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GUARANTEED EMPLOYMENT AND UNIVERSAL CHILD CARE FOR A NEW SOCIAL CONTRACT

By Jon D. Wisman and Aaron Pacitti

“Work is the spine which structures the way people live, how they make contact with material and social reality, and how they achieve status and self-esteem” (Herbert Applebaum 1992, ix).

“[If] a man does not have a job or income, he has neither life or liberty nor the possibility of the pursuit of happiness. He merely exists” (Martin Luther King, cited in Herman 2016).

Abstract: The United States is falling behind many other rich nations on a broad spectrum of measures of the quality of life. These include social mobility, inequality, education, crime, health and longevity. Polls suggest that many Americans have not only lost their optimism concerning the future, but have become angry as well. This article sets forth the elements of a new social contract, one that would deliver substantial results almost overnight and which conforms to the traditional American values of the importance of work, that everyone should have a fair opportunity for upwards mobility, and the central importance of the family. This proposal is composed of two parts: The first is guaranteed employment, and where necessary, the retraining required to enable workers to successfully enter the regular workforce. The second is universal child care to give all parents the possibility of participating in the labor force. The article discusses in depth how these measures would reverse the relative decline in quality of life in America. It also reveals how, although these measure would be costly, their payoff for the economy would far offset the costs.

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For centuries, America was known as the land of opportunity and optimism, but this is no longer the case. The ability to get ahead—economic and social mobility—is now lower in the U.S. than in most other wealthy nations (H. S. Friedman 2012). And Americans have become ever more pessimistic about the future. A Wall Street Journal/NBC News poll in July 2014 found that when asked if “life for our children’s generation will be better than it has been for us,” 76 percent lacked confidence, against 21 percent expressing confidence (Milbank 2014, A19). This

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2 What happened? Education has always constituted the most important means for advancement. From 1830 until the mid-1970s, the U.S. possessed the world's best and most democratic system of education, providing its young with the world's highest quality education. But this advantage has withered away over recent decades.
pessimism holds across race, region, gender, income, and political ideology. For a majority of the population, the U.S. economy is not working for them.

Their down mood is not groundless. On a host of measures, the U.S. is falling behind other rich countries. The Economist Intelligence Unit produces a quality of life index which includes the following nine variables: material wellbeing, health, political stability and security, family life, community life, climate and geography, job security, political freedom, and gender equality. On this index, in mid-2015, the U.S. comes in tenth, bested by eight European countries (“Quality of Life Index by Country 2015 Mid-Year” 2015).

Another index produced by the Economist Intelligence Unit is their Where-to-be-Born Index that measures which countries can be predicted to provide the best opportunities for a healthy, safe and prosperous life. According to this index, in 2013, the U.S. ranked 16th, behind 10 Western European Countries (Rithholtz 2015). Taking note of a few discrete measures that these indices attempt to capture, the U.S. ranks 43rd in the world for life expectancy and 34th in infant mortality, behind 17 Western European nations on both scores (“The World Factbook” 2015). Among 35 developed nations, the U.S. ranks 28th for having the fewest children in poverty (22%) (Calfas 2015). Homicide rates in the U.S. far exceed those of other rich nations (Kiersz 2015). The U.S. prison rate is over 3 times higher than that of the highest Western European country (“Highest to Lowest - Prison Population Rate | International Centre For…” 2015). European countries lead the world in legally-mandated paid vacation time. At the top, 31 days in France, 30 in Belgium (C. Davis 2013). No federal laws require paid leave in the U.S. where average paid leave is 16 days (Sunday Morning 2014). The U.S. is the only wealthy country that does not legally require parental leave (Gilpin 2015). Income and wealth inequality is considerably greater in the U.S. than in all Western Europe countries (Gongloff 2013). In terms of the percent of 25-34 year olds who have a secondary education, the U.S. has fallen to 14th in the world (Wade 2014, 104). Finally, notable economists, including Robert Gordon (2012), Thomas Piketty (2014), and Lawrence Summers (2014), contend that the U.S.’s future is highly likely to be one of slow growth, if not secular stagnation.

The U.S.’s fall from life quality leadership is nourished by and nourishes political paralysis. Beneath it all is the lack of a political platform that could inspire hope for the future by presenting a viable vision of how things could be turned around such that opportunity, optimism, and prosperity for all could again flourish.3 As Steve Fraser notes in his most recent book (2015), Americans have come to accept their deteriorating conditions because they are no longer presented with plausible alternatives.

In this article, we propose a straightforward plausible alternative—a vision of and actionable labor market policies that could deliver substantial results almost overnight and that conform to traditional American values, especially the importance of work and that everyone should have a fair opportunity for upwards mobility. This proposal for a new social contract is composed of two parts, both intended to ensure that all able Americans can be productive members of society and justly rewarded for their efforts.

The first is guaranteed employment and, where necessary, the retraining required to enable workers to successfully enter the regular workforce. The second is comprehensive child

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3 Benjamin Friedman writes that “Today’s constipated politics, the eroding civility of our public life, and the virtual disappearance of generosity from our policy debates are the predictable pathologies that emerge whenever most of the population loses its sense of getting ahead, and loses as well any optimism that renewed gains are on the horizon” (2013, 76).
care to enable all parents the possibility of participating in the labor force. Neither of these proposals is new to American political discourse. Guaranteed employment was advocated by FDR, was in an early draft of both the Social Security Act of 1935 and the original draft of the Full Employment bill of 1945. It was last proposed in the Humphrey-Hawkins Full Employment Act of 1978. As to the second part, the U.S. would already possess a universal child care program, had the power of a single individual—albeit a President—not blocked it: A Comprehensive Child Development Bill was passed by Congress in 1971 (the Senate vote was 63 to 17), but vetoed in 1972 by President Nixon.

This article begins by examining the central importance of work in the American experience and the huge personal and social costs of unemployment. The following section provides an analysis of how guaranteed employment with a retraining component could function. The fourth section addresses the costs of guaranteeing employment. The fifth section examines the need for a comprehensive child care program, followed by an analysis of its costs. The article ends with reflections on what such a new social contract would mean for a renewed sense of optimism and social fairness, for the dynamism of the economy, the environment, and the general quality of personal and social life.

1. The Central Importance of Work in The American Experience

During the early years of the American Republic, unemployment was not a widespread problem. Most workers were in agriculture, small retail shops, or small craft industries where they controlled and often owned the tools and resources with which they worked. An open frontier with abundant and cheap land enabled most worker to remain self-employed. This began to change rapidly after the Civil War when American industrialization took off and emigrants from poorer parts of Europe and Asia flooded in. Increasingly, workers found themselves without ownership or control of resources. They could only survive by locating an owner of the means of production willing to hire them. Those who were unsuccessful were, of course, unemployed and usually condemned to extreme privation.

