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REVIEW

For a job guarantee policy

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Review of the book

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In the consensually accepted definition, an unemployed person is anyone who, being able and willing to work for the prevailing market wage, looks for a job and does not find one. Seen as a concept, unemployment sounds abstract and distant. But in the daily reality, material and subjective, of each person and each family that faces it, unemployment shows itself as it is. More than a statistic or a macroeconomic indicator, unemployment is a personal, family and social tragedy. And it is worth remembering that it only exists in societies in which people's survival depends on the demand for their labor capacity. For the vast majority of people in contemporary capitalist societies, earning income from work is an indispensable condition for life.

Since its beginnings, in the second half of the 18th century, Political Economy has dealt with the themes of labor and employment. Analyzing societies in accelerated transformation, the first economists asked themselves about the fate of this new social class, the workers, formed from the dissolution of feudalism and the constitution of a new and *sui generis* market: the labor market (Belluzzo, 1998). Would the workers, now free from the bonds of servitude but also from the traditional forms of social protection, be fully absorbed in the market? How would wages be determined and what would guarantee their compatibility with human needs?

The science of Political Economy – the one to which Adam Smith gave birth – was born in a society rife with antagonisms and conflicts. As a method, it naturalized its social object, trying to dress itself in a way to hide its “shame”. It was right in the second chapter of the *Wealth of Nations* that Smith delivered his sharp blow: markets exist because they express a human desire that should not be repressed. People are endowed with a natural propensity to exchange or barter, which would explain not only the origin and generalization of markets but also the increase in productivity, resulting from the division of labor, the increase in wealth and even the origin of currency.

As this new form of social organization, which emerged in Britain in the eighteenth century, spread geographically and moved through historical time, its tensions and crises were revealed. Giants of social thought in the 19th and 20th centuries strove to explain, critically, why there was nothing natural or idyllic about this new form of social organization. And that its disruptive potential was immense. However, as masterfully pointed out by David Graeber (2011), despite having been debunked by critical thinkers and economic anthropology, the myths created by Liberalism are to this day the basis of common sense about the functioning of the economy (and the society in which it is embedded).

In fact, classical Political Economy bequeathed us a fundamental trap: that there is, on one side, a set of natural-spontaneous laws that dictate the efficient operation of the economy, the so-called market logic; and that on the other side is the state logic, artificial and

pernicious when it does not conform to those supposed laws. However, this dichotomy is false. Markets were not born and did not spread because man's nature wanted it that way. Markets and states were born together and have always been intertwined. In Graeber's words (2011, p. 71): "States created markets. Markets require states. Neither could continue without the other, at least, in anything like the forms we would recognize today."

In a "monetary economy of production",¹ in which the State is and has always been present, unemployment is a social phenomenon, both economic and political, that cannot be particularized or naturalized. It has become common sense to attribute the ability to get a job to the individual characteristics of the applicant, especially the level of qualification. However, one's qualification is not enough to create a job vacancy. If the vacancy exists, but two workers are equally qualified for it, one will experience the hardships of someone who cannot support himself through work, and at the same time society will be wasting his ability to work. If there are ten qualified workers for that position, nine will be "left out", that is, nine families will not have access to the income from work, at the same time that society will be giving up the labor capacity of nine people. What if there are millions who look for a job and cannot find one? And what if those who are employed receive a salary that provides them with precarious and undignified living conditions?

Pavlina Tcherneva tackles these questions head on in her latest book. Published in 2020, *The Case for a Job Guarantee* proposes, throughout its six chapters, a critical reflection on conventional macroeconomics from an approach based on Modern Money Theory (MMT), and argues for the need of a public job guarantee program. In chapter 2, the author warns readers about the strange worldview of mainstream economists (Tcherneva, 2020, pp. 22-23):

Modern societies have arrived at the moral position that policy should do all it can to eradicate illiteracy, hunger, and homelessness. Without question, we can and must do much better in doing so, but we do not design or implement policy on the basis that there is some optimal level for these social ills. [...]

And yet economists regularly talk about unemployment in these terms – as something that is not only inevitable, but also necessary for the smooth functioning of the economy – and formulate policies on the premise that there is a "natural" level of unemployment.

The bastard heirs of Adam Smith's Liberalism, contemporary macroeconomists postulate the existence of a natural rate of unemployment, one that does not accelerate inflation (NAIRU).² Unlike the unemployment rate calculated by institutions that produce

¹ Expression coined by Keynes in 1933. See Keynes (1973).

