



Features a section on an independent Scotland's monetary framework

# SCOTLAND'S

PART 1

# JOB GUARANTEE:

AN EMPLOYER OF LAST RESORT



MODERN  
MONEY  
SCOTLAND

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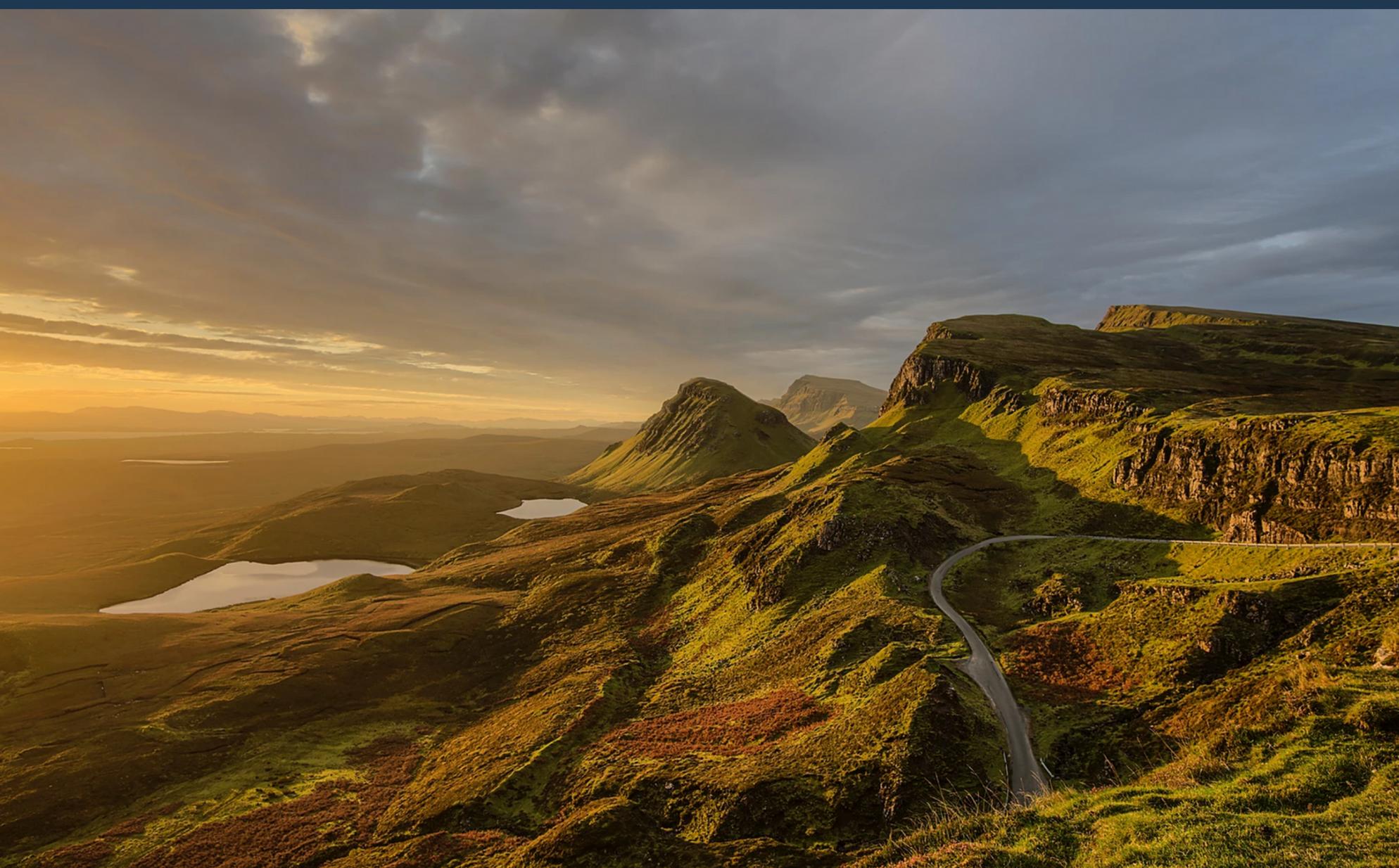
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# *SUMMARY*

*Part 1 identifies academic concepts behind the Job Guarantee Programme (JGP);*

- An independent Scotland should seek to adopt progressive forms of economic thought to tackle the social blights that are unemployment, poor employment and underemployment.
- The Scottish Government should become an employer of last resort, guaranteeing employment to anyone who seeks it.
- An independent Scotland requires its own central bank and currency to provide the capacity for the Scottish Government to fund the JGP.
- An independent Scottish Government can enable further devolving down of more powers to local communities and the JGP would be a central plank of this progressive policy.
- An independent Scotland should seek to implement the Job Guarantee Programme as an aspect of a wider social security system.



