only unskilled labor but also public works, textiles manufacture and even railroads. The more sophisticated projects emerged out of worker uprisings, where workers demanded the socialization of skilled labor enterprises. Even with state funding, there were still budgetary shortfalls and financial difficulties; for example, Marseilles attempted to borrow 4.5 million franc from the central government to complete projects.

The industrialized cities faced a "collapse of the domination of the notables over the working class and the emergence of working class consciousness...." The workshops played a "key role in pitting the working class against the state and thus in shaping a common consciousness among the lower classes." Perhaps because of this, at the end of June of 1848, the government closed the National Workshops.

ARGENTINA'S JEFES Y JEFAS PROGRAM IN 2002

In 2000-2001, Argentina faced a near-revolutionary situation in the streets. Manufacturing facilities were expropriated and converted into worker cooperatives. Unemployment reached 25 percent at the peak of the crisis. The government of Eduardo Duhalde responded in 2002 with the Jefes program, which offered a job to each head of a household with children.

The deployment of the Jefes y Jefas program in 2002 was an attempt to stabilize prices and provide employment. The program supported the creation of local municipal councils to oversee community projects, such as drainage works, community centers, domestic violence shelters/services, food kitchens, public health and child care. Participants reported high levels of satisfaction with the work they did in the program, with 90 percent either satisfied or very satisfied. Although measurements of impact on overall employment were mixed, it is known that from 2002 to 2005, unemployment decreased by 50 percent from previous record levels. The project overall raised GDP by 2.4 percent, and employed 5 percent of the population within four years of initiation. Women made up 64 percent of participants, and reported great satisfaction with the work they did through the program.

The program did face opposition from business communities, as the program became the de facto minimum wage in rural areas where much work fell below the minimum wage. Some opposed the entry of women into the labor market. There were also reports of corruption, namely the use of Jefes program funds for political and electoral organizing. Additionally, some economists considered care work to be nonproductive work. Efforts to expand the program to allow multiple household members to participate were blocked out of concerns over the financial cost of the program.

In an effort to wind down the program, a faction of government officials moved to reduce or eliminate job creation and substitute direct cash payouts. In interviews with participants, economists Randall Wray and Tcherneva found not a single participant who preferred the cash payments to working. Argentines valued being

out in the community and having a sense of doing something, and this exceeded the simple cash wage. This effect was especially pronounced among women participants, many of whom had only worked within the home, which is unfortunately not formally valued within the economy.

INDIA'S NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (NREGS) – 2006 TO PRESENT

Since 2006, India's National Rural Employment Guarantee Scheme (NREGS) has legally guaranteed 100 days of employment to every rural household in one of the world's most populous nations. The employment guarantee program is still ongoing, and has to date facilitated over [15 million projects](#), stabilized rural wages and diminished wage differentials between men and women.

India's NREGS program has a statutory requirement of 30 percent female participation – and in most areas, the cohort of women has exceeded 30 percent. Some states report that women's participation is in the range of 40 percent to [52 percent](#). This is particularly impressive, given that the government of India prescribes only certain types of projects as permitted under the employment guarantee scheme, and most, if not all of those projects require heavy manual labor. Within NREGS, there is hardly any difference between the [wage rates](#) of men and women.

The program has had a wider effect on the wages of both men and women. In one [study](#), the daily average wage increased by 5.3 percent, calculated via data from 2000-2011, with a sample size of 249 districts across 19 states. Wages in the NREGS program have

increased through 2011, but fallen since 2012. Over the breadth of India, however, the impact of the employment guarantee scheme has been highly variable. NREGS has had good performance in Andhra Pradesh, Rajasthan and Kerala, due to strong institutions and/or civil society organizations.

Unfortunately, some localities provided [zero workdays](#) to participants, and, according to Jonathan Pattenden, a researcher at the University of East Anglia, the employment guarantee scheme has performed worse in "states with greater degrees of inequality and poverty, such as Uttar Pradesh, Jharkhand and Odisha." Pattenden goes on to say that "in some states, classes of labor [were] too weak to challenge the dominant class." Local elites have attempted to block NREGS programs by the use of their local electoral bodies.

Unlike the Jeffes initiative, the employment guarantee scheme made use of pre-existing representative electoral bodies at the village level. These local assemblies appear to often be dominated by high caste elites, who use slow payment of wages and bureaucratic rules pertaining to project signoff to stifle the staffing of NREGS projects. Panttenden [finds](#) that there is corruption at local levels, though "corruption associated with Gatekeepers is best understood as struggle between dominant and labouring classes over the distribution of public resources."

Although the National Workshops, Jefes and NREGS took place in different places and cultures, what becomes clear is that all programs faced significant elite resistance, while also facilitating increased worker consciousness and, in two cases, significant advances in gender equality.

A Self-Managed Socialist Job Guarantee

Economist Darrick Hamilton has argued that a job guarantee program would do away with Wall Street bailouts during financial crises. For one, labor would increasingly free itself from the control that the finance, insurance and real estate sectors have secured over the economy. Second, [according](#) to Tcherneva,

in a nutshell, during recessions jobless workers would find employment in the public sector at the fixed [job guarantee] wage. Total government spending rises to relieve deflationary pressures. Alternatively, when the economy recovers and non-government demand for labor increases, [job guarantee] workers are hired into private sector jobs at a premium over the [job guarantee] wage.

Yet, as Tcherneva writes, some contend that public employment programs would be "a logistical nightmare." One logistical solution is for local-level participatory administration, design and programming. Economist Mathew Forstater [remarks](#) that "community and neighborhood organizations, NGOs, and nonprofit enterprises will be the primary institutions employing job guarantee workers, and that workers themselves will have a voice in initiating and organizing the projects."

