

- 6 This means that government spending in sovereign currency systems is not limited by the ability of the state to 'raise' revenue. Rather spending in currency can be seen as supplying tax credits to the population, which faces, in the example of the USA, a dollar-denominated tax liability. Thus, government spending provides to the population that which is necessary to pay taxes (dollars). The government need not collect taxes in order to spend; rather it is the private sector, which must earn dollars to settle its tax liability. The consolidated government (including the Treasury and the Central Bank) is never revenue constrained in its own currency. It has also been demonstrated that bonds do not 'finance' government spending either. Bond sales maintain the target interest rate by draining excess reserves of High-Powered Money (HPM), which have been created through government spending (for details, see Wray, 1998; Mosler, 1997-1998; Bell, 2000).
- 7 For example in discussing the experience of the US colonies with inconvertible paper money, Smith recognised that excessive issue relative to taxation was the key to why some currencies maintained their value while others did not (for details see Wray, 1998, pp.21-22). Wray (1998, p.23) explains: "it is the acceptance of the paper money in payment of taxes and the restriction of the issue in relation to the total tax liability that gives value to the paper money".
- 8 Wray notes: "If the state simply handed HPM on request, its value would be close to zero as anyone could meet her tax liability simply by requesting HPM" (Wray, 2003, p.104).
- 9 Mitchell and Watts (2004, p.13) also argue that stagflation is a likely result because of the expected income redistribution and deteriorating inducement to invest brought about by the BIG policy.
- 10 This is consistent with Lerner's proposal for 'functional finance'. Lerner (1947) believed that policy should be guided not by antiquated notions of 'sound finance' but by the effect of finance on economic activity. He argued that the state, by virtue of its discretionary power to create and destroy money, has the obligation to keep its spending at a rate that maintains: (1) the value of the currency, and (2) the full employment level of demand for current output.
- 11 ELR is Minsky's terminology, which will be used throughout this paper as a generic term for these job guarantees.
- 12 In fact, if the non-government sector runs a surplus, *i.e.*, it hoards net financial assets, the government sector (by accounting identity) will run a deficit.
- 13 There has been some confusion about the operation of the ELR (see Sawyer, 2003). It is important to note that ELR eliminates unemployment by offering a job to everyone willing and able to work, not by increasing aggregate demand. While a rise in aggregate demand may result as a consequence of the programme, this does not have to be the case. The government can eliminate unemployment via the ELR, while simultaneously reducing its spending on other programmes and raising taxes. This is hardly a desirable recommendation, but it illustrates that ELR can eliminate unemployment in the face of falling aggregate demand. It does so by offering a job and *not* by 'pump priming' (for details, see Mitchell and Wray, 2005).
- 14 *OASDI Trustee Report 2005*, http://www.ssa.gov/OACT/TR/TR05/AL_cyoper.html.
- 15 Fitzpatrick (2003), Galston (2001), and Anderson (2001), among others, support some conditionality on the basis that there needs to be a reciprocal obligation on the part of the recipient of the basic income.
- 16 The institutional design and macroeconomic effects of this programme have been discussed in detail in Tcherneva and Wray (2005b).

The right to work versus the right to income

Sally Cowling, William F. Mitchell*
and Martin J. Watts

Centre of Full Employment and Equity
University of Newcastle, Callaghan NSW 2308, Australia

E-mail: sally.cowling@newcastle.edu.au

E-mail: ecwfm@alinga.newcastle.edu.au

E-mail: martin.watts@newcastle.edu.au

*Corresponding author

Abstract: Since the mid-1970s, restrictive monetary and fiscal policy have led to persistently high unemployment and rising underemployment in Australia. This paper compares two policy responses to income insecurity resulting from these trends, in the form of a universal Basic Income (BI) and a state-provided Job Guarantee (JG). The paper examines how the problem of income insecurity is constructed in each model and the consistency of each approach with an effective and sustainable full employment strategy. While the BI model views unemployment as the inevitable product of market imperfections, the JG model sources its persistence in the failure of macroeconomic policy to maintain full employment. We argue that a more efficacious response is to understand why people are being deprived of the opportunity to undertake paid work. The JG is a means to alter the conduct of macroeconomic policy so that it provides employment opportunities and secure incomes for all.

Keywords: full employment policy; unemployment; income insecurity; macroeconomics; buffer stock employment models; basic income.

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Biographical notes: Sally Cowling is Research Fellow at the Centre of Full Employment and Equity, University of Newcastle, Australia where she is completing a PhD in Economics. Her thesis examines the impact of welfare reform on low-wage labour markets in Australia and the USA. Cowling was previously the Ronald Henderson Fellow at the University of Melbourne and a Research Fellow at Melbourne's Centre for Public Policy. Her research interests include full employment policy and the job guarantee, welfare-to-work and poverty dynamics and labour market stratification.

William F. Mitchell is Professor of Economics and Director of the Centre of Full Employment and Equity, University of Newcastle, Australia. Mitchell has published extensively on wage and price inflation, unemployment and macroeconomic policy, and is participating member of the recently formed ARC Research Network in Spatially Integrated Social Science (ARCRNSISS). His research interests include Markov-switching models of job creation and job destruction, buffer stock employment models and the job guarantee, the costs of unemployment, Phillips curve studies, capital adequacy in banking, large-scale macro econometric modelling, regional models of unemployment and spatial econometrics.

Martin J. Watts is Associate Professor of Economics, Deputy Director of the Centre of Full Employment and Equity and Head of the School of Policy, University of Newcastle, Australia. Watts has published extensively in the areas of unemployment, wages and workfare policy and occupational gender segregation, and is a participating member of the recently formed ARC Research Network in Spatially Integrated Social Science (ARCRNSISS). He has advised Australian Government departments and agencies, including the Affirmative Action Agency, on labour market issues. His research interests include the costs and spatial dimensions of unemployment, gender and work, wage polarisation and the Job Guarantee.

1 Introduction

In his 1987 Ely Lecture to the American Economics Association, Princeton economist, Alan Blinder, described the failure to provide productive employment for all those willing and able to work as one of the 'major weaknesses of market capitalism'. He argued that the failure had been 'shamefully debilitating' since the mid-1970s and that the associated costs make "reducing high unemployment a political, economic and moral challenge of the highest order" (Blinder, 1988, p.139).

Sadly, Blinder's 1987 challenge to the economics profession in the USA remains acutely relevant to Australia. Our major political parties have abandoned the goal of full employment and are content to pursue the diminished goal of full employability. They are similarly content to impugn the unemployed. The dominant economic orthodoxy has, since the mid-1970s, supported policy makers and politicians who have deliberately and persistently constrained their economies under the pretext that the role of policy is to ensure the economy functions at the so-called natural rate of unemployment. Discretionary monetary and fiscal policy decisions have prevented the Australian economy from generating enough jobs to match the preferences of labour force and enough hours of work to match the preferences of the employed. The result has been persistently high unemployment and rising levels of underemployment (Mitchell and Carlson, 2001). The cumulative costs of the foregone output and unemployment are huge and dwarf the costs of alleged microeconomic inefficiency (Mitchell and Watts, 1997; Watts and Mitchell, 2000). At the same time, highly desirable, labour-intensive projects go undone to the detriment of all (Mitchell, 1998; Wray, 1998).