# INTRODUCTION

*This report identifies how an independent Scotland could create an effective and viable Job Guarantee Programme (JGP).*

We discuss the JGP in two sections, which detail the principles and theories behind it and argues that the JGP is progressive, humane and delivers multiple long-term economic and social benefits.

We aim to illustrate this by first exploring the history of employers of last resort, discussing the heterodox economic analysis which underpins this societal change and exploring the concept of a 'Buffer Stock Mechanism (BSM) and its relationship with the JGP. We then aim to illustrate how to create and install the processes required to deliver the JGP.

This report has a working assumption of Scotland as an independent country, which has moved away from Sterling and has complete monetary and fiscal sovereignty. A currency is first and foremost a government policy tool.

We believe that our vision of the JGP is a major step to creating a more equitable Scottish society that prioritises people and the environment instead of illogical fiscal targets and profit for the few.

Our vision is an economy that is lead, not by a centralised government or a free market oligopoly, but by local citizens. Our vision is a democracy that is controlled, not at the hands of a select few, but by the many who wish to take direct action to shape their local communities. Our vision of work is one that does not promote increased profit margins for the already financially empowered, but instead focuses on local and wider community, partnerships and friendships and the physical and mental health of the people of Scotland. This vision requires national and collective action in order to overcome the economic and social injustice baked into our current model.

After years of underfunding by successive Westminster administrations, there will be much to do in a post-independence Scotland. That is, of course, if we truly wish to create a modern, fully functioning country both for ourselves and for our future generations.

With our own central bank and Scottish currency, our politicians will finally have the ability to fully direct public spending and utilise all of our many resources. If we vote carefully, we can ensure that our public money and resources are focused on the common weal.

It is important to emphasise that many civil service jobs can be created in an independent Scotland in order to address the myriad of underfunding issues that Scotland has had to face over the years. This is not the purpose of the JGP.

What this paper proposes is a major step in Scotland's journey in overcoming the negative societal issues that results from involuntary unemployment and underemployment. The design of our JGP also confronts other societal challenges such as low pay, economic instability, dysfunctional social security systems, declining democratic accountability and the neglect of basic human rights.

Our vision of a JGP is aimed at those who are failed most frequently by the current economic system. That is, those who are made unemployed first and are employed last.

The challenges Scotland's communities face can be found at the heart of the current economic system. The Philip Randolph Institute writes in their manifesto *A Freedom Budget For All Americans*: "There is nothing more withering of the human spirit, and even of physical well-being, than for one to be told 'you are not wanted' by the economic society in which one lives in." (1)



## SECTION A

# THEORY OF THE JOB GUARANTEE

### *A Brief History*

The JGP is not a new idea, as previous legislation has carried elements of it dating back to the 1930s. However, its modern form has been developed by economics Professors Bill Mitchell, L. Randall Wray and Warren Mosler throughout the 1990s. Their research has created a policy which tackles both involuntary unemployment and inflation, that is the instigation of full voluntary employment.

In the USA, a free market approach to the economy was considered to be the best way to return to prosperity after the ravages of the First World War. However, after the calamitous stock market crash in 1929 and the onset of the Great Depression, one quarter of Americans were still unemployed in 1933. This triggered huge disenfranchisement and gave President Roosevelt the political capital which enabled the introduction of emergency acts which moved away, at least partially, from Herbert Hoover's economically damaging conservative policies. Roosevelt introduced multiple public programs under his "New Deal", which were vital to the construction of the America we see today. Roosevelt Institute Senior-Fellow David Woolner discusses the impact of the Works Progress Administration (WPA), writing:

"Between 1935 and 1943, the WPA literally built the infrastructure of modern America, including 572,000 miles of rural roads, 67,000 miles of urban streets,

122,000 bridges, 1,000 tunnels, 1,050 fifty airfields and 4,000 airport buildings. It also constructed 500 water treatment plants, 1,800 pumping stations, 19,700 miles of water mains, 1,500 sewage treatment plants, 24,000 miles of sewers and storm drains, 36,900 schools, 2,552 hospitals, 2,700 firehouses and nearly 20,000 county, state, and local government buildings."

