



**Centre of Full Employment and Equity**

**Working Paper No. 03-08**

**The right to work versus the right to income**

Sally Cowling, William Mitchell and Martin Watts

July 2003

Centre of Full Employment and Equity  
The University of Newcastle, Callaghan NSW 2308, Australia  
Home Page: <http://e1.newcastle.edu.au/coffee>  
Email: [coffee@newcastle.edu.au](mailto:coffee@newcastle.edu.au)

## 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, 1989: 139).

Sadly, Blinder’s 1987 challenge to the economics profession in the US 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 and 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 those who are employed. The result has been persistently high unemployment and rising levels of underemployment (Mitchell and Carlson, 2001). Ironically, highly desirable, labour-intensive projects go undone to the detriment of all (see Mitchell, 1998; Wray, 1998). The cumulative costs of the foregone output and unemployment are huge and dwarf the costs of alleged microeconomic of inefficiency (Mitchell and Watts, 1997; Watts and Mitchell, 2000).

After 28 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 3 weeks in 1966, was 45 weeks in February 2003 (ABS, 6203.0). 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 February 2003 - when the official unemployment rate was 6.6 per cent - 12.5 per cent 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 2003 in lost potential output (CofFEE, 2003).

At the same time, employment growth has been concentrated in part-time and casual work. Over the last ten years, full-time employment has increased by 14.4 per cent against growth in part-time employment of 33.6 per cent. Over the same period, the number of permanent jobs increased by 14.7 per cent, while the number of casual jobs increased by 34.5 per cent. Casual employment, although accounting for only 22 per cent of all jobs in 1992, has comprised 47 per cent of the increase in employment in the last decade (ABS, 6310.0).

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, Gregory and Sheehan (2001: 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 proposals to introduce a Job Guarantee (JG). Both 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 security (see Van Parijs, 1997; Widerquist and Lewis, 1997; Clark and Kavanagh, 1996; Lerner, 2000; and Tomlinson, 2000). An alternative strand of progressive thought focuses on unemployment, aiming to address the principle cause of income insecurity by restoring the role of the State as an ‘employer of last resort’ (see Mitchell, 1998; and 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 wage to all unemployed (Mitchell and Watts, 2001) as well as a Community Development Job Guarantee in which jobs are provided for both the young and long-term unemployed (Mitchell, Cowling and Watts, 2003).

In assessing the place of each proposal in a full employment strategy the paper will be 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 the 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 the BI and JG and the possibility 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 we structure the problem is an important influence on the discourse we conduct and the solutions we propose (Bacchi, 1999). How then do proponents of a BI and JG construct the problem of income insecurity? We will argue that while the BI construct is consistent with the neo-liberal economics of individualism and competitive markets constrained by market imperfections, the JG construction centres on system failure in the form of ill-conceived and executed 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 the introduction. 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: 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 (1997: 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: 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.

While macroeconomic analysis within the BI literature is seemingly limited to how the scheme would be financed, its advocates, none-the-less, argue that the introduction of a BI is a means to reconcile the objectives of poverty relief and full employment (see Van Parijs, 2000; Clark and Kavanagh, 1996; 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, and rarely explained. However, Van Parijs (1991) presents a discussion that it 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 lies beneath. The model does not offer a macroeconomic explanation for involuntary unemployment but imposes it as a consequence of a departure from a competitive situation. The nub of his argument is as follows. Firms are happy to pay above-competitive wages because they face workers who will ‘shirk’ unless the cost of losing their jobs (higher wage) is significant or they induce higher productivity by paying higher wages. Van Parijs (1991: 122) says “(E)ven in a competitive context, firms will pay their employees higher wages than those they could get away with by hiring equally skilled unemployed workers.” A thought experiment, where all workers have equal ‘wealth’ endowments (including skills) leads Van Parijs (1991: 124) to conclude:

“...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 system.

However, this conception of the problem leads to a rather bizarre, and very neoclassical, solution in terms of a redistribution of a type of ‘property right’

represented by the alleged existence of 'employment rents'. Van Parijs (1991: 124) saying that in the case of scarce jobs: "...let us give each member of the society concerned a tradable 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 above-competitive equilibrium wage levels, 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 up so that the employed person can earn above competitive wages. Van Parijs (1991: 124) 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."