After 29 years, the evidence of policy failure is overwhelming. The low point unemployment rate has ratcheted upwards over successive economic cycles, and the average duration of unemployment, which was three weeks in 1966, was 48 weeks in June 2004 (ABS, 2004). The problem of labour underutilisation is more severe than is portrayed by the official unemployment rate. Mitchell and Carlson (2001) developed the Centre of Full Employment and Equity Labour Market Indicators to capture broader forms of labour wastage. In May 2004 – when the official unemployment rate was 5.6%–10.7% of willing labour resources were being wasted once account was taken of the hours-aspirations of the underemployed and the hidden unemployed. Tolerating this level of labour wastage will cost the Australian economy an estimated \$44 billion in 2004 in lost potential output (CofFEE, 2004).

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At the same time, employment growth has been concentrated in part-time and casual work. Between 1992 and 2002, full-time employment increased by 14.4% against growth in part-time employment of 33.6%. Over the same period, the number of permanent jobs increased by 14.7%, while the number of casual jobs increased by 34.5%. Casual employment, although accounting for only 22% of all jobs in 1992, comprised 47% of the increase in employment in the next ten years (ABS, 2005).

A key outcome of these disturbing labour market trends has been rising income insecurity for individuals and families. In a major study of inequality and economic change in Australia, Borland *et al.* (2001, p.20) concluded:

"What is clear is that the economy has failed to generate an adequate supply of jobs paying a living wage...this is particularly so in the apparently strong period of economic growth in the 1990s, when all of the net increase in jobs has been at earnings of less than \$600 per week at 2000 values. Such an outcome cannot support viable communities, nor maintain the social fabric in tact. Thus it is not surprising that Australia enters the twenty first century in a mood of deepening social crisis."

In this paper, we compare and contrast two policy responses to rising income insecurity in the form of proposals to introduce a universal Basic Income (BI) and propose to introduce a Job Guarantee (JG). Both approaches challenge the prescriptions of the dominant neo-liberal policy agenda.

The provision of an unconditional BI, set at a 'liveable' level and payable to all citizens, is advocated by a number of public policy theorists as a means of addressing income insecurity (Van Parijs, 1997; Widerquist and Lewis, 1997; Clark and Kava, 1996; Lerner, 2000). An alternative strand of progressive thought focuses on unemployment, aiming to address the principal cause of income insecurity by reserving the role of the state as an "employer of last resort" (Mitchell, 1998; Wray, 1998). The Centre of Full Employment and Equity has developed a complete model of the Job Guarantee in which the Federal Government would provide jobs paid at the Federal minimum award wage to all unemployed (Mitchell and Watts, 2001) as well as Community Development Job Guarantee in which jobs are provided for both the short- and long-term unemployed (Mitchell *et al.*, 2003).

In assessing the place of each proposal in a full employment strategy, the paper is structured as follows. Section 2 outlines the BI and JG models and the different ways they construct the income security 'problem' to be solved. Section 3 sets out requirements for an effective and sustainable full employment policy and assesses the extent to which each model meets these conditions, and under what circumstances. Section 4 considers the nature of coercion under BI and the JG and the possibilities for dynamic transitions to a broader and more inclusive notion of work. Conclusions are presented in Section 5.

2 Constructing the problem

In any problem-solving task, it is crucial to construct the initial problem in a meaningful way. The way in which the problem is structured is an important influence on the discourse conducted and the solutions proposed (Bacchi, 1999). How then do proposals for BI and the JG construct the problem of income insecurity? We will argue

the BI construct is consistent with the neo-liberal economic paradigm, centred on individualism and competitive markets, constrained by market imperfections. By contrast, the JG construction centres on system failure in the form of ill-conceived macroeconomic policy, which is imposed on vulnerable individuals who are powerless to improve their outcomes.

2.1 *The basic income approach to income insecurity*

In crafting a case for an unconditional basic income, the BI literature gives little attention to the causes of income insecurity although they clearly relate it to the rise of mass unemployment identified in Section 1. Leading BI theorist, Philippe Van Parijs, approaches the problem by drawing on a liberal egalitarian conception of justice. He argues that individuals must be afforded 'real freedom'; a state marked by both the absence of restraints on action and the presence of the means to realise one's projects (cited in Gintis, 1997,p.181). This requires that scarce social resources, including access to paid employment, should be distributed so as to maximise the value of opportunities available to the least well off.

Van Parijs (1993,p.5) concludes that capitalism can be justified by redistributing wealth in the form of a BI payable to all individuals irrespective of their household situation, income derived from other sources and their relationship to the means of production. It would not be restricted to the involuntary unemployed but would be paid to people who choose not to engage in paid work including housewives, househusbands, surfers and tramps. Our attention in this paper is on what Clark and Kavanagh (1996,p.400) describe as a 'full basic income' in which the BI is set above the poverty line, replaces all other forms of public assistance and is financed through an increase in tax rates or a widening of the tax base.

Macroeconomic analysis within the BI literature is seemingly limited to considering how the scheme would be financed. Despite this, its advocates argue that the introduction of a BI is a means to reconcile the objectives of poverty relief and full employment (Clark and Kavanagh, 1996; Van Parijs, 2000; Basic Income European Network, 2004). How then will a BI and the decoupling of income from work lead to full employment? The answer to this question lies in how one constructs the problem and how one defines full employment.

The existence and persistence of unemployment in BI models is generally accepted but rarely explained. However, Van Parijs (1991) presents a discussion that is both an explanation of unemployment and a model of BI financing. For Van Parijs, the economics of unemployment is rooted in orthodox neoclassical theory. Joblessness arises because wage rigidities impede atomistic competition and prevent the labour market from clearing. Various possibilities are offered to buttress the existence of the wage rigidities including the role of trade union power and minimum wage legislation and bargaining outcomes, which generate 'efficiency wage' outcomes and promote 'insider-outsider' arrangements.

The efficiency wage argument is representative of the economics that underpins the BI model. The model does not offer a macroeconomic explanation for involuntary unemployment but imposes it as a consequence of departure from a competitive situation. The nub of his argument is as follows. Firms are happy to pay above-competitive wages because:

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- They face workers who will 'shirk' unless the cost of losing their jobs (the wage premium) is significant.
- They induce higher productivity by paying higher wages.

Van Parijs (1991,p.122) says, "Even in a competitive context, firms will pay employees higher wages than those they could get away with by hiring equally unemployed workers". A thought experiment, where all workers have equal 'w' endowments (including skills) leads Van Parijs (1991,p.124) to the following conclusion:

"...it is then impossible to say that the employed and the (identically skilled) unemployed enjoy equal access to the means required for the pursuit of their conception of the good life. In a non-Walrasian economy, in other words, people's endowment is not exhaustively described by their wealth (in the usual sense) and their skills: the holding of a job constitutes a third type of resource."

JG advocates would have no dispute with the conclusion that the possession of a job is a crucial source of self-determination for the typical worker in a capitalist society. However, this conception of the problem leads to a bizarre, and very neoclassical, solution in terms of redistributing a type of 'property right', which is represented by the alleged existence of 'employment rents'. Van Parijs (1991,p.124) says that in the case of scarce jobs, "...let us give each member of the society concerned a tradeable entitlement to an equal share of those jobs".