Although a safety net has been created since the 1930s, the inability of willing and able workers to find employment continues to exact substantial costs on individuals, families, and society. This section addresses these costs, and in doing so reveals involuntary unemployment to be both immoral and socially irrational.

1.1 The Personal Costs of Unemployment

Much of mainstream economics focuses primarily on the pecuniary costs to workers of being unemployed (e.g., Feldstein 1978). These principally include lost income and thus lower consumption, depreciation of human capital, and in some instances, loss of health insurance. There are, however, many other costs that are either consequent, or in addition to these costs, that receive less attention. Indeed, Winkelmann and Winkelmann report that these non-pecuniary costs significantly outweigh the monetary and consumption costs of not possessing a job (1998, 66). These well-documented costs include poorer health, mental distress, alcohol and substance abuse, lowered social status, social isolation, marital instability, proneness to violence and crime, increased vulnerability to suicide, loss of networking opportunities, and lower levels of personal fulfillment and self-esteem.

Material Insecurity
The threat of unemployment creates significant economic insecurity. According to James Davis, et. al. (2002), in the United States over any ten-year period in recent decades, about 30 percent of the workforce has suffered unemployment. More recently, since the start of the Great Recession in December 2007, approximately 80 percent of Americans knew someone who experienced job loss (Zukin, van Horn, and Kopicki 2014). Since 1960, the average duration of an unemployment spell has increased from about 10 to over 30 weeks (U.S. Bureau of Labor Statistics 2015).

Job insecurity almost always means income insecurity (J. A. Davis, Marsden, and Smith 2002). This is especially the case in the United States. The unemployment insurance average replacement ratio in the U.S. for qualifying workers is about 40 percent. However, at the end of 2014, only 23.1 percent of the unemployed qualified for benefits (Delaney and Scheller 2015). Since the start of the Great Recession, over 25 percent of all unemployed workers have been jobless for more than 26 weeks.

Thomas Kisselbach (2003) notes that the pecuniary costs of unemployment are disproportionately heavy burdens to the least well-off of the unemployed who lack access to institutions such as banks and insurance companies that are available to the more fortunate for helping out with life’s uncertainties. Instead, they must look to relatives and state services that serve marginalized persons. Edward Wolff’s research has found that the poorest 20 percent of the population has no financial resources to fall back upon, meaning that sudden unemployment for these affected families entails extreme hardship. Those in the second poorest quintile have financial resources to last only slightly more than half a month at 125 percent of the poverty level. Even those in the middle quintile do not have resources to last for more than two months at this level (1998). Thus, the threat of unemployment places extreme financial stress on the bottom 60 percent of the population.

**Loss of Human Capital**

Human capital—the full complement of skills and capabilities a worker brings to the labor market—generally depreciates during periods of unemployment. As Amartya Sen puts it, unemployment “...may generate a loss of cognitive abilities as a result of the unemployed person’s loss of confidence and sense of control” (1997, 161). Additionally, “The discouragement that is induced by unemployment can lead to a weakening of motivation and make the long-term unemployed more resigned and passive...There is...considerable evidence suggesting that the typical effect, especially of long-term unemployment, is one of motivational decline and resignation. This can yield a hardening of future poverty and further unemployment...” (1997, 162–63). Sen’s analysis is supported by William Darity’s research: “We observed that since spells of unemployment and even underemployment produce learned helplessness, low self-esteem, and depression, those spells can lead to reduced intensity and persistence of search, reduced cognitive efficiency, and reduced motivation to acquire skills that might improve prospects for re-employment” (1999, 495).

R. H. M. Price, et. al. (1992) also note how unemployment can lower self-confidence, leading to lower social assertiveness that impairs effective job search. As the duration of unemployment grows, there is a decline in the perseverance needed to solve problems (Baum, Fleming, and Reddy 1986). Peter Kelvin and Joanna Jarrett report that the unemployed are both

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4 Concerning the most recent crisis, Sum et. al. write: “Given the strong links (path dependency) between employment in the teen years and one’s employment experiences as a young adult, one would expect that the employment rates of twenty- to twenty-four-year-olds in the United States and most other OECD countries would
preoccupied with time and find themselves unable to use time effectively or productively (1985). A telling example is provided by Peter Temin:

Unemployed men in the European Great Depression were exceedingly idle; an increase of apathy reduced all forms of recreational activity. Men passed their time doing essentially nothing; when asked, they could not even recall what they had done during the day. They sat around the house, went for walks, or played cards and chess. Most men went to bed early; there simply was no reason to stay awake. They contributed less to the running of the household than before, sometimes not even turning up on time for meals. (2008, 681)

Antoni Calvo-Armengol finds that “Long unemployment spells can generate a desocialization process leading to a progressive removal from labor market opportunities and to the formation of unemployment traps.... [Thus the] average probabilities of finding employment [are] on the order of 0.30 after one week of unemployment, 0.08 after eight weeks of unemployment and 0.02 after a year of unemployment” (2004, 443; 428; see also, Darity and Goldsmith 1993; 1996). This exponential decrease in job finding rates has led to “duration dependence,” where increases in unemployment duration lead to further increases in unemployment duration (Kroft et al. 2014; Kroft, Lange, and Notowidigdo 2013).

Because of human capital depreciation, the unemployed often suffer wage penalties when re-absorbed into the economy. Analyzing statistics from the British labor market, Arulampalam finds that “the wage penalty associated with a job interruption (unemployment incidence) is estimated to be around 10% over the first year, decreasing to about 7% in the second year, with a long-run or permanent penalty estimated at 1.9% [per year]” (2001, F577). Arulampalam characterizes this as “unemployment scarring.” In the United States since 2000, the average reduction in reemployment earnings is 12 percent, with greater losses in recessions and lower losses in expansions (Pacitti and Fichera 2015). Additional analyses of income losses due to job loss, using different data sets and methodologies, find substantial income losses well after initial displacement. Couch and Placzek (2010) found earnings losses of 15 percent for six years; Rothstein (2015), Davis and von Wachter (2011), and von Wachter, Song, and Manchester (2009) found losses of approximately 20 percent for as long as 20 years, with losses higher for displacement that occurs during a recession; and Jacobson, Lalaonde, and Sullivan (1993) find losses averaging 25 percent per year.

Poorer Physical Health
Multiple studies have found that unemployment has significant negative consequences for the physical and mental health of its victims. M. Harvey Brenner reviewed 127 years of historical data on the effects of cyclical unemployment on seven physiological and psychological indicators of health: cardiac disease, liver disease, suicide, homicide, psychiatric hospitalizations, alcoholism, and overall mortality. He found that in the United States, a one and a half percent rise in the rate of unemployment correlated with an increase of as many as 51,000 deaths and 6,000 hospitalizations in the following five years (Reported in Kates, Greiff, and Hagan 1990, 32). D’Arcy and Siddique have found that the unemployed visit physicians 33 percent more have deteriorated over the past twelve years. Unfortunately, the evidence clearly indicates that this is the case” (2014, 76).
frequently than the employed (1985, 609), in spite of the fact that the former more frequently are without health insurance. Sullivan and Von Wachter (2009) find evidence of higher mortality rates for workers who experience job loss, and estimate that for workers displaced at age 40, life expectancy falls by 1-1.5 years. Job loss also results in poorer health outcomes, especially those related to elevated stress and anxiety such as heart attacks, strokes, and obesity (Burgard, Brand, and House 2009; Wisman and Capehart 2010).