(2)

These works programmes were vital in supporting farmers who had faced productivity collapse and were forced to lay-off workers, both young and old. The New Deal also introduced new safeguards to the banking industry alongside national projects to re-inflate the economy after the sharp fall in prices. Following these measures unemployment fell to 14.3% in 1937, only to then rise back up to 19% after Roosevelt was pressured into reversing his policy and the ensuing austerity measures then shrank public infrastructure programmes. Tragically, the New Deal failed to meet its full potential as an employer of last resort as private industries placed enough political pressure on the Roosevelt government.

Whilst the full potential of the New Deal was never reached, it offered a positive vision of what could be achieved with post-war economic thinking, primarily led by John Maynard Keynes. In 1940, he published *How to Pay for the War* with proposals for the UK to reach full employment and to better utilise the

country's domestic resources. How to Pay for the War gives a great deal of attention to price controls and resource allocations in order to control inflation.

Keynes's central argument was that recessions resulted from the inadequate demand for goods and services, and his observation that monetary policy is very limited at increasing demand. His solution was government intervention through increased government expenditure and public programmes. With a new paradigm shift occurring, empowering labour and parliamentary institutions across the globe, this saw the beginning of "The Golden Age". Many examples of the success of full employment can also be observed in Australia. In 1945 the Australian government produced a document titled *White Paper on Full Employment*, stating

"Despite the need for more houses, food, equipment and every other type of product, before the war not all those available for work were able to find employment or to feel a sense of security in their future. On average during the twenty years between 1919 and 1939 more than one-tenth of the men and women who wanted to work were unemployed. In the worst period of the depression well over 25 per cent were left in unproductive idleness. By contrast, during the war no financial obstacles have been allowed to prevent the need for extra production being satisfied to the limit of our resources." (3)

As a result of Keynes' thinking being enacted during the Second World War, close to full employment was maintained in developed nations after the war and up to the early/mid 1970s. Even countries that had faced mass devastation from the war, notably Japan, West Germany, Austria and Italy, managed to maintain high growth after 1945.

In 1948 the United Nations General Assembly put together one of the most important documents in human history - the Universal Declaration of Human Rights (UDHR). This laid out the rights for individuals across the world, and specifically refers to employment as a right under Article 23. The article states:

"(1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.

(2) Everyone, without any discrimination, has the right to equal pay for equal work.

(3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

(4) Everyone has the right to form and to join trade unions for the protection of his interests."

This presented a new challenge for Keynesian thinking. Whilst individuals were protected from the very worst effects of unemployment through state welfare programmes, the loss of meaningful work results in numerous societal problems, which are shouldered by the whole of society and even by those who imagine themselves to be immunised by relative financial stability. Martin Luther King (MLK) became a prominent advocate for a federal job guarantee programme with a living wage and a guaranteed basic income for those unable to work. It is significant that leaders in the Civil Rights movement changed their campaigning language to "Jobs For All" instead of the more typically used phrase "full employment". This shift in language furthered the concept that employment should be a fundamental human right. In King's 1967 Poor People's Campaign speech he states:

"We called our demonstration a campaign for jobs and income because we felt that the economic question was the most crucial that black people, and poor people generally, were confronting. There was a literal depression in the Negro community. When you have mass unemployment in the Negro community, it's called a social problem; when you have mass unemployment in the white community, it's called a depression."

A year before MLK's speech, the A. Philip Randolph Institute published its ambitious manifesto; *A "Freedom Budget" For All Americans*. The Freedom Budget had seven policy outcomes to be achieved within 10 years and one of its aims was to build a Job Guarantee Programme. The civil rights movement recognised that leaving social and economic power in the hands of private institutions, whose primary purpose is profit, would never eliminate poverty and inequality.