The mechanism of exchange would work like this. When the wage bargains that firms make with workers result in wage levels above the competitive equilibrium, any resulting involuntary unemployment establishes the need for an income transfer. The source of this income is the employment rents that are monopolised by those in employment. An unemployed individual is thus construed as a person who has given his or her income to the employed person so that the employed person can earn above competitive wages. Van Parijs (1991) claims that:

"...these rents are given by the difference between the income (and other advantages) the employed derive from their jobs and the (lower) income they would need to get if the market were to clear. In a situation of persistent massive unemployment, there is no doubt that the sum total of these rents would greatly swell the amount available for financing the grant."

Van Parijs then extends the argument to encompass a fully employed efficient economy, recognising that the existence of employment rents does not automatically mean unemployment. Low-wage workers may covet, and be willing to do, higher jobs but rationing prevents this from happening. Critical to Van Parijs' (1991) argument is the "...existence of large employment rents, as manifested by the presence of envy over job endowments, and not the fact that many people are without a job at all".

Thus the problem of income insecurity is addressed through the provision of a guaranteed income that enables workers to live a decent, if modest, life without employment. Rather than tackle the problem at source, full employment is engineered through an artificial withdrawal of labour supply. In the current parlance 'unemployed' are reclassified as 'not in the labour force' and the unemployment problem is 'solved'. Van Parijs (1991,pp.130-131) concludes that the case that the surplus is being lived off others is invalid because: "...it is a serious misdescription of what surfers are doing if all they live off is their share, or less than their share, of rent that would otherwise be monopolised by those who hold a rich society's productive jobs".

The argument as constructed raises a number of questions. First, are the employment rents illusory and, if so, what does this do for the logic of justice that underpins the BI approach that Van Parijs advances? Secondly, do the efficiency-wages serve to ensure stable working relations and higher than otherwise productivity? Finally, what is the impact of taxing the wages of the employed – of seeking to tax the so-called employment rents – and using them to provide basic income for the unemployed?

We argue that there are insurmountable problems with the BI conception of unemployment and the model for financing a Basic Income. The wage bargains (within efficiency wage theory) reflect freedom of association and maximising decisions on both sides of the contract. A crucial function of the 'efficiency wages' is to ensure higher productivity, but what would happen if the firm insisted on paying the competitive wage? Logically, productivity would fall, recruitment would become more difficult and turnover would rise. In other words, in the context of efficiency wage models, the wage outcomes attained are not considered dysfunctional. Instead, they reflect the realities of the capitalist labour market where labour power is bought but labour has to be used, rather than imperfections within an otherwise (perfectly) competitive labour market.

Further, the existence of unemployment assumes that real wages work to clear labour markets and that efficiency wages inhibit the market-clearing processes by imposing wage rigidity. Why would firms hire at wages lower than the efficient wage? Clearly, if workers are willing to work at the efficient wage, and there are queues for jobs, then there must not be enough demand for the output they produce. The solution is to increase demand. Unemployment arises because of a spending gap.

For Van Parijs (1991) the benchmark for evaluating justice is an absence of employment rents. This is tantamount to saying that wages are equal to their theoretical competitive levels. Several problems are encountered in constructing the problem in this way. First, can the employed individual improve the lot of the unemployed? If the wage bargain were functional in productivity terms, why would the outsiders behave any differently when they become insiders? They may be prepared to work at lower real wages initially, but once ensconced, why would they not force the efficiency wage bargain? The BI literature is silent on this issue.

But ultimately the employment rents are illusory and the logic of Van Parijs' argument breaks down. For example, if we were to eliminate the 'imperfections' that created the entitlements, then within the logic of the competitive neoclassical market model that Van Parijs has selected, there would be equal endowments, market-clearing real wages and zero involuntary unemployment. There would also be zero employment rents and zero employment envy. In this situation, there would be no tradable commodities to support the basic income. The achievement of full employment would rule out the need for BI. This is precisely the JG solution. In other words, this form of BI financing depends on the existence of 'market imperfections' rather than any inalienable right to income at the expense of others.

Further, within the BI model, no individual can improve the employment prospects of another. There is thus no basis for determining an exchange between an employed person and a person experiencing unemployment. Why should we expect an employed worker, who is not responsible for the plight of the unemployed to sacrifice income to pay for the non-work of another? It could equally be argued that the capitalist surplus is the ultimate source of distribution and must therefore contain the value that would become, in part,

the BI. In essence, the BI simply prorates some of the surplus value to those who do generate it and one person's freedom from the work exigency in capitalism is an worker's alienation.

There is a presumption in the BI literature that the good (employed) life the worker has is at the expense of the unemployed. Scarcity is conceived as the profit. But while jobs might be scarce, can we say that there are no useful activities for unemployed to be engaged in, should there be a demand for their services? Can we say that the provision of an income without work is equivalent to the provision of an income with a job? This distinction is at the heart of the JG approach to income insecurity.

We would argue that a more efficacious and less apologetic response to unemployment and income insecurity is to understand why people are being deprived the opportunity to undertake paid employment and to alter the conduct of macroeconomic policy, so that it is consistent with full employment. The Job Guarantee is an alternative approach to achieving this end.

2.2 *The job guarantee approach to income insecurity*

To seek a solution to the problem of income insecurity one has to understand what causes it. It is not enough to accept it as a given and then provide a panacea that treats the symptom. The single most significant source of income insecurity is unemployment (Sen, 1997; Saunders, 2003). The attack on income insecurity should thus begin with an attack on the sources of departure from full employment.

As discussed in the introduction, unemployment rates in most OECD economies risen and persisted at higher levels since the first OPEC price shocks in the 1970s regime shift in macroeconomic policy, epitomised by the pursuit of budget surplus tight monetary policy, has seen the deliberate and persistent deflation of many economies in accordance with the NAIRU approach. The result has been that economic growth in OECD countries has generally been below the level required to absorb labour force growth and growth in labour productivity (Mitchell, 2001). At the same time, the decline in public sector employment in Australia has allowed unemployment to persist at high levels. It is important to note that the countries that avoided the plunge into unemployment in the 1970s maintained what Ormerod (1994, p.203) has described as "...sector of the economy which effectively functions as an employer of last resort, which absorbs the shocks which occur from time to time, and more generally provides employment available to the less skilled, the less qualified".

Unlike the BI story, the Job Guarantee model explains the persistent unemployment as a system failure – the result of erroneous macroeconomic policy which have failed to generate enough jobs and enough hours of work to match preferences of the labour force. The level of unemployment at any point in time is a choice made by the Federal Government when it sets and calibrates its macroeconomic parameters. Persistent unemployment is the product of persistently inadequate budget deficits. *Ipsa facto*, JG advocates argue that the state must use its power as the issuer of currency to maintain levels of aggregate demand compatible with full employment inflation control. The nature and use of this power are discussed in Section 3.1.

The Job Guarantee model is outlined in Mitchell (1998) and Mitchell and (2001). A fully costed and operational model of a Job Guarantee programme targeting the young and long-term unemployed is detailed in Mitchell *et al.* (2003).

Under the JG, the public sector would maintain a 'buffer stock' of fixed (minimum) wage jobs available to anyone willing and able to work. This guaranteed work would be funded by the Commonwealth but organised on the basis of local partnerships between a range of government and non-government organisations (Mitchell *et al.*, 2003).