Hamilton has [argued](#) that job guarantee workers could be unionized. Furthermore, a job guarantee program need not recreate capitalist relations of production. Instead, according to Forstater, the job guarantee program "has the potential for creating spaces for noncapitalist social relations." Job guarantee initiatives could be designed to provide the necessary tools, training and incentive-

structure to form enterprises that are community and worker self-managed, both empowering workers and experimenting with new forms of property relations. Forstater himself writes that, "Just as [job guarantee] activities can be designed to pollute less or to use more labor-intensive methods, they can also be designed to be less hierarchical and more egalitarian, with more consensus-based decision making."

To cast all of this in more explicitly left discourse, a self-managed socialist job guarantee program is possible. Besides simply outright creating publicly owned cooperatives, there are a few specific ways we might go about imagining and administering a job guarantee program.

Participatory Budgeting as a Tool for Marshalling Socialized Labor

Marshalling associative labor in a job guarantee program through participatory budgeting is a possibility. For example, political scientist Benjamin Goldfrank cites a process wherein a community lacking sufficient currency for participatory democratically chosen projects drew upon [volunteer labor](#) from the community to directly implement projects. The potential for participatory budgeting processes to marshal and draw on labor power need not be confined to the rare example of community members volunteering their time and skills. Participatory budgeting processes and job guarantees could be coupled in such a way that brings the best out of both.

In more egalitarian job guarantee processes, needs are identified and projects are proposed by the community in neighborhood assemblies to dictate how funds should be spent. In many job guarantee processes, bureaucrats tell participants that more imaginative complex project-ideas simply cannot be implemented due to fiscal and labor constraints. A job guarantee program would undercut this discourse. It would provide capacity to make such projects feasible and prioritizable.

Processes similar to job guarantee – or adjoined to job guarantee – could be essential for leveraging job guarantee to effectively meet community needs and complete those projects most socially desired at different "[thematic](#)" and geographic levels and scopes. Similar to Argentina's Jefes program, individuals and various groups can design and develop their own jobs. For administrative and startup logistical purposes, these could be connected to relevant nonprofits or cooperatives. This leads to drawing on the example of Mondragon, a cooperative of cooperatives with 80,000 worker-owners.

Learning From Mondragon

Until the 1990s, Mondragon's Caja Laboral – the cooperative bank – facilitated entrepreneurship and "intrepreneurship." The former involved creating startup cooperatives from scratch. The latter meant spinning out current activities and functions from within an existing cooperative into a cooperative with expanded capabilities and an enterprise identity of its own.

A job guarantee program could be administered in this way, with existing – but under-supported, understaffed and underdeveloped – activities spun out into their own cooperative entities and enterprises. The understaffing of service-provision would no longer exist. Experimentation with more creative, malleable and cooperativist units rooted in and more responsive to distinct communities could be structurally incentivized. In addition, proposals for public banks could be given a more participatory and democratized character, and services and income provided to those who cannot work can also be adjusted upward.

A Free Associational Labor with an Anti-State Trajectory

UBI's aim of a society of "free labor" – or no labor at all – is appealing, but it is individualizing and lacks coordinating devices. With a self-managed socialist job guarantee, free labor would be an associated and socialized labor. At the same time, it would socialize the deployment of capital to meet community needs. Tcherneva likewise stated at a [talk](#) that the job guarantee program is an institutional vehicle – a coordinating mechanism – for addressing social needs, "as [a] place to come, and to truly nurture participation."

Participatory budgeting, at its best, has been used to allot funds through the seeds of a distinct non-state logic. A similar non-state associationist logic can be deployed to cooperatively determine, assign and administer publicly-backed labor. As illustrated above, there are a number of overlapping ways that needs and desirable social projects could be identified at different scales. These include utilizing a variety of participatory forms, through both an

intensification of the existing, and in experimentation with the imagined. A job guarantee program could be leveraged to meet needs, identified and solved through a multichannel participatory fashion. It could be utilized to rapidly democratize work itself.

Moreover, as a self-managed socialist JG necessarily embeds workers within a community, it also strengthens their power of refusal. That is, as JG programs meet needs in a community, workers also gain the power to, in future, refuse to work. The power to withhold necessary labor is far greater than a right to refuse to consume. A UBI socializes people along neoliberal lines, and reinforces existing individualist subjectivity. On the other hand, the process of working together to meet community needs also socializes people towards a collective subjectivity.

If we seek to move beyond the state, we must create mass institutions that provide spaces for people to experience direct democratic praxis. Neo-chartalism teaches us that a community can “afford” to buy anything that is within its resources to create. A self-managed socialist JG would give participants direct experience with mobilizing and managing the resources of their local community. At once funded by the state, and challenging the state, a self-managed socialist JG embodies this dialectic. While it may not be the final word in ending the state, a JG is a dynamic step in that direction, deserving of our enthusiastic support.

Alexander Kolokotronis is a member of the Libertarian Socialist Caucus in Democratic Socialists of America (DSA-LSC). He is a PhD student in political science at Yale University, where he is a member of UNITE-HERE Local 33. He is the founder of Student Organization

for Democratic Alternatives, and formerly the Student Coordinator of NYC Network of Worker Cooperatives and Worker Cooperative Development Assistant at Make the Road New York. You can follow him on twitter at @avk48.

Sam Nakayama is an independent writer based in Torrance, California.

This essay was published as part of the DSA Libertarian Socialist Caucus's pamphlet program. It exclusively represents the views of the author(s), not the official position of the Caucus itself. The DSA-LSC has decided to format and host it for mass distribution in the interest of furthering internal debate and discussion within the DSA.