Economist Hyman Minsky proposed an Employer of Last Resort (ELR) in his 1965 paper *The Role of Employment Policy*. In his proposal, spending would directly meet those unemployed and provide direct job creation that would already meet their skills. Local and state agencies would then bid for this labour by proposing their projects, which would ultimately be chosen by an evaluation board as to which proposals had higher priority. Such projects would only go ahead if they provided clear public benefits. Furthermore, he argued that by the federal government offering people work for a living wage, this would in effect set a minimum wage. His proposal often pointed to the original New Deal programmes and argued these could be further developed creating a wider variety of jobs. (4)

Minsky's ELR proposals received less attention compared to his other policy proposals and economic theories. Even though, between the 1960s and 1970s, almost all his academic work included or referenced policies around direct job creation. Most letters he sent to politicians offering economic advice endorsed ELR programmes. (5)

However, the most criminally overshadowed economist to propose a federal JGP was Sadie Tanner Mossell Alexander – America's first black woman economist. Almost twenty years before Minsky and the Civil Rights Movement, Alexander proposed a federal JGP that would build interracial working-class alliances across the United States and specifically made sure to include women's working conditions in her analysis. By fully utilising the state's industrial plants and labour, direct job creation would ultimately be able to combat extreme poverty within American ghettos. Not only by making employment a fundamental human right, this would mean every citizen would be liberated from fear and want. In her speech at the Florida Agricultural and Mechanical College, she stated:

“Freedom from want and freedom from fear cannot be attained at home, when hoards of unemployed men and women are pounding the city streets and bargaining on street corners against each other for a chance to do a day's work. I hold it the obligation of every American to remove those iniquities which have crept into our national life and caused men to fear want and to fear each other. Just as Congress and the courts have recognized the need to

protect child labour, the ... [right of] workers to organize for the purposes of collective bargaining and to picket to enforce their contracts with management, as well as the unfair economic treatment of women workers, so too by act of the courts or by congressional act must the right to work in the Postwar World be guaranteed every able bodied man and woman in America, regardless of his race or religious beliefs. Discrimination in employment because of race, colour or religion is an abuse of a right as fundamental as denial [of] freedom of religion or freedom of speech.” (6)

Due to gender and racial discrimination, Alexander was prevented from becoming a practicing economist. Her personal proposals have been largely forgotten about, despite the originality and relevance of her policy. Whilst she did not live to see a federal JGP, the same policy is championed by progressives in the US today, such as Alexandria Ocasio-Cortez and Bernie Sanders.



Sadie Tanner Mossell receiving her PhD in economics at the University of Pennsylvania

Today, support for a Job Guarantee is increasing in Scotland and the UK. On May 4th, 2020 the Trades Union Congress (TUC), a body that represents the majority of unions in England and Wales, proposed their model for a JGP. The TUC vision offers a minimum of six months work at the living wage, specifically focused to meet local labour market's needs through local government control. (7)

Between the 16th-17th of April 2020 YouGov carried out a poll which asked voters if they would support a Job Guarantee programme. 72% of voters were supportive of the policy, with only 6% of voters expressing a negative view. In Scotland, support was slightly higher at 74%.

Interest in the JGP has moved from being a grassroots discussion to being favoured by the political establishment. In Scotland this includes the Scottish National Party (SNP), the Scottish Labour Party and the Scottish Greens. In Wales, Plaid Cymru (PC) leader Adam Price includes a limited Job Guarantee in his document *Wales 2030: A 10 Point Plan for the Welsh Economy*. On the Job Guarantee, he writes:

“A Plaid Welsh Government should offer a secure job at a living wage to anyone unemployed for more than 90 days who wants to work but cannot find employment in these economically distressed areas and for 18-24 year-olds throughout Wales. This could be via Workforce for Wales, a Government-run company, organising socially useful work in sectors such as social care, construction, energy efficiency and the environment, the arts, and education and linked with good quality training.” (8)

First Minister and SNP leader Nicola Sturgeon previously confirmed that the Job Guarantee would be part of a Scottish Green New Deal, and at a public meeting of the Scottish cabinet in Stirling she said:

“We’re currently working our way through our Programme for Government, which we’ll set out September, where climate change is and issues like that are absolutely at the heart of what we’re doing. “Things like this (the Job Guarantee) will be fleshed out a little bit more at that point. But ‘yes’ is the short answer. I think we have to look at things like that in order to make the transition in a just and fair way.” (9)