The JG would fulfil an absorption function to minimise the real costs associated with the flux of the private sector (Berger and Piore, 1980). When private sector employment declined, the buffer stock of employed persons would automatically increase. The nation would remain at full employment, with the mix between private and public sector employment fluctuating in response to the spending decisions of the private sector. To avoid disturbing the private sector wage structure and to ensure the JG is consistent with price stability, the JG wage rate should be set at the minimum award level.

The JG does not supplant the conventional use of fiscal policy to achieve specific social and economic objectives (via social wage expenditures), or replace social security payments to persons unable to work because of illness, disability or parenting and caring responsibilities. The JG wage would accrue to individuals, meaning that family income supplements would continue to be available to those meeting the eligibility criteria.

While membership of the labour force would remain voluntary, the abolition of unemployment benefits would require persons who are able to work to enter the labour force in order to acquire a subsistence income (Mitchell, 1998). However, unlike the current suite of Active Labour Market Programmes (ALMPs), mandatory employment under the JG provides ongoing productive employment paid at the award wage. Under ALMPs the receipt of unemployment benefits is contingent on participation in programme placements aimed at behaviour modification.

In summary, unlike the BI model, the JG framework directly addresses the cause of income security by tying a secure income to a work guarantee. Any person who is able to work will be able to access a job that provides a 'living wage'. Persons unable to work will be provided with a 'living income'. Full employment is attained by adjusting the level of aggregate demand rather than by engineering labour supply adjustments, which define the problem away.¹ The JG differs from a standard Keynesian approach because it provides only the minimum demand expansion (the cost of hiring the unemployed workers) rather than relying on market spending and multipliers. The inflationary impacts are thus significantly different.

BI advocates approach the question of income security from the pessimistic view that unemployment is inevitable and a result of market imperfections rather than macroeconomic failure. BI policy then proposes to decouple income from work and supports this suggestion with arguments based on notions of 'justice'. The economics of the approach are, however, lacking credibility. BI models generate full employment by encouraging an artificial withdrawal of labour supply. The unemployed simply move into the 'not in the labour force' statistics. This is a common method of dealing with persistent unemployment. The rapid rise in the number of disability pension recipients, particularly among older workers and the difficult to employ, has been a notable trend in several countries in the 1990s (Argyrous and Neale, 2003). The BI approach essentially adopts a mistaken view on why unemployment occurs and then engineers a supply withdrawal to solve it.

3 The essential conditions for a full employment strategy

In the previous section, we concluded that a return to sustained full employment was most effective policy response to income insecurity. In this section, we outline conditions that a full employment policy has to satisfy certain conditions to be effective and assess BI and the JG against these criteria?

3.1 *The essential conditions for a full employment strategy*

To be successful and sustainable, a full employment policy has to satisfy a number of conditions:

- 1 It must generate enough hours of work to meet the preferences of the labour force.
- 2 It cannot threaten the distribution of real income.
- 3 It must have inbuilt inflation control mechanisms.
- 4 It must be accessible enough to embrace the disadvantaged.
- 5 It must not violate the social attitudes towards work and non-work.
- 6 It must provide jobs that are compatible with environmental sustainability.

We will now develop each of these conditions in turn.

3.1.1 *It must generate enough hours of work to meet the preferences of the labour force*

While this requirement is self-evident, the definition of full employment continues to be debated. The Federal Treasurer recently declared that the Australian economy was near to full employment with an unemployment rate of around 6% (Costello, 2004). In the 1980s, neo-liberal economists argued that an unemployment rate of 8% was consistent with full employment (see Mitchell, 1987 for a discussion). We would argue that the concept of full employment relates to the number of jobs relative to the willing labour force (including the hidden unemployed) after allowing for a small percent frictional unemployment. Further, the definition of full employment must also exclude zero underemployment, and thus take into account the hours of work available relative to hours of aspirations. Using the methodology established in Mitchell and Carlson (2004), underemployment in Australia in May 2004 is estimated at 3.3% of all available hours (CofPEE, 2004). We would conservatively double the official minimum unemployment rate to establish the degree to which the Australian economy is deficient from full employment.

The disparate views on full employment relate to how we define it. The Depression taught us that, without government intervention, capitalist economies are prone to lengthy periods of unemployment. The Second World War experience showed that full employment could be maintained with appropriate use of budget deficits. Orthodox neoclassical remedies tried during the 1930s largely failed and the challenge of the war's end was to translate the fully employed war economy, with extensive civil control and loss of liberty, into a peacetime model. Major policy papers of the time reflected the Keynesian view that unemployment was a systemic failure. The emphasis

macroeconomic policy became firmly focused on generating enough jobs, relative to the labour supply, to maintain full employment. Inflation control was a secondary issue. From 1945 until 1975, governments used fiscal and monetary policy to maintain levels of aggregate spending sufficient to generate employment growth in line with labour force growth. Public sector job creation was also important, not the least because of its implicit role as 'employer of the last resort' (Mitchell and Carlson, 2001).

By the 1950s, the positive focus on jobs gave way to 'full employment' being seen in terms of unemployment and inflation. The Phillips Curve, which proposed a formal relationship between unemployment and inflation, swept to centre stage (Mitchell, 2001). Policy makers were now supposed to choose between alternative mixes of unemployment and inflation and the focus on a required number of jobs was lost.

The economic dislocation following the oil price increases in 1974 provided the conditions necessary for the paradigm shift in macroeconomics toward neo-liberalism. Governments reacted to accelerating inflation with contractionary policies designed to quell rising prices, and unemployment rose. The Keynesian notion of full employment was finally abandoned as policy makers adopted the natural rate hypothesis advocated by Milton Friedman. This approach, now referred to as the NAIRU paradigm, redefines full employment in terms of a unique, and demand-invariant, unemployment rate (the NAIRU) where inflation is stable.² Proposals for Keynesian remedies to reduce unemployment are now met with derision from the majority of economists who have embraced the anti-Keynesian NAIRU concept. They claim that expansionary fiscal and monetary policy, designed to drive unemployment below the NAIRU, will only generate inflation. The policy focus has thus shifted to microeconomic reform in the guise of labour market deregulation and related institutional arenas like education and training and welfare systems. Meanwhile, the NAIRU has escaped accurate measurement and its proponents have failed to explain why in the 1990s – to take one example – unemployment in the USA systematically fell below the NAIRU estimates, yet inflation also declined.

The Reserve Bank of Australia (RBA) has also been captured by the NAIRU paradigm. Under current RBA policy, unemployment is explicitly used to control inflation. The economy has not provided enough jobs since the mid-1970s and the conduct of monetary policy has contributed to the malaise. The RBA has forced the unemployed to engage in an involuntary fight against inflation, and complementary austerity exercised by the fiscal authorities has further worsened the situation.

3.1.2 *It cannot threaten the distribution of real income*

Understanding the debate between BI and the JG requires that we situate the analysis in the historically specific mode of production that is monetary capitalism. Some of the problems identified with the BI model in later sections of this paper can be traced to its ahistorical tendency. Under capitalism, there are constraints on what the government can do with respect to its full employment policy. These constraints emerge from the control that capitalists have over the means of production and the 'divide and conquer' strategies they implement to maintain this control (Edwards *et al.*, 1975).