He then extends the argument to encompass a fully employed efficient-wage economy, recognising that the existence of employment rents does not automatically mean unemployment. Low-wage workers may covet higher wage jobs and be willing to do those jobs but rationing prevents this from happening. In Van Parijs' terms what is crucial for his 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"(1991: 125).

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 paid employment. Rather than tackle the problem at source, full employment is engineered through an artificial withdrawal of labour supply. In the current parlance, the 'unemployed' are reclassified as 'not in the labour force' and the unemployment problem is 'solved'. Van Parijs concludes that the case that the surfers are living off others is invalid because:

"...it is a serious misdescription of what Malibu surfers are doing if all they live off is their share, or less than their share, of rents which would otherwise be monopolized by those who hold a rich society's productive jobs" (1991: 130-31).

But are these employment rents illusory and, if so, what does this do for the logic of justice that underpins the BI approach that Van Parijs advances? Do the efficiency-wages serve a function to ensure stable working relations and higher than otherwise productivity? What is the impact of taxing the wages of the employed (seeking to tax the so-called employment rents) and using them to provide basic income for the unemployed?

In fact, there are insurmountable problems with this conception of unemployment and the model for financing the BI. The wage bargains (within efficiency wage theory) reflect freedom of association and maximising decisions on both sides of the contract. A crucial role of the 'efficiency wages' is to ensure higher productivity is gained. 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. 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. The 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 setting the problem up 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 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, which 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 this 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 not generate it and one person's freedom from the work exigency in capitalism is another worker's alienation.

There is a presumption in the BI literature that the good (employed) life that the worker has is at the expense of the unemployed and that scarcity is the problem. But while jobs might be scarce can we say that there are no useful activities for the 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 look at why people are being deprived of 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 have risen and persisted at higher levels since the first OPEC shocks in the 1970s. A regime shift in macroeconomic policy, epitomised by the pursuit of budget surpluses and tight monetary policy, has seen the deliberate and persistent deflation of national 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: 85). 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 high unemployment in the 1970s maintained what Paul Ormerod has described as a "...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 makes employment available to the less skilled, the less qualified" (1994: 203).

Unlike the BI story, the Job Guarantee model explains the persistence of unemployment as a system failure – the result of erroneous macroeconomic policies, which have failed to generate enough jobs, and enough hours of work, to match the 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 budget parameters. Persistent unemployment is the product of persistently inadequate budget deficits. Ipso 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 and 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 Watts (2001). A fully costed and operational model of a Job Guarantee program targeted to the young and long-term unemployed is detailed in Mitchell, Cowling and Watts (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 organizations (see Mitchell, Cowling and Watts, 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. As the JG wage would accrue to individuals, family income supplements would continue to be available.

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 programs, mandatory employment under the JG provides on-going productive employment paid at the award wage rather than a program placement 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 (to ensure that the economy provides sufficient work opportunities) rather than by engineering labour supply adjustments, which define the problem away. 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.

The BI approaches the question of income security from the pessimistic view that unemployment is inevitable and a result of market imperfections rather than a 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. They generate full employment by encouraging an artificial labour supply withdrawal. 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 disability pension recipients, particularly concentrated among difficult to employ and older workers, has been a notable trend in several countries in the 1990s. 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, it was concluded that a return to sustained full employment was required as the most effective policy response to income insecurity. In this section, we outline the conditions that a full employment policy has to satisfy to be effective and assess how the BI and JG measure up against these conditions?

#### **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 inflation control mechanisms in-built;
4. It must be accessible enough to embrace the disadvantaged; and

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

We will now develop each of these in turn.

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 at (or near) to full employment with an unemployment rate of around 6 per cent (Channel Ten, Meet the Press, 4 May 2003). In the 1980s, neo-liberal economists argued that an unemployment rate of 8 per cent coincided with full employment (see Mitchell, 1987 for a discussion). We would argue that full employment is about the number of jobs relative to the willing labour force (including the hidden unemployed) after allowing for a small percentage of frictional unemployment. Further, the definition of full employment must also embrace zero underemployment, and thus take into account the hours of work available relative to hours aspirations. Using the methodology established in Mitchell and Carlson (2001) underemployment in Australia in late 2002 is estimated at between 3 and 4 per cent of all available labour. We would conservatively double the official measured unemployment rate to establish the degree to which the Australian economy is deviating from full employment.