This was followed by the announcement in the 2020 Holyrood budget of a Young Person Guarantee, which would act as a limited employer of last resort for young people between the ages of 16 to 24. It would also offer young people guaranteed places within education, apprenticeships or volunteering. The proposed model is not universal, due to the limitations of devolution, and requires the Department of Work and Pensions (DWP) to coordinate efforts with the Scottish Government effectively. (10)

The Scottish Greens previously proposed a similar policy. In their 2016 manifesto, the party campaigned for a Scotland Guarantee, which would see every school leaver guaranteed a job, training or further education. The Greens also highlight the success of the Edinburgh Guarantee, and argue their policy would be the natural next step from it. Again, this model is not universal because of the limitations of devolution. (11)

The Scottish Labour Party’s *Jobs for Good* proposal is arguably the most progressive of all the parties. The previous Scottish Labour leader, Richard Leonard, described it as a “a full-time, well-paid Jobs Guarantee that will equip people with skills that they can use for the rest of their working lives.”

Most notably, this programme would be universal for all Scottish citizens, providing free child-care and a living wage/trade union pay rate. However, such a proposal contains a large caveat, in that it can only exist with further devolution of employment and fiscal powers. Therefore, under current arrangements, the Jobs for Good policy would be unworkable. (12)

In recent months more policy groups and think tanks have used the term “Job Guarantee” but in fact, inaccurately describe or represent it. For an employment policy to be accurately labelled as a JGP, it must have the minimum requirements:

- The JGP is based on the principle of universalism and must therefore be open to everyone.
- Any JGP must offer an income that is at a living, socially inclusive wage or above.
- Work that is organised for the JGP participants must offer both part-time and full-time employment.

- The JGP must be locally delivered and offer communities a platform to shape proposed employment.
- There must be no restriction to the amount of time participants can take part in the programme in the long or short term.

Any other proffered employment programme that does not meet these minimum requirements cannot be accurately described as a JGP.

### *Monetary Framework*

The sum of the domestic private sector is equal to the net debt of the government sector. Meaning, the annual balance of the four sectors of the economy – government, private, households and trade – sums to zero (whilst equity remains). If the private sector is in a surplus, then that requires a deficit in one of the other sectors.

This accounting framework is best presented by British economist Wynne Godley in his Stock-Flow Consistent (SFC) model. Once we consider all sectors of the economy, the SFC model presents an accurate and detailed account of all the flows and stocks in the economy. This accounting framework lead Godley to conclude that “fiscal policy can achieve everything the central banks claim they are able to do through monetary policy” (13). The SFC model also meant Godley was one of the few economists to predict the 2008 global financial crisis.

When the government is taxing more than it is spending, that is running a surplus, then the private sector must be running a deficit. This reduces the size of the private sector and suppresses economic activity. When the public sector is in deficit, the private sector is expanding which increases economic activity.

An individual person or a business in the private sector must first receive an income before they spend. They are both limited in what they can spend by the amount that they earn. If they want to spend beyond their income they must borrow, which creates private debt. To reduce this debt they must reduce spending or sell their assets.

The government, on the other hand, controls the fiscal and monetary system. For countries that are monetarily sovereign, the government is the sole issuer of the currency and therefore has an unlimited capacity to credit accounts. Monetarily sovereign governments spend first

by crediting accounts, followed by taxation. The Gower Initiative for Modern Money Studies published a detailed model of the UK’s financial operations, accounts and structure, concluding:

“The Government does not maintain appreciable balances of money out of which spending is issued, nor does it seek to retain and accumulate surplus revenues in order to spend subsequently. Rather, spending arises from an account - the Consolidated Fund - which starts each day with a cash balance of zero.” (14)

Therefore, government spending is not constrained by taxation or bonds, as all spending is newly created (15). This means the public sector can indefinitely run deficits when the central bank holds its ‘debts’ in its own currency. This framework is known as S(TAB) – Spending Precedes Taxing and Borrowing. Reference to this can be found in “*Money Creation in the Modern Economy*” (2014) (16).