Dixon (2003,p.9) argues that to fully explain the existence (and persistence) of unemployment we have to:

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"...go beyond explaining why firms (employers) will not offer enough jobs to clear the labour market. We need instead to explain why the unemployed are dependent on others for their livelihood and why it is that they are unable or unwilling to employ themselves or to form viable cooperatives. At the end of the day the Marxian and Kaleckian explanation for unemployment is that the working class does not own the means of production and that they are unable to borrow to obtain the required means of production."

So while the traditional monetary explanations for unemployment found in Key in Post Keynesian thought) are valid, they are only proximate causes. The un- cause is the existence of the capitalist property relations.

Within this context, unemployment is functional in the sense that it disciplines the working class aspirations for more real income (Mitchell, 1987). (1971) noted that the attainment of full employment was not difficult to achieve of the macroeconomic policies that were required. Rather, the success of these would depend on the "class interests and thus 'political aspects' of the economy" (2003,p.9). More recently, Rowthorn (1980) outlines the limits of distributional that workers can engage in within a capitalist system. He states the 'obvious' fac-

"...so long as capitalists control production, they hold the whip hand, and workers cannot afford to be too successful in the wages struggle. If they are, capitalists respond by refusing to invest, and the result is a premature or longer crisis. To escape from this dilemma workers must go beyond purely economic struggle and must fight at the political level to exert control over production itself." (Rowthorn, 1980,p.134)

The state must thus work within the political economy of capitalism and not i policies that will endanger the accumulation of capital and the rate of profit re- capitalists to continue investment.

3.1.3 *It must have inbuilt inflation control mechanisms*

The Post-War expansion came to an abrupt end in the mid-1970s on the ba- highly disruptive OPEC oil price rises. The OECD experience of the 1990s sh- high and prolonged unemployment will eventually result in low inflation (1996). Unemployment can temporarily balance the conflicting demands of la- capital by disciplining the aspirations of labour so that they are compatible profitability requirements of capital (Kalecki, 1971). Similarly, low produc- demand – the analogue of high unemployment – suppresses the ability of firms t- prices to protect real margins. Wage demands in the private sector are thus- related to the actual number of unemployed who are substitutes for those cu- paid work.

Inflation targeting, in which the Reserve Bank uses unemployment as a w- reduce pressure on price levels, is the most active component of aggregate pol- present time. It is thus imperative that a full employment policy that can als- inflation stability be designed.

3.1.4 It must be accessible enough to embrace the disadvantaged

Unemployment does not impact evenly across skill and demographic groups. The burden of unemployment falls disproportionately on the least-skilled and least-educated workers in the economy (OECD, 1998). In a major study on social exclusion and distressed urban areas, the Organisation for Economic Cooperation and Development (OECD, 1998, p.11) found that deprived areas limit the opportunities and prospects of people who live in them concluding that "...without a vision of their potential, a nation not only bears the costs but also fails to realise the possibilities inherent in these places and their populations".

Prior to the mid-1970s, the Australian economy was able to sustain full employment. A key reason for the attainment of this outcome was the existence of a 'buffer stock' of low skill jobs, many of which were in the public sector. These jobs were always available and provided easy access to employment for the most unskilled workers in the labour force. These workers had employment and income security during hard times.

The goal of any full employment policy should be to restore this buffer stock capacity to the economy to ensure that, at all times, the least advantaged workers in the community have opportunities to earn a wage and to attain independence.

3.1.5 It must not violate the social attitudes towards work and non-work

The dominant attitudes towards welfare and work in Australia remain firmly in favour of providing some welfare relief to those without jobs. However, there is also widespread support for the view that, in return, the unemployed person should look for work and accept work if available (Saunders, 2002a). At the present time, it is unlikely that the provision of an unconditional guaranteed income to persons able to work would be acceptable to a majority of Australians. The capitalist class would also resist such a payment, as it would reduce the disciplining impact of unemployment. To avoid further stigmatising the unemployed, the medium-term solution must thus centre on the provision of employment. Longer-term changes in social attitudes to the work ethic require education and public debate.

3.1.6 It must provide jobs that are compatible with environmental sustainability

Employment and related productive activities must become increasingly focused on environmental sustainability. Any discussion about policies to increase employment should give due regard to the debate that pits economic growth against sustainable development. While higher levels of output are required to increase employment, the composition of output is a pivotal policy issue.

3.2 Desirable criteria

In addition to these essential criteria, it is desirable that full employment policies embrace the following characteristics:

- provision of community value-adding activities
- provision of inter-generational reductions in disadvantage
- provision of training and opportunities for upward mobility.

We will now briefly outline a case for the 'desirability' of each of these criteria.

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First, employment initiatives should advance community development and well-being. Gorz (1992) argues that regenerating the concept of community participation in the social processes of production. Healthy communities are spaces that encourage and enable participation in social and democratic life. It is conducted by the Australian Housing and Urban Research Institute (AHURI) highlighted the spatial patterns of change in population, employment and environmental quality in Australia's cities resulting wide disparities in the vitality of local communities. The researchers argue we need to consider the issues involved in problems such as social polarisation and prescribe workable strategies through which disadvantaged communities can recover. Such initiatives will need to extend beyond 'parachuting' solutions into localities outside or relocating individuals and families to communities of greater opportunity (AHURI, 1999).

Second, employment policy should be designed to arrest the inter-generational transmission of disadvantage. There has been a marked increase in the proportion of children living in households with no person in paid work (Dawkins *et al.*, 2000). The rise in jobless households is likely to have significant repercussions for the next generation of potential workers. Saunders (2002b) notes that while little is known in Australia about the longer term consequences of extended periods without work, an initial analysis of longitudinal social security data suggests the inter-generational transmission of disadvantage. Saunders (2002b) cites Australian research by McCoull (2000) indicating that young people aged between 16 and 18 living in households reliant on social security are more likely to become parents at an early age, leave school early, experience unemployment and homelessness, and eventually find themselves in a similar social security situation.

Finally, employment policy should provide opportunities for the development of skills and career paths. Elster (1988) argues that the value of work depends on the extent to which it is a vehicle for self-realisation and the development and deployment of powers and abilities. It seems reasonable to argue that work that provides opportunities for the development of skills and creativity is less likely to be monotonous, repetitive and isolated. In addition, Bell (2002) notes that increased competition for jobs, together with new technology and changing employment patterns are placing an emphasis on skills and credentials; while Dowrick (2002) argues that investment in human capital (the education and skills of individuals) has the potential to contribute to economic growth over the long term. The accumulation of abilities contributes to higher rewards and higher earnings for the individual; while the more skilled workers have greater capacity to absorb, implement and adapt new ideas.

In Sections 3.3 and 3.4 we will assess how BI and the JG address the conditions for effective full employment policy. In Section 4, we will then discuss the potential role and relevance of the desirable characteristics just outlined in the transitions to new concepts and forms of work and new production arrangements.

3.3 How does the basic income measure up?

The effect of introducing a BI on the level of involuntary unemployment, labour supply behaviour, the real distribution of income and inflation depend critically on how the BI is financed and whether the budgetary impact is neutral or expansionary. It is important to stress that there is nothing in the logic of the BI model that directly addresses demand deficiency or attenuates, without the discipline of unemployment, any wage-price or price-price pressures that may emerge.