The disparate views on full employment relate to how we define it. The Great Depression taught us that, without government intervention, capitalist economies are prone to lengthy periods of unemployment. The Second World War experience proved that full employment could be maintained with appropriate use of budget deficits. The orthodox neoclassical remedies tried during the 1930s largely failed and the challenge at War's end was to translate the fully employed war economy, with extensive civil controls 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 of 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 it implicitly played the role of '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 rises 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<sup>1</sup>, redefines full employment in terms of a unique, and demand-invariant, unemployment rate (the NAIRU) where inflation is stable. 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 expansionary fiscal and monetary policy, designed to drive unemployment below the NAIRU, will only generate inflation, and the policy focus has thus shifted to microeconomic reform in the guise of labour market deregulation, and related institutional arenas like welfare, education and training 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 the fiscal authorities have further worsened the situation with complementary austerity.

#### It cannot threaten the distribution of real income

Understanding the debate between the 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, Reich and Gordon, 1975).

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

“...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 Keynes (and Post Keynesian thought) are valid, they are only proximate causes. The underlying cause is the existence of the capitalist property relations.

Within this context, unemployment is functional in the sense that it serves to discipline the working class aspirations for more real income (Mitchell, 1987). Kalecki (1943) noted that the attainment of full employment was not difficult to achieve in terms of the macroeconomic policies that were required. Rather the success of these policies would depend on the “class interests and thus ‘political aspects’ of the economy” (Dixon, 2003: 9). More recently, Rowthorn (1980: 134) outlines the limits of distributional activity that workers can engage in within a capitalist system and states the “obvious” fact that:

“...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.”

The State must thus work within the political economy of capitalism and not introduce policies that will endanger the accumulation of capital, and the rate of profit required by capitalists to continue investment.

#### It must have inflation control mechanisms in-built

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

Inflation targeting, in which the Reserve Bank uses unemployment as a weapon to reduce price level pressures, is the most active component of aggregate policy at the present time. It is thus imperative that a full employment policy be designed that can also deliver inflation stability.

#### It must be accessible enough to embrace the disadvantaged

Unemployment does not impact evenly across skill and demographic groups, its burden falling 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) 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” (OECD, 1998: 11).

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.

#### 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, 2002). 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.

### 3.2 Desirable Criteria

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

1. Jobs that contribute to environmental sustainability;
2. Provision of community value-adding activities;
3. Provision of inter-generational reductions in disadvantage; and
4. Provision of training and upward mobility opportunities.

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

First, employment and related productive activities should 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.

Second, employment initiatives should advance community development and wellbeing. Gorz (1992) argues that regenerating the concept of community and providing access to work in the public sphere is essential to economic citizenship and participation in the social processes of production. Healthy communities are seen as spaces that encourage and enable participation in social and democratic life. Research conducted by the Australian Housing and Urban Research Institute (AHURI) has highlighted the spatial patterns of change in population, employment and investment, social disadvantage, infrastructure and environmental quality in Australia's cities and the resulting wide disparities in the vitality of local communities. The researchers argue that we need to consider the issues involved in problems such as social polarisation, and prescribe workable strategies through which disadvantaged communities can regenerate. Such initiatives will need to extend beyond 'parachuting' solutions into localities from outside or relocating individuals and families to communities of greater opportunity (AHURI, 1999: 3).

Third, employment policy should be designed to arrest the inter-generational transmission of disadvantage. There are an increasing percentage of households (in Australia) in which neither parent undertakes paid work (Dawkins, Gregg and Scutella, 2002). This trend to increased household joblessness is likely to have significant repercussions for the next generation of potential workers. Saunders (2002: 177) notes that while little is known in Australia about the longer term consequences of extended periods without work, the initial analysis of longitudinal social security data suggests the inter-generational transmission of disadvantage. Saunders cites Australian research by Pech and McCoull (2000) indicating that young people aged between 16 and 18 living in families 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 on social security.

