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The Job Guarantee and the Economics of Fear

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The job guarantee (JG) is finally getting the public debate it deserves and criticism is expected. Building on several decades of research, the Levy Institute's latest proposal analyzes the program's economic impact and advances a blueprint for its implementation. Critics have taken note and are (thus far) restating the usual concerns, but with a notably alarmist tone. The JG, they warn, is (1) an expensive big-government takeover, (2) unproductive and impossible to manage, (3) dangerously disruptive to the private sector, and (4) inflationary.

Critics want us to be afraid—very afraid—of big government. Yet they forget that we already have big government: one that devotes hundreds of billions of dollars, time, resources, and administrative effort to deal with all the economic and social costs of unemployment, underemployment, and poverty.

Unemployment is already paid for. In this context, the program does not increase the government's costs—it reduces them—while also cutting costs to households and firms and creating real actual benefits by supporting families, communities, and the economy. In other words, as David Dayen points out, whether we can afford the JG is not up for debate.

Will the JG create impossible-to-manage make-work projects? This is a fear that James Galbraith—a self-proclaimed ex-skeptic of the JG—calls "an admission of impotence and a call for preemptive surrender." Kate Aronoff recalls that New Deal projects were often derided as boondoggles. Still, they rebuilt communities, the economy, and people's lives, while leaving a lasting legacy.

The JG is subjected to a unique double standard for managerial efficiency. One rarely hears objections to going to war, "nation building," or bailing out the financial sector on the grounds that these efforts would be an "administrative nightmare." And yet a proposal to put our underutilized labor force to productive use, by using much of the existing institutional infrastructure in the nonprofit and state and local government sectors is dismissed as an impossibly difficult task.

The claim that the JG is unproductive misses another basic point: unemployment is inherently unproductive. What is the productivity of an unemployed person and her family struggling to make ends meet, compared to her productivity when she is employed in a public service job with decent pay?

Environmental renewal and restoration, clean up of blighted communities, enrichment programs for children, care for the elderly, and jobs for artists and musicians are unproductive under some definitions—those that treat only work that produces output for sale as productive. We, at the Levy Institute, disagree. Employing previously unemployed or underemployed people is inherently more productive than the current model of unemployment and neglect.

Critics think the program will face large skill and geographical mismatches, but ignore the fact that communities with the highest levels of unemployment also have the greatest social needs. The JG puts the two together. It "takes the contract to the worker" and "takes workers as they are." We have provided many examples of such projects that fulfill community needs, are labor intensive, and can employ even the least skilled among us.

But according to some, the JG is dangerous for another reason: workers outside the program who realize that the JG offers decent pay, healthcare, and childcare to its employees will stage a "political rebellion." This is considered to be a much scarier scenario than having millions of workers earning poverty-level wages, without health coverage or affordable childcare.

Which brings us to the fear of disrupting "business as usual" in the private sector. Yes, we want to disrupt business models that can only be successful if they pay poverty-level wages without the benefits that are common in all of the developed countries. In the IT world, "disruptions" are hailed as progressive and innovative. The JG is the policy innovation that secures a true antipoverty wage floor for all—one that firms must match.

And if none of the above scares you, critics want you to fear the program's inflationary effects that are supposed to result from raising the program's wage to $15 per hour by 2022. While prices will probably increase as employers adjust to higher labor costs, critics confuse a key issue: a one-time increase in the price level is not inflation (a continuous rise in the price level). Our model finds a negligible inflationary impact from the program and stresses its key countercyclical feature: the program *shrinks* in expansions, i.e., it has a *dampening* effect on inflation.

Let's recap. What should we fear more: a world in which unemployment and depressed wages are the norm, or one with an employment safety net and living wages for all?

Critics may think that the JG is a "loony" economic agenda. Thankfully, the architects of the New Deal reforms or the Civil Rights legislation did not think this way. Americans are tired of being told what can and cannot be done. They demand bold action and a majority supports the program. The JG is a first step toward completing the Roosevelt revolution and securing FDR's economic bill of rights.

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