For individuals to exercise their right not to engage in paid work under the BI model requires that the BI be set at a 'liveable' level. As discussed in Section 2, the BI literature generally conceives of a tax-financed BI set above the poverty line and replacing all other forms of public assistance. Let us assume that a BI is introduced and is financed by the imposition of a flat income tax. With respect to our five essential criteria, what impacts are likely under conditions where:

- the impact on the budget is neutral
- the BI is deficit-financed?

3.3.1 Budget neutrality

Under a budget neutral scenario, the impact on aggregate demand is likely to be small and the capacity of a BI scheme to provide sufficient hours of work to meet the preferences of the labour force will centre on the labour supply response. While Lerner (2000) argues that the provision of a secure subsistence income will weaken the connection to formal work, her hypothesis ignores the trend increase in both consumption levels and labour force participation rates in most OECD countries. For example, the trend labour force participation rate in Australia rose from 60.6% in April 1984 to 63.6% in April 2004 (ABS, 2004). In part, this reflects women's rising participation in part-time work and suggests that families are seeking to increase real income. To the extent that increased participation in post-school education, higher labour market participation and increased hours of work reflect an attraction to high incomes and career opportunities, it is unlikely that participation would significantly diminish under a BI.

Similarly, studies of the unemployed point to their strong commitment to work (Tann and Sawyers, 2001). Widerquist and Lewis (1997) note that 10% of Americans work full-time but are below the poverty line. They argue that low-waged Americans have a strong commitment to work as – even before restrictions were imposed on accessing public assistance – most recipients were off public assistance within three years.

This raises the question of which workers are likely to withdraw from the labour market when a BI is introduced, thus creating employment opportunities for the involuntary unemployed? While some secondary income earners (particularly women and teenagers working part-time) may withdraw their labour supply – and some other workers may opt to reduce their hours and supplement the BI with part-time or casual work – it is unlikely that a significant number of workers would choose to reduce their post-tax incomes when the material demands of many workers remain unsatisfied.

If the provision of a modest BI under budget neutrality increased the supply of part-time workers, what impact would this have on the distribution of income? One theory argues that the absence of a work test means that workers are not forced to take poorly paid, marginal jobs to supplement the BI, increasing the bargaining power of the

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weakest participants in the labour market relative to their power under a system of work-tested benefits. Low-wage employers may be forced to improve pay and conditions in order to attract workers.

However, an alternative view is that an increase in the supply of part-time workers could strengthen the hand of employers in a segmented labour market. Employers could exploit the large implicit subsidy by reducing wages and conditions, while the replacement of some full-time jobs with low wage, low productivity part-time jobs could lead to declining rates of investment, skill development and average living standards.

It is not evident that the provision of a modest BI will lead to a significant shift in the market to non-market activities, given the higher marginal tax rate and the possible downward pressure on wage rates. Thus the impact of a BI on labour supply is likely to be low.

A more generous BI, under budget neutrality, could lead to a significant increase in part-time workers choosing not to engage in any paid work. However, such a result necessarily implies a higher tax rate. Higher income earners would maintain their work, until the implied marginal tax rate led to the dominance of the substitution effect over income effects in their decision making. At this point, the maintenance of budget neutrality would require a further increase in tax rates or a cut in the basic income. The former will exacerbate the 'financing' problem, as more workers leave the labour market or reduce their hours. There will thus be a maximum sustainable level of the BI under conditions of budget neutrality. The impact on aggregate demand and employment is likely to be small, and even with some redistribution of working hours, high labour underutilisation are likely to persist.³

Little (1998, p.131) points out that while the BI might enable individuals without work "it does not provide any firm promises of paid work for those who do not have a job but who want to contribute their labour to the generation of social wealth. Thus a budget-neutral BI fails the policy criteria of providing sufficient hours of work to meet the preferences of the labour force.

The macroeconomic changes associated with the introduction of the BI could lead to a realignment of wage relativities. Cornwall (1983) argues that real wages combined with the impact of higher taxes, may promote the operation of a wage-price inflationary mechanism to restore previous relativities. This could promote a damaging wage-price inflationary mechanism, despite the existence of unemployment.

3.3.2 A deficit 'financed' BI

A deficit 'financed' BI constitutes an indiscriminate Keynesian expansion in the labour market of inbuilt mechanisms to counter any inflationary pressures that result. In comparison with the budget neutral scenario just outlined, a net stimulus to aggregate demand is induced by:

- a higher BI with an unchanged tax system
- an unchanged BI with lower taxes
- a combination of the two.

Demand for labour would clearly increase more than under the budget neutral scenario. It is the impact on labour supply that is of critical importance.

If the level of BI is increased, it is reasonable to surmise that total labour supply would decrease, while the impact of lower tax rates on the labour supply of incumbent workers will depend on the relative magnitudes of their income and substitution effects. Given the net stimulus to employment and output, there is the logical possibility of excess demand for labour at full employment, where the full employment level of employment has been artificially reduced in the presence of a BI.⁴

In the absence of an inbuilt counter-inflation mechanism, this excess demand would cause demand-pull inflation. Rising wages would make the BI relatively less attractive. This may lead to some 'lifestylers' choosing to return to the labour market, while the government may respond by raising taxes and/or reducing government expenditure, which would tend to raise unemployment. In both cases demand pressure would decline, but to the extent that the inflationary process had assumed a cost-push form, wage and price inflation may only decline slowly.

It is thus possible that an unsustainable dynamic could be generated in which there are periodic phases of demand-pull inflation and induced cost-push inflation at low rates of unemployment, followed by a contractionary policy and high rates of unemployment. These economic outcomes are consistent with indiscriminate Keynesian policy of the past. The dynamic efficiency of such a pattern is highly questionable given that the hysteretic consequences of unemployment keep being manifested. Even if this Keynesian expansion could achieve full employment, considerable economic inflexibility is created. The ebb and flow of the private sector cannot be readily accommodated, and the likelihood of inflation is thus increased (Forstater, 2000). In addition, the inflationary process at full employment could threaten to change the distribution of real income, weakening the inducement to invest and making the achievement of sustained full employment even more difficult (Rowthorn, 1980). Over time there would be political pressure to raise the BI in line with changing community expectations that reflect the higher wage levels. Policy makers would need to correctly anticipate the impact on labour supply.

Thus, the introduction of a BI policy designed to achieve full employment is likely to be highly problematic with respect to its capacity to deliver both sustained full employment and price stability. Such a policy is inconsistent with criterion two or criterion three or both.

Some BI supporters recommend financing the BI through other forms of taxes to avoid alienating workers, but there appears to be no consensus. If taxes are shifted from labour to capital – bringing about a nominal redistribution of income – this may weaken the inducement to invest or induce price increases to restore the real distribution of income.

Finally, we need to consider the effect of a BI on social attitudes to work and non-work. While BI advocates argue that the universality of the payment will make it more acceptable to the community, this claim ignores the distinction between BI recipients who choose to work and those that choose no paid work. Beder (2000,p.2) observes that work is still:

"...at the heart of capitalist culture ... [and] ... to make sure there is no identity outside of employment, the unemployed are stigmatised. They tend to be portrayed in the media as either, frauds, hopeless cases or layabouts who are living it up at taxpayers' expense. Work is seen as an essential characteristic of being human. No matter how tedious it is, any work is generally considered to be better than no work."