Finally, employment policy should provide opportunities for skill and career development. Elster (1988: 66) 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 one's

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, degrading and isolated. In addition, Bell (2002: 25) notes that increased competition for jobs, the impact of new technology, and changing employment patterns are placing an employment premium on skills and credentials; while Dowrick (2002) argues that investment in human capital (the education and skills of individuals) has the potential to enhance economic growth over the long time period. The accumulation of abilities contributes to psychic rewards and higher earnings for the individual; while the more skilled the workforce, the greater their capacity to absorb, implement and adapt new ideas.

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

### 3.3 How does the BI measure up?

The effect of introducing a Basic Income 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, financed by the imposition of a flat income tax. With respect to our five essential criteria, what impacts are likely under conditions where (1) the impact on the budget is neutral; and (2) the BI is deficit-financed?

#### 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 labour force participation rate in Australia rose from 61.9 per cent in February 1986 to 74.8 per cent in May 2000. 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: 35-36) note that 10 per cent 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 the 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 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 may exploit the large implicit subsidy by reducing wages and conditions, while the likely replacement of some full-time jobs with low wage, low productivity part-time jobs will lead to declining rates of investment, skill development and average living standards.

It is not evident that the provision of a modest Basic Income will lead to a significant shift from market to non-market activities, given the higher marginal tax rate and the possibility of 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 number of part-time workers choosing not to engage in any paid work. However, such a BI necessarily implies a higher tax rate. Higher income earners would maintain hours of 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 levels of labour underutilisation are likely to persist.<sup>2</sup>

Little points out that while the BI might enable individuals to exist without work "it does not provide any firm promises of paid work for those who don't have a job but who want to contribute their labour to the generation of social wealth" (1998: 131). 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 also lead to a realignment of wage relativities. Cornwall (1983) argues that realignment, combined with the impact of higher taxes, may promote the operation of a wage-wage mechanism to restore previous relativities. This could promote a damaging wage-wage, wage-price inflationary mechanism, despite the existence of unemployment.

### A deficit 'financed' BI

A deficit 'financed' BI constitutes an indiscriminate Keynesian expansion in the absence of inbuilt mechanisms to counter any inflationary pressures that result. In comparison to the budget neutral scenario just outlined, a net stimulus to aggregate demand could be induced by (1) a higher BI with an unchanged tax system; or (2) an unchanged BI with lower taxes; or a combination of the two. Demand for labour would clearly increase more than under the budget neutral regime, but 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<sup>3</sup>, where the full employment level of employment has been artificially reduced in the presence of the BI.

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 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 (see 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 its capacity to deliver both sustained full employment and price stability. Such a policy is inconsistent with either 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 induce price increases to restore the real distribution of income, or will weaken the inducement to invest.

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 more leisure and no paid work. Sharon Beder (2002:2) 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.”

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 entails the imposition of a liveable BI violates attitudes to work and non-work. A BI policy that achieves full employment, in part by engineering an artificial reduction in labour supply, is likely to be unsustainable because of frequent episodes of stagflation, which could impact on the real distribution of income. And a BI, which 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 Job Guarantee policy every worker unable to find a job, or sufficient hours of work, in the standard labour market is guaranteed a public sector job. The public sector continuously absorbs all current idle workers into paid employment at a base level wage that it sets and maintains. Government employment and spending is thus 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 are lost (gained) in the private sector.

Mitchell and Watts (2001) show that, in the first instance, the JG sets a wage floor for 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 utilisation to 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 will discipline wage demands, the demand pressures may eventually exhaust this stock and wage-price pressures may develop. 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 in the same way they would in a non-JG economy. However, JG workers are

likely to have retained higher levels of skill than those who are forced to succumb to lengthy spells of unemployment.

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

With respect to the third criterion, the JG has an in-built 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, and 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” because 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 pays employees award conditions, which we argue reflect community norms with respect to wage and non-wage benefits.