**Poorer Mental Health or Mental Distress**
Many studies identify a causal link between unemployment and mental distress. As David Dooley summarizes it, “A century of research on the mental health impact of employment status has documented the generally adverse effects of job loss....[and] ...this literature includes quite heterogeneous studies with respect both to theory and method” (2003, 9, 10; see also Dooley and Catalano 1980; Dooley, Fielding, and Levi 1996). Marie Jahoda (1998) identifies five non pecuniary latent benefits of work that relate to psychological well-being: work provides for time structure; it provides regular contact and interactions with others outside the immediate family; it connects individuals into goals beyond their personal ones; it provides identity and status; and it keeps them active. Because unemployment deprives the individual of a regular institutionalized diet of these benefits, it has, she finds, destructive psychological consequences, exacerbating the negative feedback cycle associated with unemployment.

A large number of other studies lend support to Jahoda’s thesis. They show that involuntary unemployment leads to a higher risk of mental illness and depressive symptoms and that re-employment has a positive effect on both of these conditions. Kruger and Muller (2011) and Marlar (2010a) find that job losers experience lower levels of emotional well-being, such as worry and sadness, which ultimately causes elevated stress levels. These effects are positively correlated with the length of a job search, where repeated rejection can intensify mental distress. A study by Steven Platt and John C. Duffy found that the availability of welfare payments did not seem to reduce the higher incidence of depression among the unemployed (reported in Kates, Greiff, and Hagan 1990, 31).

Not unexpectedly, the distress caused by unemployment is in substantial part a function of social norms. It depends upon whether the unemployed are socially viewed as personally inadequate or as victims of an economy unable to provide jobs for all. It would likely follow, therefore, that the higher the level of unemployment, the less the unemployed would feel their condition to be a personal failing. Research supports this. Clark and Oswald report that “distress from unemployment is less among the youth and among workers in high-unemployment areas” (1994, 658). Such high-unemployment-generated social norms may help explain the intractable character of unemployment in many European nations.

Associated or as a result of mental distress are a number of taxing life conditions such as social isolation, alcohol abuse, marital instability, and most extreme, suicide.

**Social Isolation/Exclusion**
The unemployed participate in fewer social leisure activities and more solitary leisure activities than do their employed counterparts, resulting in greater levels of perceived latent deprivation

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5 However, studies have shown that recent graduates who find themselves unemployed have far less self-esteem and confidence than their peers who find jobs (Dooley 2003). Sen points out that “Youth unemployment can take a particularly high toll, leading to long run loss of self-esteem among young workers and would-be workers” (1997, 162).
and depressive symptoms, as well as lower self-esteem (Waters and Moore 2002). The Pew Research Center reports that 43 percent of those unemployed for more than six months, report that it has strained their friendships, resulting in less social contact (Morin and Kochhar, n.d.).

A sample study of workers during the Great Depression found that WPA workers revealed that they had significantly higher morale, general adjustment, social participation, and social status than did unemployed workers receiving direct-relief support (Chapin and Jahn 1940, 13). Further, research reveals that “Unemployment threatens the overall integration of young people into society” (Kieselbach 2003, 74).

**Alcohol abuse**

Studies indicate that the unemployed have significantly higher percentages of problems relating to alcohol than does the overall population (Dooley, Catalano, and Hough 1992; Dooley 2003). Ahr, Gorodezky, and Cho (1981) have also found a link among unemployment and mental instability and alcohol abuse. Clearly, alcohol abuse and mental instability can negatively affect the chances of re-employment as well as negatively affecting other domains of their lives.

**Marital instability**

Given the pecuniary and non-pecuniary personal costs of unemployment, it is hardly surprising that a toll is also taken on marriages. The stress suffered by the unemployed is contagiously suffered by others in the household, especially spouses (Rook, Dooley, and Catalano 1991; Hansen 2005). Scott South notes that “…judging from the frequency with which it appears in the literature, a positive association between the divorce rate and the business cycle would appear to be one of the most firmly confirmed facts in family sociology” (1985, 31), a finding supported by Charles and Stephens (2001).

Atkinson, Liem and Liem find that “unemployment has a negative effect on marital and family support in part through its effect on the husband’s psychological well-being” (1986, 317). Unemployment has been associated with increased sexual dysfunction, especially male impotence (May and Bobele 1988). Further, Macmillan and Ross note that male unemployment may increase domestic violence since “It signifies a challenge to the culturally prescribed norm of male dominance and female dependence. Where a man lacks this sign of dominance, violence may be a means of reinstating his authority over his wife” (1999, 949).

**Increased vulnerability to suicide**

A wide body of research has found a significant link between unemployment and suicide in many different cultures (Lewis and Sloggett 1998; Lin 2006); (Maris 1967; Prichard 1992; Ruhm 2000; Viven 1996; Yang and Lester 1995). For instance, a study using panel data covering seven Asia-Pacific countries found that “a one percentage point increase in the unemployment rate raised the predicted suicide rate by 1.2 percentage points” (Lin 2006, 730). The increased suicide rates among the unemployed are generally attributed to feelings of worthlessness and being unwanted that come with unemployment (Sen 1997, 167). Social exclusion, spatial isolation, decreased self-esteem, alcohol abuse, lack of independence and decreased wages all play a part in mental illness and suicide. Between 1999 and 2010, suicide rates in the U.S. increased by almost 30 percent (Parker-Pope 2013).

**Lower levels of personal fulfillment**
Given the negative personal consequences of unemployment noted above, it is not surprising that studies indicate that unemployed individuals tend to report low happiness scores (Clark and Oswald 1994; Winkelmann and Winkelmann 1998; Argyle 2001). Further, those who have experienced unemployment in the past tend to be less happy with their lives than those who have never been unemployed (Clark, Georgellis, and Sanfey 2001). This should not be unexpected given that unemployment frequently is followed by divorce, depression, addiction, and violence.

In terms of happiness, it has been found that people can apparently adapt to severe conditions. For instance, long-term paraplegics do not attest to being unhappy (Brickman, Coates, and Janoff-Bulman 1978; Oswald and Powdhavee 2005). However, people do not adapt well to chronic pain, and strikingly, to unemployment (R. Lucas et al. 2004). Research shows, as Liliana and Rainer Winkelmann report, that “being unemployed increases mental distress by more than does suffering impaired health (1998, 1). Clark and Oswald find that “being unemployed is worse, in terms of lost ‘utility’ units, than divorce or marital separation (1994, 658). Lucas, et. al. have found that “The experience of unemployment did, on average, alter people’s setpoint levels of life satisfaction. People were less satisfied in the years following unemployment than they were before unemployment, and this decline occurred even though individuals eventually regained employment” (2004, 11).