We thus argue that the introduction of a BI is likely to further violate attitudes to work and non-work.

In summary, the BI fails to satisfy the essential criteria for an effective and sustainable full employment policy as outlined in Section 3.1. Any policy that enforces the imposition of a liveable BI violates attitudes to work and non-work. A BI policy achieves full employment, in part by engineering an artificial reduction in labour supply, which is likely to be unsustainable because of frequent episodes of stagflation, which impact on the real distribution of income. And a BI that fails to achieve full employment despite its impact on labour supply, does not provide sufficient hours of work to meet the preferences of the labour force.

3.4 How does the JG measure up?

We now assess the Job Guarantee model against our essential criteria and conclude that it meets all the conditions for an effective and sustainable full employment policy.

Under the JG policy, every worker unable to find a job or to secure sufficient work in the standard labour market is guaranteed a public sector job. The public sector continuously absorbs all currently idle workers into paid employment at a basic wage that it sets and maintains. Government employment and spending are determined by the level required to generate enough hours of work to meet the preferences of the labour force and automatically increases (decreases) as jobs (gained) in the private sector.

Mitchell and Watts (2001) show that, in the first instance, the JG sets a wage floor in the economy and provides jobs for the existing unemployed (plus hidden unemployed). There are no relative wage effects and the rising demand *per se* does not necessarily invoke inflationary pressures because firms are likely to increase capacity until they meet the higher sales volumes. However, while the JG policy frees wage bargaining from the general threat of unemployment, two factors offset this.

First, in professional occupational markets, while any wait unemployment discipline wage demands, the demand pressures may eventually exhaust this discipline. Second, while it is likely that the JG workers will have lower levels of productivity than their private sector counterparts, Mitchell and Watts (2001) consider the productivity to be embodied in the job rather than the worker. Private firms would still be required to train new workers in job-specific skills the same way they would in a non-JG economy. However, JG workers are likely to retain higher levels of skill than those who are forced to endure long periods of unemployment.

This changes the bargaining environment rather significantly. It reduces the costs for firms in tight labour markets who previously would have lowered their standards and provided on-the-job training and vestibule training. They can offer higher wages to attract workers or accept the lower costs that would ease the wage pressures. The JG policy thus reduces the 'hysteretic inertia' embodied in the unemployed and allows for a smoother private sector expansion because bottlenecks are reduced.

With respect to the third criterion, the JG has an inbuilt inflation control mechanism (Mitchell, 1998; 2001). The ratio of JG employment to total employment is defined as the Buffer Employment Ratio (BER) and it is this ratio that conditions the overall rate of wage demands. When the BER is high, real wage demands will be correspondingly lower. If inflation exceeded the government's announced target (creating wage-price pressures) tighter fiscal policy would be triggered, restricting aggregate demand and inducing slack in the non-JG sector. The BER would increase, with workers being transferred from the inflating sector to the fixed price JG sector. Ultimately this attenuates the inflation spiral (Mitchell and Watts, 2001). Thus, instead of unemployment being used to discipline the distributional struggle, the JG policy achieves it via compositional shifts in sectoral employment.

The JG policy introduces what may be referred to as 'loose full employment'. The demand pressures it invokes are less than if the unemployed were fully employed at market wages in the private sector, and there is no disruption to the relative wage structure of the private sector. The BER that results in stable inflation is called the Non-Accelerating-Inflation-Buffer Employment Ratio (NAIBER). It is a full employment steady state JG level, which is dependent on a range of factors including the path of the economy. Its microeconomic foundations bear no resemblance to those underpinning the neoclassical NAIRU.

The Job Guarantee model is based on a model of community in which all members feel they have a meaningful stake and the most disadvantaged workers are guaranteed employment opportunities and the security of a living wage in hard times. It is a model that is therefore accessible to the disadvantaged and JG jobs can accommodate access to support services, where and when, required.

Under the JG proposal, guaranteed work would be provided without the unemployment benefit being available. The notion of 'mutual obligation' would be redefined since the receipt of income by the unemployed worker would be conditional on taking a JG job. In the current system, persons eligible for unemployment benefits are generally required to participate in mutual obligation activities in exchange for their payment, yet the state takes no responsibility for the failure of the economy to generate enough jobs. In a JG system the state assumes this responsibility and remunerates employees with award wages and conditions. We argue that this arrangement reflects community norms with respect to wage and non-wage benefits.

Saunders (2002a) reports results from the Coping with Economic and Social Change (CESC) survey, which was designed to focus attention on the value frameworks of Australians as revealed by their attitudes to change, to the causes of social problems and the role of the state in addressing them. The survey results showed that attitudes to mutual obligation requirements and the degree of support provided to the unemployed, vary according to the characteristics of the unemployed and respondent's views on social issues generally. Saunders (2002a) argues that these attitudes reflect deep-seated views about deservingness and responsibility for one's circumstances. We would expect that in creating circumstances in which an individual's opportunity to engage in paid employment and earn a living wage is guaranteed, the JG would support current social attitudes towards work and non-work. As a policy mechanism it would, at the same time, dampen any resentment felt towards that proportion of unemployed persons who are currently perceived as undeserving of state support and assistance.

The JG approach forecloses the free-rider option that is available in unconditional basic income and creates the possibility that BI will be self-defeating in pursuit of tax-financed social welfare goals. In a society which values the notion of reciprocity, the guaranteed work model ensures that "no group would be sidelined as an idle underclass wholly dependent on other people's payments" (Jackson, 1999, p.653).

Finally, the JG approach plays explicit regard to the scale of macroeconomic activity relative to the ecosystem. It acknowledges that debates about the expansion of a demand required to keep pace with labour force and productivity growth – and the need for sufficient hours of work for underutilised labour – must recognise the existing constraints on our environment. The need to change the composition of final output to environmentally sustainable, which are unlikely to be undertaken by private sector due to their public good characteristics, is taken as given. JG jobs can be designed to not use, or make little use of, non-renewable resources, and that do not pollute or degrade as little as possible. These advantages may be gained even if the activity or service is directly concerned with the environment (Forstater, 2002).

In addition, JG jobs can help promote sustainability by providing environmental services such as reforestation, sand dune stabilisation and river valley control. Forstater (2002) argues that a potential environmental benefit of public employment schemes is increasing the expertise in sustainability and such practices available in private industry through the movement of JG workers to the private sector. The JG proposal would also partition decisions about activities from the pressure to create jobs in economically depressed regions. Critical decisions could then be made with reference to broad economic, social and environmental criteria.

4 Coercion and the future of work

In the previous section we established a preference for the Job Guarantee in terms of its ability to satisfy the essential conditions for a successful full employment policy in the face of the constraints of a monetary capitalist system. The case made for the JG leaves outstanding and important issues to be discussed:

- 1 Is a compulsory JG overly-coercive?
- 2 Does the BI model introduce dynamics that can take us beyond the oppressive reliance on work for income security?

For example, Van Parijs (1993) considers 'a capitalist road to communism' through the introduction of a universal income guarantee. We will argue that the JG represents a stronger evolutionary dynamic in terms of establishing broader historical conditions away from the unemployment (and income insecurity) that is intrinsic to the current mode of production. We see the JG as a short-run palliative and a longer-term catalyst for historical change.