Saunders (2002) 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 attitude 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 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; and as a policy mechanism would 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 under an unconditional basic income and creates the possibility that BI will be self-defeating for a government in pursuit of tax-financed social welfare goals. In a society which accords value to the notion of reciprocity, the guaranteed work model ensures that "no social group would be sidelined as an idle underclass wholly dependent on other people's tax payments" (Jackson, 1999: 653).

#### **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 within the constraints of a monetary capitalist system. The case made for the JG leaves two outstanding and important issues to be discussed:

- (a) Is a compulsory JG overly-coercive; and
- (b) 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" via the introduction of a universal income guarantee. We will argue that the JG provides a stronger evolutionary dynamic in terms of establishing broader historical transitions away from the unemployment (and income insecurity) that is intrinsic to the capitalist mode of production. We see the JG as a short-run palliative and a longer-term force 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 - the 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 be 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: 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 JG 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: 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 don’t 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 what forms of coercion are most likely to lead to changes in the mode of production over time. The importance of the work ethic in reinforcing capitalist social relations cannot be underestimated. We repeat Sharon Beder’s (2002: 2) observation that the problem is that work is still at the “heart of capitalist culture ... and 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” (Beder, 2000: 2).

The BI proponents argue that the introduction of a universal income guarantee “moves us closer (*ceteris paribus*) to communism, as defined by distribution according to needs” (Van Parijs, 1993: 162). In other words, the BI approach contains a dynamic that can steer society away from capitalism towards a communist state. Marxist supporters of the BI see this as a major advantage, a palliative under capitalism but also the seed to its end.

What is 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 work and income under stress:

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

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

The question is how to make this transition in light of the constraints that capital places on the working class and the State. BI advocates think that their approach provides exactly this dynamic.

Clearly, there is a need to embrace a broader concept of work in the first phase of decoupling work and income. However, to impose this new culture of non-work on to society as it currently exists is unlikely to be a constructive approach. The patent resentment of the unemployed will only be transferred to the “surfers on Malibu”!

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, and concepts of community wealth and civic responsibility that have been eroded over time, by the divide and conquer individualism of the neo-liberal era, have to be restored.

## 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.

Alan Blinder 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: 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 the purposeful nature of work that can extend 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” using 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.

## References

ABS (various years) *Labour Force, Australia*, Cat. No. 6203.0, Australian Bureau of Statistics, Canberra.

ABS (various years) *Employee Earnings, Benefits and Trade Union Membership, Australia*, Cat. No. 6310.0, Australian Bureau of Statistics, Canberra.

Australian Housing and Urban Research Institute (1999) *Community Opportunity and Vulnerability in Australia's Cities and Towns*, University of Queensland Press, Brisbane.

Bacchi, C.L. (1999) *Women, Policy and Politics: The Construction of Policy Problems*, Sage, London.

Basic Income European Network (2004) ‘What is Basic Income?’ available at: <http://www.etes.ucl.ac.be/bien/BI/Definition.htm>.

Beder, S. (2000) *Selling the Work Ethic: From Puritan Pulpit to Corporate PR*, Scribe Publications, Carlton North.

Bell, S. (2002) ‘The Contours and Dynamics of Unemployment’ in Saunders, P. and Taylor, R. (eds.) *The Price of Prosperity - The Economic and Social Costs of Unemployment*, UNSW Press, Sydney, 13-43.

Berger, S. and Piore, M. (1980) *Dualism and Discontinuity in Industrial Society*, Cambridge university Press, Cambridge.

Blinder, A.S. (1989) *Macroeconomics Under Debate*, Harvester Wheatsheaf, London.

Borland, J., Gregory, R.G. and Sheehan, P. (eds.) (2001) *Work Rich: Work Poor – Inequality and Economic Change in Australia*, CSES, Victoria University.

Bowles, S and Boyer, R. (1990) ‘A Wage-led Employment Regime: Income Distribution, Labour Discipline, and Aggregate Demand in Welfare Capitalism’ in Marglin, S.A. and Schor, J.B. (eds.) *The Golden Age of Capitalism – Reinterpreting the Postwar Experience*, Clarendon Press, Oxford.

Burkett, P. (1997) ‘Critical Notes on the Insider/Outsider Approach to Unemployment’, *Review of Radical Political Economics*, 29(3), 134-143.