1.2 The Costs of Unemployment to Society
Many of the personal costs of unemployment also have a public dimension. The most obvious social costs of unemployment include the loss of output, consumption, reduced tax revenues, and higher government expenditures on income-assistance and social support programs. So although the victims themselves carry the greatest burden of their unemployment, the rest of society suffers as well. As Sen puts it “…unemployment hits the incomes of others in two distinct and mutually reinforcing ways: it cuts down the national output and it increases the share of the output that has to be devoted to income transfers” (1997, 167). He also notes how high unemployment, such as that in Western Europe, can lead to conservatism towards labor-saving technological progress, thereby impairing economic dynamism; and resistance to raising the retirement age, thereby not only constricting potential output, but also impeding an easing of the retirement cost burden facing future generations (1997, 165).

Because the unemployed suffer more illness, the expenses of taxpayer-sponsored healthcare programs increase. Eva Mueller has found that historically consumer confidence issues arising from increased unemployment are “…the ingredients of a self-perpetuating inhibition to economic growth that spells underemployment of our resources, human and material” (1996, 19).

Many studies have found a correlation between increased unemployment and increased criminal activity. For instance, Stephen Raphael and Rudolf Winter-Edmer find a “positive and highly significant effect of unemployment on property crimes, both in the aggregate and for individual offenses” (2001, 274). Studies by Grogger (1998) and Gould (2002) reveal that youth criminal activity positively correlates with the unemployment rate.

Unemployment might also fuel prejudice against minorities and immigrants. As Sen notes, “Since immigrants are often seen as people competing for employment (or ‘taking away’ jobs from others), unemployment feeds the politics of intolerance and racism” (1997, 163). Sen also contends that gender relations might also be harmed, since gender conflict arises “because the entry of women into the labor force is often particularly hindered in times of general

6 For surveys of some of this research, see (Cameron 1988; Freeman 1996).
Unemployment of parents has lasting effects on their children. Strom finds that adolescent boys with unemployed parents are less likely to be confident about the future or to be independent and hopeful than are boys from families “not plagued with unemployment” (2003, 399). Neighborhoods with high unemployment present bad role models for children. Further, adolescents who attempt suicide are more likely to have an unemployed father than adolescents who do not attempt suicide (Strom 2003, 401). Stevens and Schaller (2009) and Wightman (2012) have found that the children of parents who have experienced job loss do more poorly in school. Similarly, earnings losses for fathers who have lost jobs can be transmitted to children in the form of lower future earnings potential (Oreopoulos, von Wachter, and Heisz 2008).

Finally, unemployment increases inequality (Galbraith 2000: 133-49), and heightens the potential for political unrest (Parvin 1973).

2. Guaranteed Employment and Retraining
Tolerating the personal and social costs described above is morally wrong and socially irrational. Fortunately, the solution is in principle simple: Guarantee jobs for everyone. This section discusses how guaranteed employment with a retraining component would work, highlighting the economic benefits beyond those discussed above.

Under such a program, employment could be guaranteed to everyone willing and able to work (zero involuntary unemployment) by making government the employer of last resort (ELR). In recent years, a number of economists have advocated just this (Attali and Champain 2005; Forstater 1998, 2006; Harvey 1989; Kaboub 2012; Mitchell and Wray 2005; Wisman 2010, 2013; Wisman and Pacitti 2014; Wisman and Reksten 2013; Wray 1998b, 1999, 2007a).

An ELR program might work as follows. Federal funds would be given to local governments that then distribute resources as needed to community employment centers, thereby tailoring employment opportunities to meet local needs (Kaboub 2012). Employment is then offered to anyone without work who seeks a job. Workers are “[hired] off the bottom” (Mitchell and Wray 2005, 236), and the offered wage serves as a price floor—a living minimum wage.

Upon losing a job, unemployment insurance could cover a set number of weeks for the individual’s job search, at the end of which, should a job not be located, the individual may join the ELR program. This program could also be crafted to provide part-time work for those only able to find part-time work in the private sector or who can only work part time due to family

7 Psychology professor Andrew N. Melzoff notes “The stunning fact is that we are role models for our 6-year olds. They want to be like us. If we hold stereotypes or biases, they are induced to hold them too. Our children are ‘taking data’ on how the adults in culture act. Our stereotypes become their stereotypes” (cited in N. Anderson 2017, A8).

8 Or, in technical terms, the program would operate so as to provide an infinitely wage-elastic demand for labor. The price of labor in the program would be set independent of market conditions, absorbing all redundant labor at that price. That is, the market sets the quantity, but not the price.

9 An ELR could end-run the claim that the minimum wage cannot be raised without causing further unemployment. Those losing jobs as the living wage is slowly lifted would fall back into the ELR sector where training would raise their skill level and productivity, making the higher wages profitable for their future employers. As to what would constitute a living wage, Christopher Jencks writes that “There is quite a bit of evidence that Americans need an income at least half that of families near the middle of the income distribution in order to buy the things they need to hold up their heads in public” (2015, 84).
responsibilities. No other form of public support need be available to unemployed but able-bodied workers. Those choosing to not accept such employment would be voluntarily unemployed and thus not eligible for assistance.

Entering into the ELR program would entail working in a government-created or -approved job and/or receiving training. The goal would be to keep the entire workforce at work or in training and to move workers into the private economy as quickly as possible. A job placement component, working in conjunction with private employers, could facilitate re-entry into the regular labor market. The goal would be that government employment would only be temporary, lasting only until workers become capable of rejoining the regular labor force. The government catches them as they lose jobs and releases them as soon as possible.

An ELR program would face the challenge of employing workers in domains that do not directly compete with private or current public sector jobs. Domains might include programs for assisting the elderly, tutoring less-privileged children, day care, and improving the quality of the public space by maintaining flowers, benches, statuary, and fountains along streets and in parks.\(^\text{10}\) The American Society of Civil Engineers (2014) gave the United States a grade of D+ for the current state of its infrastructure. Thus major projects such as burying utility cables; creating seawalls in flood-prone areas; reforestation; providing public nationwide broadband internet access; road and bridge repairs; improved public transportation; and high-speed rail in population-dense areas offer productive and socially useful avenues for employment. But one of the most promising uses of ELR workers would be in “green jobs” (Mathew Forstater 2006).

Although at the outset such a program might be inefficient due to frictional adjustments and the time needed for skill acquisition, its efficiency should improve in the nature and quality of work performed, in its training component, the management of resources, and in its ability to help participants locate employment.\(^\text{11}\) An ELR program might come to be seen like the public school system—as a necessary social institution for economic dynamism and fairness.