4.1 Coercion

If the vast majority of workers prefer to work, then the systemic failure to provide a sufficient quantum of jobs imposes harsh costs that can be alleviated by the introduction of a JG. In this regard, the JG is a source of freedom – capitalist property relations notwithstanding. But it is entirely possible that some people – the ‘sea-changers’ – do not value work in any intrinsic sense and, if confronted with the choice between the JG and a BI, would take the latter option every time. A blanket JG is coercive in its impact on this particular group. The BI advocate would likely recommend a simple modification that would ‘merely’ make the JG voluntary within the context of a universal BI.

To understand this criticism of the JG, we note that the underlying unit of analysis in the BI literature is an individual who appears to resemble McGregor’s (1960) Theory X person. Theory X people are found in neo-classical microeconomics textbooks and are self-centred, rational maximisers. In this conception, Thurow (1983,p.216) says “man is basically a grasshopper with a limited, short-time horizon who, liking leisure, must be forced to work and save, enticed by rewards much greater than those he gets from leisure”.

Reinforcing this conception of human behaviour is a libertarian concept of freedom. Optimal outcomes require an individual to have free choice and BI proponents see a decoupling of income from work as an essential step towards increasing choice and freedom. From a Marxist perspective, BI offers the hope of taking subsistence away from any necessity to produce surplus value, at least for a given individual that takes the BI. Accordingly, proposals like the Job Guarantee are met with derision because they represent the antithesis of individual freedom. Even if the vast majority of individuals desire to be employed, a flexible system would also permit those who did not want to work to enjoy life on the income guarantee.

By denying citizens the opportunity to choose between the JG and the non-work alternative of the BI, it is alleged that the JG becomes an unnecessarily coercive and harsh system. However, taking the orthodox government budget constraint version of the BI at face value, confronts BI proponents with a major dilemma. To finance the scheme, some people have to work. It is difficult to believe that all those who are working are choosing to work in preference to not working. However, under capitalist property relations, workers in general have to work to survive.

Van Parijs (1993,p.179) asks “what is ‘unfair’ about living off the labour of others when everyone is given the same possibility? Facing this possibility, some will choose to do no or little paid work. Others will want to work a lot, whether for the additional money or for the fun of working, and thereby finance the universal grant. If the latter envy the former’s idleness, why do not they follow suit?”

There are a number of problems with this conception of a free and fair system. First, our lives do not all begin at the time of the inception of the BI. Individuals who, under different circumstances, may have taken the no-work option have entered into commitments, like having children. In that sense, prior constraints prevent them from ‘enjoying’ the freedom. Second, the financing logic fails due to the inherent fallacy of composition. The BI system becomes undefined if everyone chose to take the non-work option. So we are left with the uncomfortable conclusion that under the BI, the ‘coercion of work’ is neatly transferred to those who do not take the BI, while under the JG, the ‘coercion of work’ is shared by all.

No form of wage labour is non-coercive under capitalism. The question is w of coercion are most likely to lead to changes in the mode of production over importance of the work ethic in reinforcing capitalist social relations c underestimated. We repeat Beder’s (2000,p.2) observation that the problem is remains at the “heart of capitalist culture ... and is seen as an essential charac being human”. No matter how tedious it is, any work is generally considered t than no work.

The BI proponents argue that the introduction of a universal income guaran us “closer (*ceteris paribus*) to communism, as defined by distribution according (Van Parijs, 1993,p.162). In other words, the BI approach contains a dynami steer society away from capitalism towards a communist state. Marxist suppor BI see this as a major advantage, a palliative under capitalism but also the seed In the next section we will consider the validity of this claim.

4.2 Transition to the future of work

In Australia there are several trends that are placing our traditional notions of income under stress:

- There has been a decline in the growth of full-time jobs and a striking shar jobs are part-time and precarious (Borland *et al.*, 2001).
- Unemployment has persisted at high levels for nearly 30 years.
- There is growing underemployment among part-time workers.
- The number of marginal workers is rising as is the number of former work supported by disability pensions.
- There has been a polarisation emerging between those with too much work underemployed with too little (Watts and Burgess, 2000).
- Reflecting these labour market trends, Australia is experiencing rising inco inequality with the bottom 50% of the population having a smaller income the top 10% of income earners (Saunders, 2001, Table 3).

The future of paid work is clearly an important debate. The traditional moral vi the virtues of work – which are exploited by the capitalist class – need to Clearly, social policy can play a part in engendering this debate and help transition dynamics. However, it is likely that a non-capitalist system of work a generation is needed before the yoke of the work ethic and the stigmatisation of is fully expunged.

The question is how to make this transition in light of the constraints t places on the working class and the state. BI advocates argue that their approac exactly this dynamic.

Clearly, there is a need to embrace a broader concept of work in the fir decoupling work and income. However, to impose this new culture of non- society as it currently exists is unlikely to be a constructive approach. T resentment of the unemployed will only be transferred to the ‘Malibu surfers’!

Social attitudes take time to evolve and are best reinforced by changes in the educational system. The social fabric must be rebuilt over time. The change in mode of production through evolutionary means will not happen overnight. Concepts of community wealth and civic responsibility, that have been eroded by the divide and conquer individualism of the neo-liberal era, have to be restored.

5 Conclusion

Work remains central to identity and independence in contemporary Australia and persistent unemployment remains the central cause of income insecurity. While the introduction of an unconditional Basic Income has superficial appeal – as a means to allow individuals to subsist without work – the model fails to come to grips with the failure of macroeconomic policy to provide paid employment opportunities and secure incomes for all.

Blinder (1988, p.1) was right to describe reducing high unemployment as a “political, economic and moral challenge of the highest order”. In this paper, we set out the conditions that must be met if a full employment strategy is to be both effective and sustainable. Unlike the BI model, the Job Guarantee model met each of these conditions within the constraints of a monetary capitalist system. Little (1998, p.131) notes that:

“Basic income advocates may suggest that the decoupling of income from work performed is likely to result in a growth of activity in the voluntary community sphere but do not identify clearly enough how community relations are going to be developed sufficiently. In other words, pecuniary measures associated with basic income cannot, by themselves, regenerate the concept of community and a more forthright and clearly defined role for the state is necessary.”

This role for the state is embodied in the Job Guarantee. It is a far better vehicle to rebuild a sense of community and to extend the purposeful nature of work beyond the creation of surplus value for the capitalist employer. It also provides the framework whereby the concept of work itself can be extended and broadened to include activities that we would dismiss as being ‘leisure’ under the current ideology and persuasions. In other words, the JG can take us into a convergence with the BI aspirations via the development of concepts of work within the work ethic paradigm.

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Notes

- 1 The level of aggregate demand is adjusted to ensure that the economy provides work opportunities.
- 2 NAIRU is an acronym referring to the Non-Accelerating Inflation Rate of Unem. There is a growing literature outlining fatal flaws in the NAIRU approach, which unsuitable as a policy framework (see Mitchell, 2001).
- 3 The CoffEE measure of hours based underutilisation, including unem underemployment and hidden unemployment, stood at 10.7% in May 2004.
- 4 The alternative is that the excess demand for goods would be increasingly met vi. The consequential effects for the exchange rate and the domestic price level would be the inflationary pressure.