- Clark, C.M.A. and Kavanagh, C. (1996) 'Basic Income, Inequality, and Unemployment: Rethinking the Linkage between Work and Welfare', *Journal of Economic Literature*, 30(2), June, 399-407.
- CofFEE (2003) *CofFEE Labour Market Indicators*, Centre of Full Employment and Equity, University of Newcastle, February.
- Commonwealth Treasury (2003) *Budget Paper No. 1, 2003-04*, Canberra, May.
- Cornwall, J. (1983) *The Conditions for Economic Recovery*, Martin Robertson, Oxford.
- Cowling, S. and Mitchell, W.F. (2003) 'False promise or False Premise? Evaluating the Job Network', *Australian Journal of Labour Economics*, 6(2), forthcoming.
- Dawkins, P., Gregg, P. and Scutella, R. (2002) 'Employment Polarisation in Australia', *Melbourne Institute Working Paper No. 09/2002*, University of Melbourne.
- Dixon, R. (2003) 'Davidson, Keynes and Kalecki', *mimeo*, Department of Economics, University of Melbourne.
- Dowrick, S. (2002) 'The Contribution of Innovation and Education to Economic Growth'. Paper presented to *2002 Economic and Social Outlook Conference*, University of Melbourne, April.
- Edwards, R.C., Reich, M. and Gordon, D.M (1975) *Labour Market Segmentation*, D.C. Heath, Lexington, Mass.
- Elster, J. (1988) 'Is There (or Should There Be) a Right to Work' in Gutman, A. (ed.) *Democracy and the Welfare State*, Princeton University, Princeton, 53-78.
- Forstater, M. (2000) 'Full Employment and Economic Flexibility', in Mitchell, W.F. and Carlson, E. (eds.), *The Path to Full Employment*, University of NSW Press, Sydney, 49-88.
- Gintis, H. (1997) 'Review of *Real Freedom for All* by Philippe Van Parijs', *Journal of Economic Literature*, Vol. 35, March, 181-182.
- Gorz, A. (1992) 'On the Difference between Society and Community, and Why Basic Income cannot by itself Confer Membership of Either', in P. Van Parijs (ed.) *Arguing for Basic Income: Ethical Foundations for Radical Reform*, Verso, London.
- Jackson, W.A. (1999) 'Basic Income and the Right to Work: A Keynesian Approach', *Journal of Post Keynesian Economics*, 21(4).
- Kalecki, M. (1971) 'Political Aspects of Full Employment' in Kalecki, M. (ed.) *Selected Essays on the Dynamics of the Capitalist Economy 1933-1970*, Cambridge University Press, London, 138-145.
- Lerner, S. (2000) 'The Positives of Flexibility'. Paper presented to *Basic Income European Network VIIIth International Congress*, Berlin, October.
- Little, A. (1998) *Post-Industrial Socialism –Towards a New Politics of Welfare*, Routledge, London.
- McGregor, D.M. (1960) *The Human Side of Management*, McGraw-Hill, New York.