An ELR program would be countercyclical because it absorbs into a buffer stock those who are laid off from the private sector during a downturn, and would serve as the ultimate automatic stabilizer. Government would buy excess labor supply and release it as the demand for labor in the private sector increases. Unemployment insurance currently provides this sort of buffer stock of workers, but with the disadvantages of incentive problems, lower incomes, and eroding human capital. Moreover, when the private sector expands, it can hire from the buffer stock of workers with greater confidence that they possess the appropriate work habits and skills. The reserve army of the unemployed is replaced by a disciplined and better skilled reserve army of ELR employees.

An ELR approach differs radically from the strategy of stimulating aggregate demand to create jobs. In an aggregate demand approach, reaching full employment is sought indirectly through stimulative fiscal and monetary policy, although monetary authorities bring expansions

\(^\text{10}\) Wray offers an extensive list of potential ELR jobs (1998a, 15–16). He also suggests that an ELR program might fund “…qualifying non-governmental non-profit organizations, such as Americorps, VISTA, the Student Community Service Program, the National Senior Service Corps, the Peace Corps, the National Health Service Corps, school districts, and Meals on Wheels…” (Wray 2007b, 11).

\(^\text{11}\) Although job retraining programs in developed economies have produced mixed results, none have been as comprehensive as what is advocated here. Studies reveal that how retraining programs are structured is critical in determining effectiveness (Heckman, Lalonde, and Smith 2009). Furthermore, training is only effective when there are existing jobs that require workers. An ELR would provide both the training and the jobs. Moreover, a better trained workforce would elicit new firms that could thrive were the properly skilled workers available.
to an end well before actual full employment is achieved in order to avoid excess inflationary pressures, thereby condemning a portion of the workforce (usually the least privileged) to remain unemployed, which is, in itself, a moral travesty (Wisman 2010).

In contrast to this aggregate demand approach, a guaranteed employment program would go directly to the problem by providing all willing and able unemployed workers with a job. Whereas managing aggregate demand to increase employment is a “trickle down” approach, an ELR is a “bubble-up” approach with jobs created for workers at the bottom (Wray 2007a, 17). Full employment would exist regardless of the level of aggregate demand, although with full employment aggregate demand would remain robust. It is a supply-side as opposed to a demand-side solution to the problem of unemployment.

An ELR program could be decentralized to better meet local needs. For instance, states could receive ELR budgets from the Federal Government proportional to their rates of unemployment (Wray 1999, 485). If the program were to be administered by states or smaller political jurisdictions, then the ELR wage could be set in terms of the local cost of living, and/or it could be set lower the higher the percentage of the local labor force absorbed into the program, so as to preserve incentives for mobility.

Finally, an ELR program should stimulate entrepreneurship which in the U.S. appears to have declined in recent decades. Robert Litan and Ian Hathaway find that new firms (less than a year old) have fallen from 15 percent of all businesses in 1978 to eight percent in 2011 (Samuelson 2016, 17). Guaranteed employment would put a floor beneath entrepreneurs, thereby reducing their risk of losing not only their investment, but their means of livelihood as well. It is also worth noting that start-ups account for a good deal of both job creation and innovation.

2.1 The Cost of Guaranteed Employment and Retraining, versus The Cost of Unemployment

Several economists have estimated the likely cost of an ELR program (Aja, Darity, and Bustillo 2013; Attali and Champain 2005; W. Darity 2010; Gordon 1997; Kaboub 2012, Wray 1998a, 1998b). Kaboub’s extensive study estimates that a comprehensive and very generous ELR program, with a three-tier skill-based wage scale, “could employ 23.4 million people for less than $600 billion annually, or less than 4% of GDP, with the added benefit of increasing GDP by nearly one trillion dollars per year” (2012, 109). Kaboub’s estimates correspond to those of Attali and Champain for France (2005, 6–7). Darity estimates that to employ 15 million unemployed workers at a mean salary of $40,000 plus $10,000 in benefits would cost $750 billion, thus less “than the $1.3 trillion handout initially given to the investment banking community” at the outset of the current crisis (2010, 180). Murray (2012) estimates that, using a standard macroeconomic model, an ELR implemented today could be budget neutral—neither increasing nor decreasing the deficit—because the growth-inducing effects and tax increases would offset the operating costs. Although a training component for such a program would considerably increase costs in the short run, it would more than pay for itself with large lasting long-run benefits such as those listed above.

Although the estimates given above provide a rough sense of an ELR’s cost, forecasting the full long run costs and benefits of an ELR program, especially one with a sophisticated

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12 Kaboub’s (2012) hourly wage scale would be $21 for skilled workers, $18 for semi-skilled, and $15 for unskilled, all with a $10,000 annual benefits package. These figures could be adjusted to suit local costs of living and community needs.
reskilling component, would be difficult and lies beyond the scope of this paper. It would entail estimating the value produced by ELR workers, the enhanced productivity of ELR-trained workers when they enter the regular labor force, the resulting increase in tax revenues and the decrease in social costs currently resulting from unemployment. Unemployment benefits beyond a brief few weeks following job loss to enable a new job search would disappear and other income-support program costs would decline dramatically.\footnote{In 2011, federal antipoverty programs cost approximately $746 billion (Wasson 2012).} Unemployment-generated health costs borne by Medicaid would be practically eliminated.

There is the possibility that an ELR program would initially be inflationary, especially with ELR wages set above minimum wages. However, Mitchell and Wray (2005) and Wray (1998b) conclude that after its introduction, it would be anti-inflationary, or at a minimum non-inflationary. But would not guaranteed employment embolden workers to demand higher wages? Wray (2007b) counters this possibility by noting that

while workers have the alternative of ELR jobs, employers have the opportunity of hiring from the ELR pool. Thus if the wage demands of workers in the private sector exceed by too great a margin the employer’s calculation of their productivity, the alternative is to obtain ELR workers at a mark-up over the ELR wage. This will help to offset any wage pressures caused by elimination of the fear of unemployment (2007a, 18).

Moreover, workers within the program would presumably come to possess the skills needed in the private sector, boosting productivity, and thus applying downward pressure on prices. Worker productivity might also be enhanced if increased job turnover improved job fit. Upward wage pressures might be lessened in an inflationary period as employers could readily hire workers from the buffer stock who are willing to work, disciplined, and well-trained, causing a race to the top in recruitment and providing incentives for workers to supply high levels of on-the-job effort. In an expansion, as workers are pulled from the buffer stock into regular employment, ELR spending would decrease, countering some of the inflationary pressures of the expansion. That is, even in an expansion, labor markets would be relatively loose. Wray notes that “Further, reduction or elimination of employment taxes related to the unemployment insurance program will also attenuate pressure on prices, as will reduction of private and social costs of unemployment (e.g., reduction of crime will lower business costs)” (1998b, 544). Currently, inflation frequently results from government over-stimulation of the economy to create employment. With an ELR, aggregate demand would no longer need be stimulated to generate jobs. Mitchell and Wray (2005, 4) also venture that the anti-inflationary character of ELR might end the need for restrictive monetary policy to address inflationary pressures. After its introduction, no further inflationary pressure should result and the natural rate of unemployment, or NAIRU, would become zero.