² NAIRU: Non accelerating inflationary rate of unemployment.

statistics, such as the Brazilian Institute of Geography and Statistics (IBGE), the natural rate is a theoretical construct (unobservable), a variable defined “backwards”. How? Once expectations of future inflation converge with the targets set by central banks, that rate that can never be observed is unveiled: the natural rate of unemployment.

Keeping this fallacious framework in mind helps to explain why, in October 2022, when the unemployment rate in Brazil was estimated at 8.7% and inflation expectations were converging to the target set by the Central Bank (Banco Central do Brasil, 2022, October 21),³ economists are recalculating the natural rate of unemployment and concluding that it is falling – get this – from 10% to 8.5%.⁴ Tcherneva (2020) once again does us the courtesy of giving things their adequate names. For example, when economists ask rhetorically “What is the natural rate of unemployment?”, the real questions, which are masked, are the following: i) How many people should remain without paid work?; and ii) How should policy makers proceed to ensure that they remain unemployed, all in the name of inflationary stability? Yes, because the whole “art” of contemporary economic policy is supposedly to anchor current price stability in unemployment. Thus, if actual observed unemployment is below what would be natural, but inflation expectations are higher than the target, it will be up to policy makers to increase the number of unemployed. In another scenario, if inflation expectations converge to the Central Bank’s target, but the observed unemployment rate is higher – even if it is much, much higher – than the natural rate once estimated, what should we expect? That economists review their theoretical framework? Unfortunately, this is not what we observe.

As we go on reading this indispensable book we come across another reality conveniently hidden by mainstream economics: unemployment does indeed represent a huge waste of productive resources and a huge social cost! Once again Pavlina Tcherneva names the obvious. Unemployed people, because they are prevented from earning their own living, get sicker – a phenomenon amply documented in the literature. Rates of alcoholism, depression, and anxiety, among other illnesses, are higher among those who are unemployed, relative to those who are employed. Additionally, data shows that parental unemployment is among the most important causes of child malnutrition, poor school performance of students, child and adolescent mental illness and so on.

In her words (Tcherneva, 2020, pp. 32-33):

³ On the Brazilian Central Bank’s website you can find the main economic indicators for Brazil. Available at: <https://www.bcb.gov.br/estatisticas>.

⁴ The argument is that the Brazilian economy is approaching “full employment”, although this situation may not be sustainable in the coming quarters (Barboza & Borges, 2022, October 6).

Just like we do not talk about the optimal level of homelessness or illiteracy, the notion of “optimal unemployment” would not survive long if economists took full account of its social and economic costs. A wealth of research from psychology, the cognitive sciences, and public health indicates the costs of unemployment, poorly paid employment, unstable and erratic employment, and involuntary part-time employment are simply staggering. This suggests that we should think of unemployment and precarious employment as a disease – at once vicious, chronic and deadly.

If the contribution indicated so far – unmask mainstream economics – were the only one of the book, reading it would already be fully justified. But this is not the case, for the author presents an ambitious public policy alternative that can address the seriousness of the problem: a Job Guarantee Program. Indeed, a public policy to guarantee the right to paid employment, a right that is reaffirmed in the *Universal Declaration of Human Rights*, is not exactly new. In the United States, for example, the *Economic Bill of Rights* was part of the New Deal policy package. Recently, it has reappeared at the center of the Green New Deal proposal.

A job guarantee policy, in the terms proposed by Professor Tcherneva, provides an opportunity for anyone seeking employment, regardless of their individual circumstances and abilities, and regardless of the conditions of the economy – that is, whether the supply of vacancies in the market is increasing or decreasing. As a policy, it guarantees universal but voluntary access to a job whose pay and benefits should allow for decent living conditions. Under these conditions, the wage received by a worker in the program will effectively be the minimum wage in society, so the program has the potential to reorganize the labor market as a whole and function as an automatic stabilizer for the economy, allowing smoother transitions through the economic cycle.

After facing throughout the book, with rigor and creativity, crucial issues involved in the implementation of the program – for example, how it could be financed – the author will, in the end, jam it in the center of the environmental agenda. She brilliantly argues that the job guarantee is a “green” proposal, the only one capable of simultaneously preventing the devastation of natural resources and the waste of human resources. Thus, the book is an invitation to critical reflection on fundamental contemporary issues, very useful not only for professors, students, and economics researchers, but for everyone who is concerned about the future of our society.

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6