- Mitchell, W.F. (2001) 'The Unemployed Cannot Find Jobs That Are Not There', in Mitchell, W.F. and Carlson, E. (eds.) *Unemployment: The Tip of the Iceberg*, CAER-UNSW Press, Sydney, 85-115.
- Mitchell, W.F. (1998) 'The Buffer Stock Employment Model – Full Employment without a NAIRU', *Journal of Economic Issues*, 32(2), 547-55.
- Mitchell, W. F. (1987) 'The NAIRU, Structural Imbalance and the Macroequilibrium Unemployment Rate', *Australian Economic Papers*, 26(48), 101-118.
- Mitchell, W. F. (1996) 'Inflation and Unemployment: A Demand Story' Paper presented to *European Unemployment Conference*, sponsored by the European Commission, at the European University Institute, Florence, November 21-22.
- Mitchell, W.F. and Carlson, E. (2001) 'Labour Underutilisation in Australia and the USA', in Mitchell, W.F. and Carlson, E. (eds.) *Unemployment: The Tip of the Iceberg*, CAER-UNSW Press, Sydney, 47-68.
- Mitchell, W.F. and Watts, M.J. (2001) 'The Arithmetic of the Job Guarantee', *Centre of Full Employment and Equity, Working Paper 01-03*, May.
- Mitchell, W.F., Cowling, S. and Watts, M.J. (2003) *The Community Development Job Guarantee Proposal*, Centre of Full Employment and Equity, University of Newcastle, April.
- OECD (1998) *Integrating Distressed Urban Areas*, Organisation for Economic Cooperation and Development, Paris.
- Ormerod, P. (1994) *The Death of Economics*, London, Faber and Faber.
- Rowthorn, R. (1980) *Capitalism, Conflict and Inflation: Essays in Political Economy*, Lawrence and Wishart, London.
- Saunders, P. (2003) Submission to Senate Inquiry into Poverty and Financial Hardship', Senate Community Affairs committee, Canberra.
- Saunders, P. (2002a) 'The Impact of Unemployment on Poverty, Inequality and Social Exclusion ' in Saunders, P. and Taylor, R. (eds.) *The Price of Prosperity - The Economic and Social Costs of Unemployment*, UNSW Press, Sydney, 175-193.
- Saunders, P. (2002b) *The Ends and Means of Welfare*, Cambridge University Press, Cambridge.
- Saunders, P. (2001) 'Household Income and its Distribution', *Australian Economic Indicators, June 2001*, Catalogue No. 1350, ABS, Canberra.
- Sen, A. (1997) 'Inequality, Unemployment and Contemporary Europe', *International Labour Review*, 136(2), 161-172.
- Solow, R. (1990) *The Labour Market as a Social Institution*, Basil Blackwell, Cambridge, Massachusetts.
- Tann, T and Sawyers, F. (2001) *Survey of FACS Unemployed People: Attitude Towards the Activity Test*, Department of Family and Community Services, Canberra.
- Thurow, L. (1983) *Dangerous Currents*, Allen and Unwin, Sydney.
- Tomlinson, J. 2000 'The Basic Solution to Unemployment'. Paper presented to the 7<sup>th</sup> *National Unemployment Conference*, University of Western Sydney, December.

- Van Parijs, P. (1991) 'Why Surfers Should be Fed: The Liberal Case for an Unconditional Basic Income', *Philosophy and Public Affairs*, Vol. 20, 101-131.
- Van Parijs, P. (1997) *Marxism Recycled*, Cambridge University Press, Cambridge.
- Van Parijs, P. (1997) 'Reciprocity and the justification of an Unconditional Basic Income. Reply to Stuart White', *Political Studies*, 45(2), June.
- Van Parijs, P. (1995) *Real Freedom for All*, Oxford University Press, New York.
- Van Parijs, P. (2000) 'A Basic Income for All', *Boston Review*, October-November.
- Watts, M.J. and Burgess, J. (2000) 'The Polarisation of Earnings and Hours in Australia under a Decentralised Industrial Relations System: The Lessons for Economic Policy', *International Journal of Employment Studies* 8(1), 27-58.
- Watts, M. J. and Mitchell, W. F. (2000) 'The Costs of Unemployment', *Economic and Labour Relations Review*, 11(2), December, 180-97.
- Widerquist, K. and Lewis, M. (1997) 'An Efficiency Argument for the Guaranteed Income', *Working Paper No. 212*, The Jerome Levy Economics Institute.
- Wray, L.R. (1997) 'Government as Employer of Last Resort: Full Employment without Inflation', *Working Paper No. 213*, Jerome Levy Economics Institute.
- Wray, L.R. (1998) *Understanding Modern Money*, Edward Elgar, Northampton.

---

<sup>1</sup> NAIRU is an acronym referring to the Non-Accelerating Inflation Rate of Unemployment. There is a growing literature outlining fatal flaws in the NAIRU approach, which render it unsuitable as a policy framework (see Mitchell, 2001).

<sup>2</sup> The CoffEE measure of hours based unemployment, including hidden unemployment, stood at 12.5 per cent in February 2003.

<sup>3</sup> The alternative is that the excess demand for goods would be increasingly met via imports with consequential effects for the exchange rate and the domestic price level, which accentuate the inflationary pressure.