3. The Argument for Universal Child Care and Early Education
Making universal high-quality child care and early education available to all working families is necessary for guaranteed employment to work effectively and in a gender-neutral manner. This is especially true for marginalized or vulnerable groups within the labor force, such as single parents, low-income families, and families with two working parents. With guaranteed employment, child care needs to be viewed as a universal requirement, as opposed to an “unusual, unexpected, or temporary” need (Palley and Shdaimah 2014, 118). In addition to direct
child care, early education, or pre-kindergarten schooling, could be integrated into this program to provide a child-care system that is not designed solely to assist low-income families, but rather a program that advances the ideal of equal opportunity and contributes to the economy’s long-term workforce development.\(^{14}\)

The U.S. already has experience with a successfully implemented system of child care. During World War II, the U.S. government set up high-quality, state-run child care centers to allow women to enter the workforce and assist in the war effort. Although these centers were dismantled after the war’s end, the 1989 Military Child Car Act created child care for military families (Shdaimah and Palley 2014).

In response to progressive pressures, and especially the rise of the feminist movement during the 1960s, Congress passed the Comprehensive Child Development Bill in 1971, designed to create a nation-wide system of federally-funded child care centers, affording women greater opportunity to enter the workforce. President Nixon’s veto in 1972 killed the measure in spite of overwhelming Congressional support (A. Friedman 2015).

A half-century later, universal child care is more critical than ever. More families have dual-earners, work more hours, and more workers hold down more than one job, all responses to relatively stagnant real wages since the 1980s. Further, because the demand for child care has risen faster than supply, child-care costs have risen by 70 percent since 1985, forcing more mothers to stay at home (Khimm 2015). The passage of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996 made receipt of income support contingent on finding employment, a policy that caused the demand for child care to further increase.\(^{15}\) Still, only 24 percent of children with employed mothers are cared for in an organized facility, while 47.8 percent are cared for by a parent or relative (United States Census Bureau 2011b), suggesting that for many, the cost of formal care is too expensive or unavailable.\(^{16}\)

The low supply of high-quality care and its high and rising costs create, especially for low-income families, significant barriers to achieving economic independence because they lower the return to and probability of employment (Executive Office of the President of the United States 2014; Blau 2000b; Hofferth 1999). Providing comprehensive child care lowers this barrier, and generates positive economic benefits related to working: increased incomes, human capital accumulation, and improved cognitive development and educational outcomes for children (Loeb et al. 2003; Black et al. 2011). Families below the poverty level spend 40 percent of their income on child care, leaving little for investment in human capital. Further, high child-care costs reduce disposable income, lowering consumption and savings of working families, thereby limiting the opportunity for upward mobility for disadvantaged families, contributing to the decline in social mobility.

\(^{14}\) Whereas in 1970, 28 percent of children under the age of six had both parents actively employed, by 2016 this had risen to almost two-thirds (Chandler 2016, 2).

\(^{15}\) High costs are not due to generous salaries for child care workers, who are 95.6 percent female and disproportionately minorities. Although most have some college education, their hourly wages are “23 percent lower than those of similar workers in other occupations” (E. Gould 2015, 2). Whereas 26 percent of families in the workforce are enrolled in at least one public safety-net program, 46 percent of childcare workers are member of families enrolled in these programs (Paquette 2016, 14).

\(^{16}\) Elise Gould and Tanyell Cooke report that “Among families with two children (a 4-year old and an 8 year-old), child care costs exceed rent in 500 out of 618 family budget areas. For two-child families, child care costs range from about half as much as rent in San Francisco to nearly three-times rent in Binghamton, New York” (2015, 2).
It has been estimated that because child care subsidies raise the return to work, labor force participation by parents with children under five would rise up to 13 percentage points, with the greatest increase occurring for single mothers (Berger and Black 1992; Blau and Tekin 2003; Tekin 2004b). In fact, more generally, child care increases the probability of female labor force participation (Connelly 1992; Kimmel 1998). Child-care subsidies also increase work hours up to an extra 3.6 weeks per year (Gelbach 1999).

High-quality child care, by increasing the employment of parents, would reduce other costly social support programs (Blau 2000b). It would also produce higher tax revenue, offsetting some of the initial costs of providing universal child care and early education and make it less likely that these children will rely on income-support programs when they reach working age (Blau 2000b). It also reduces the costs associated with poverty and crime as children opt for formal employment over leisure and criminal ventures.

Firms would also benefit from comprehensive child care. Absenteeism would be reduced (Boushey 2014), and if parents knew their children were being cared for, they could better focus on their jobs, promising increased firm productivity and profits. Applebaum, Boushey, and Schmitt (2014) estimate that since 1960, 20 percent of U.S. growth can be attributed to the increased labor force participation of women and minorities, two groups whose economic participation would be substantially increased by universal child care.

Socially-provided child care would also help counter the explosion in inequality that has taken place over the past four decades. Because low-income families spend a larger percentage of their income on child care, the returns to these families from child care are greater (Boushey and Wright 2004). This is also true with respect to skill, as child care subsidies increase the work force participation of low-skilled women more than other skill groups (P. M. Anderson and Levine 1999). Further, Tekin (2004a) finds that child care subsidies help low-income workers, especially single moms, secure jobs with more conventional schedules, with the added benefit that this can lower the long-term cost of child care, due to economies of scale in care provision as more families use it during traditional workday hours.

Glynn (2012) finds that only 23.4 percent of children are served by the current system. Cost is, of course, a principal cause. But so too is availability. Care centers are typically plagued with high child-to-staff ratios and a slow supply response to increased demand. Blau (2000b) finds that with the current system of child care, vouchers and subsidies make child care more affordable for those looking to enter the workforce, but do not necessarily result in high-quality care. Subsidies result in positive and significant effects on employment of parents, but the supply response of care providers is unable to keep pace with the increased, subsidized demand, causing existing care centers to be stretched too thin. The current system of child care in the United States is constituted by fragmented federal programs with means-tested tax credits and vouchers. Often tax credits may not assist low-income families because many of these families have no tax liability. Vouchers are frequently too low in value to enable low income families to purchase quality care.

Hofferth (1999) claims that government policy can increase the supply, affordability, and quality of child care more quickly and effectively than markets if left to their own workings because the high cost of child care makes it affordable only to high-income families. Additionally, the current array of subsidized child care offerings are primarily used by middle-income families or poor, non-employed households, leaving low-income families with members

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17 See Blau (2000, 3–9) for a more detailed discussion of the current system.
in the labor force unable to take advantage of these programs. Lemke et al (2000) find that the quality and stability of care has a larger positive impact on labor force participation than do child care costs.

Finally, in societies that value equality of opportunity, the lack of universal child care is immoral. In a similar vein, Barbara Bergmann (1996, 131) argues that child care should be viewed as a “merit good” and should be supplied to all families with children, on the grounds that it is unethical to deny children and their parents quality care, especially if we as a society require employment for economic self-sufficiency.

3.1 The Costs of Universal Child Care and Early Education
The cost of providing universal high-quality child care would be substantial, ranging from physical buildings and the necessary infrastructure, staff for the centers, extra shifts to accommodate non-traditional work schedules, and administration. However, it is estimated that these costs would yield far greater long-term benefits. As a low estimate, Karoly et al (1998) find that the financial return on investment in high-quality child care in the form of higher incomes for parents, increased tax revenue, less reliance on income-support programs, etc. would be 200 percent. At the high end, estimates suggest that for every dollar spent on “early learning initiatives”, the return would be $8.60, accounting for the above returns, in addition to lower costs of child care, lower criminal justice costs, and remedial education (Executive Office of the President of the United States 2014).

In 2011, the most recent year for which data are available, real annual public expenditures on child care in the United States amounted to $794 per pre-school child, or 31 percent of the OECD 24 average. As shown in Figure 1, the OECD 24 nations spent, on average, 0.7 percent of GDP on child care and early education, but the United States spends only 0.4 percent of GDP. This gap puts American children at an international competitive disadvantage as they enter more advanced education and an increasingly competitive and technologically dynamic labor market (OECD 2015). It also promises less social mobility; brain research shows that learning in the first five years of life is greater than in any other five-year period (Layton 2015, 2).

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18 All data are presented in 2010 constant dollars.
Furthermore, within the United States, these expenditures do not achieve the most efficient and equitable results. As noted above, the U.S. spends about 50 percent less relative to GDP on child care than the OECD average. Other countries which spend a similar percentage as the U.S.—Italy, Japan, Spain, and Canada—have substantially lower child poverty rates. Indeed, based on the relationship between child poverty rates and public expenditures on families, child poverty rates are substantially higher in the United States than expected given public expenditures (Isaacs 2009, 5). This suggests that not only does the United States not spend enough on child care and early education, but the money that is spent is not going to its most efficient use.\(^\text{19}\)

Using data from both the U.S. Census Bureau and the OECD, we present a rough estimate of what it would cost to fully fund universal child care and early education at current private and public expenditure levels.\(^\text{20}\) In constant 2010 dollars, the average family with an employed mother spends $7,176 per year on child care, assuming a 52 week work year (United States Census Bureau 2011a). Per-child public expenditures on care and early education are $794

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\(^{19}\) Due to greater poverty and the associated socioeconomic issues with the home environment, U.S. spending on child care and early education are condemned to be less efficient due to the large heterogeneities in groups served by these programs (Kottelenberg and Lehrer 2016).

\(^{20}\) Blau notes that, given the data available and magnitude of such a program, estimates involve a “considerable amount of arbitrariness” (2001, 223).
and $4,660, respectively. Total private and public expenditures for child care and early education sum to $12,630 per child per year.\textsuperscript{21}

Our estimates provide universal care to all children aged 0-11, and are show in Table 1. We use population by age data from the U.S. Census Bureau and multiply by the costs referenced above to arrive at our estimates. There are approximately 24 million children in the U.S. aged between 0 and 5, and to provide them with child care and pre-education would cost $302 billion.\textsuperscript{22} To provide child care only to children aged 6-11 would cost an additional $197 billion. The total cost to provide universal child care and early education to all children under the age of 12 would amount to $499 billion, or 3 percent of GDP.

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Population</th>
<th>Total Child Care Expenditures per Child (Private and Public)</th>
<th>Public Expenditure on Early Education per pre-Kindergarten Child</th>
<th>Total Child Care and Early Education Expenditures</th>
<th>Total Cost by Age Group</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>23,881,741</td>
<td>$7,970</td>
<td>$4,660</td>
<td>$12,630</td>
<td>$301,626,388,830</td>
<td>$498,609,704,890</td>
</tr>
<tr>
<td>6-11</td>
<td>24,715,598</td>
<td>$7,970</td>
<td>---</td>
<td>---</td>
<td>$196,983,316,060</td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Estimated Cost of Universal Child Care and Early Education. Source: See text.

Blau (2001) estimates that public expenditures on these programs—TANF, child-care subsides, and child-care tax credits and exemptions—would fall by $137 billion in inflation-adjusted dollars. Applying this savings to our estimates, the final net cost of our universal program would be $362 billion, or 2 percent of GDP. When coupled with guaranteed employment, this figure would be even lower since public expenditures on income-assistance programs like unemployment insurance and nutrition assistance would also fall.

This is an investment that would largely pay for itself over time. Karoly et al (1998) estimate that the return on public investment in child care and early education is between 200 and 860 percent. Using our net estimate of $362 billion, this implies returns between $724 billion and $3.1 trillion. Part of this would not only include the increased earnings and productivity of workers who, early in life, receive high quality child care, and the economic growth that would result, but also the savings associated with eliminating criminal justice costs and redundant programs under a universal system. Bivens et al (2016, 5) argue that such a program could increase GDP between $210 and $600 billion per year because of higher female labor force participation, and increase tax revenue by $70 billion due to higher employment. Universal child care and early education would also save working families over $7,000 per year—the equivalent of a 14 percent increase in median household income—providing a stimulus for the U.S. economy.

Even if these estimates are inflated, the direct economic benefits accruing from universal child care unambiguously outweigh the costs. Providing universal child care and early education can also provide stability and security for working families, in addition to putting children on a path towards upward economic and social mobility. It is more costly not to provide universal child care, coupled with guaranteed employment, than to continue with the status quo.

\textsuperscript{21} The two data sources used are not directly comparable given different collection methodologies. For example, the Census Bureau tabulates costs based on families with employed mothers for all children under 15 years of age. The OECD provides child care data based on the number of children under the age of 3, and education spending based on the number of enrollees. For our purposes, however, the data are sufficient to devise a rough estimate of the total costs. A more detailed calculation, with entirely consistent data, is beyond the scope of this paper.

\textsuperscript{22} This is obviously a high estimate as children who are 1 year old would not yet be enrolled in early education programs, and thus overstates the likely cost.
4. Final Reflections

If guaranteeing employment with reskilling where necessary, and child care and early education are such good ideas, why have they not always been more central to politicians whose success in gaining office and holding onto it has depended upon offering a convincing program to reduce unemployment? One possibility is that in earlier instances in which governments provided jobs for the destitute, it too frequently occurred in “the jail-like workhouse, [that] forcibly separated husbands, wives and children in order to punish the poor for their destitution, and discouraged them from the dangerous temptation of procreating further paupers” (Hobsbawn 1968, 69–70). Moreover, given the lamentable character of so much work during earlier capitalism, perhaps it was inconceivable that the state could guarantee work that was anything but dehumanizing.

An alternative explanation is that an ELR would increase the bargaining power of labor at the expense of the owners of capital, reducing the ability of employers to discipline their labor force with the threat of unemployment (Kalecki 1943). A small elite that overwhelmingly owns capital exerts enormous political power and thus the ability to steer ideology away from a comprehensive employment guarantee. Nevertheless, there was a push for guaranteed employment in the U.S. during the trying period of the 1930s that resulted in three job creation programs employing 1.4 to 4.4 million people each month (Rose 2013, 155). There was also an unsuccessful attempt to make “Employment Assurance” a part of the Social Security Act. What is seldom realized is that during World War II the U.S. government instituted an ELR, albeit without this intention, when 12 million men and women—approximately 18 percent of the labor force—were directly employed. In 1943, a “New Bill of Rights” was proposed, but not adopted, that would have entailed the “formal acceptance by the Federal Government of responsibility for insuring jobs at decent pay to all those able to work regardless of whether or not they can pass a means test” (cited in Rose 2013, 170). In his 1944 State of the Union address, Roosevelt advocated an “economic bill of rights” that would include the “right to a useful and remunerative job” and the “right to earn enough to provide adequate food and clothing, and recreation” (cited in Rose 2013, 170).

The original draft of the Full Employment bill of 1945 affirmed that “all Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment” (cited in (Rose 2013, 170), which, had it been retained, would have obliged the Federal Government to guarantee employment. The Humphrey–Hawkins Full Employment Act of 1978 was the last attempt to strengthen government’s commitment to full employment, but it came forth in a political climate that was rapidly turning against labor’s interests. It came at the close of the “Great Compression” (Goldin 1998), during which labor had made historically unprecedented gains as inequality decreased.

As to child care, as noted earlier, it would have become national policy had the Congress-passed legislation not been vetoed by one man—President Nixon.

Stagflation in the 1970s delegitimated Keynesian economics. Chicago School economist John Cochrane claimed that, “When inflation came in the nineteen-seventies, that was a major failure of Keynesian economics” (cited in Cassidy 2010, 31). As early as 1980, Robert Lucas wrote that “At research seminars, people don’t take Keynesian theorizing seriously anymore; the audience starts to whisper and giggle to one another” (1980, 19). This set the stage for a strong rejection of government intervention in the economy, motivated by a strong backlash to the

23 In 2007, the wealthiest one percent of Americans owned 49.3 percent of stocks and mutual funds, the richest 10 percent, 89.4 percent, leaving the bottom 90 percent with only 10.6 percent (Wolff 2010, Table 9: 52).
liberal agenda. As Perelman notes, “the political climate during the Nixon administration terrified many conservatives, who worried about the prospect of a radical takeover of the state and the end of capitalism, as they knew it” (2007, 32).

Attention shifted, as illustrated by the Laffer curve, to alleged growth-depressing high taxes, especially on the rich, that were claimed to reduce entrepreneurial energies and incentives to save and invest, resulting in stagnation and anemic tax revenues. Welfare, union power, and labor legislation were claimed to have sapped work incentives. As this biased-toward-the-rich ideology became more entrenched, the push for directly assuring workers jobs was abandoned and forgotten not only by policy makers, but by almost all modern macroeconomists. An elite had recaptured the political ideology and the political process (Hacker and Pierson 2010; Wisman 2013b).

Milton Friedman claimed that “only a crisis—actual or perceived—produces real change” (1962, ix). Accordingly, the reversal of the gains labor had made since the 1930s came during a period of crisis, the stagflation of the 1970s. Today, the U.S. economy again finds itself in a prolonged crisis that has generated extremely divisive politics. Might times again be ripe for “real change” that brings this economic and political crisis to an end, prepares the workforce for an ever more technologically dynamic future, makes the ecological challenge less intractable, ends poverty and welfare, and restores a high level of social mobility to America? Moreover, an ELR with a training component, accompanied by universal child care might find wide support across the political spectrum, since it would privilege work—the ever-present ethic in the American experience that everyone should contribute productively to society—and strengthen the family, while ending welfare for those able to work. If implemented, such a program would not only revitalize, but also humanize American capitalism. The same is true for child care and early education. Both would help reverse the decline in social mobility and the soaring inequality that have afflicted American life over the past four decades.

A final reflection is that, as noted above, there is something morally amiss in a rich economy that leaves a portion of its workforce unemployed and without adequate skills to find employment, and that leaves parents unable to work because of the paucity of affordable and

24 The political victory of the elite was abetted by the rapid rise of the importance of money in political campaigns. For instance, the number of firms with registered lobbyists increased from 175 in 1971 to almost 15,000 in 2007—an increase of over 8,000%. Between 1974 and 2009, the total number of corporate political action committees increased sixteen-fold, from 89 to 1,498 (Wisman and Pacitti 2013). Research reveals that expenditures on creating and disseminating ideology yield high returns (Glaeser and Saks 2006).

25 In the U.S., job training has bipartisan support. Retraining programs were supported by Republican Presidential candidates, Mitt Romney and Newt Gingrich. Even the ultra-conservative Paul Ryan has claimed that “equipping workers with the skills and tools they need is a proper role for the federal government to assist with” (reported by (Goldstein 2012, B3). From an exhaustive review of survey data, Benjamin Page and Lawrence Jacobs find that 67 percent of Americans agree that the government in Washington ought to see to it that everyone who wants to work can find a job (Page and Jacobs 2009). Ronald Reagan praised the Works Progress Administration as “one of the most productive elements” of Roosevelt’s New Deal, among the largest jobs programs of all time (cited in Frank 2011, 10). In 1971, as Governor of California, he proposed a WPA sort of program to replace the state’s welfare system.

26 As Thomas Piketty puts it, “Over a long period of time, the main force in favor of greater equality has been the diffusion of knowledge and skills…. It is obvious that lack of adequate investment in training can exclude entire social groups from the benefits of economic growth” (2014, 22).
good quality child care. Unemployment is both the largest market and political failure. And, no matter the unemployment rate, it is morally wrong for an overwhelming majority of the population to condemn a portion of society—the least privileged—to a life of unemployment and under-employment. Economic, social, and emotional well-being are tied to having a job (Wisman 2010). The personal costs that these unfortunates must suffer are far too high. Offer reports that “The strongest determinant of low life satisfaction is absence of social connection, particularly unemployment and separation…” (2007, 7). Professor of psychiatry James Gilligan claims that the inability to find a job is the foremost driver of shame and worthlessness (2011). To condemn a portion of the population, even if only a small percentage, to remain unemployed is morally wrong. It sacrifices those who are generally the poorest to what is perceived, mistakenly, to be in the best interests of the society. Equality of opportunity, just outcomes, and ecological survival constitute a moral, social, and economic imperative to guarantee employment and re-training for the full workforce.

References