Deficit spending expands the private sector, but it is limited by real-world consequences such as high inflation, real resources, and exchange rates. The private sector can only expand as far as real resources allow e.g. labour, education, infrastructure, technology, and natural resources.

Whilst taxation does not constrain government spending, it still has a vital purpose. Taxation policy must be set at the conditions which allow sustainable economic development, removing the excess currency which may cause negative economic, social, and political consequences. Taxation should also be set at conditions which promote the redistribution of wealth and power. Finally, it should be noted that tax liabilities are an ongoing debt the private sector owes the government, and this creates a continuous demand for the domestic currency.

Bonds on the other hand also have an alternative purpose. The issuance of government bonds, which are secure savings accounts, are used to control the overnight interest rate. Because the long-term rate is related to the overnight rate, this ultimately becomes a policy variable set by the central bank. (17)

Inflation should not be automatically addressed through increased taxation. Other causes of inflation include businesses passing on their costs or increasing their profit margins.

Speculation on commodities is another source of inflation. To tackle the pricing power of large businesses, other tools must be used to support the public purpose, such as regulation of business's pricing power or creating new price indices. (18)

Critics of full employment policies argue that it would create unsustainable levels of inflation. However, even the strongest opponents of heterodox economic thinking, such as The Cato Institute, accept this is not accurate. They carried out a study into every single case of hyperinflation in world history and found none were attributed to states seeking full employment. They concluded that driving factors included "war, political mismanagement, and the transition from a command to market-based economy". (19)

Government deficit spending does not just create demand but can also increase a nation's productive capacity, if spent correctly. For most developed nations there is already excess capacity. And with advanced, modern infrastructure already in place, developed countries can go further. Government investment always precedes and prompts private investment, which in turn acts as a pump-prime for new economic sectors that the private market wouldn't otherwise involve itself in. (20)

It is perhaps important to emphasise here, that the purpose of taxation at the national level is not just to tackle the distribution and value of our currency or to control inflation - fundamentally, tax is a social engineering tool. As such, it can be utilised to encourage or discourage purchasing behaviours and to reduce inequality, which has expensive and ongoing societal costs.

### *Current Macroeconomic Landscape*

UK government data reveals that in recent years they have moved towards a surplus, whilst the private sector has been moving into deficit. With both the coalition and conservative governments imposing austerity upon the UK population, there are now less pound assets in the economy, less spending and thus a fall in private incomes. As pointed out previously, if households wish to spend beyond their capacity they must borrow, which increases the national private debt. This will take the UK into recession.

Furthermore, Historic data demonstrates that governments who attempt to 'balance' their budgets to reduce government debt have subsequently taken their economies into significant periods of depression. This fact is best presented in Frederick C. Thayer's paper "*Balanced Budgets and Depressions*", looking at the US national debt since 1791. His findings revealed the national debt increased in 112 years and decreased in 94 years. For most years that have seen balanced budgets and debt reduction there has followed economic depressions (21). According to Thayer there are no exceptions to this pattern. This historic pattern was further analysed by Eric Tymoigne in his paper "*Debunking the Public Debt and Deficit Rhetoric*". He concludes:

"If a growing public debt is so concerning to some, it is because it is supposed to raise interest rates, slow economic growth, raise inflation, and raise tax rates. Even a casual look at the evidence shows that these concerns are not warranted and that prior beliefs should be reversed. Deficits help to stabilise the economy, deficits do not raise interest rates, deficits are not necessarily inflationary, and a rising public debt does not lead to higher tax rates. The public debt and fiscal deficits provide several benefits to the rest of the economy." (22)

For an independent Scotland to reverse the austerity programme pursued by Westminster governments, Holyrood must run a government deficit and reduce the national private debt. An independent Scotland pursuing a government surplus will only result in further austerity.

### *Buffer Stock Mechanism*

One way of viewing the Job Guarantee Programme is to view it as a Buffer Stock Mechanism (BSM). A buffer stock is essentially a reserve of supplies used when there is shortage of said supplies or a high demand for them. Viewed purely through an economic lens, it is ultimately a tool to offset price fluctuations. The BSM is often employed in the primary sector of the economy, especially around agriculture.

With this in mind, the JGP is non-inflationary, hiring the first to be fired and the last to be hired by the private sector, at a fixed living wage. Therefore, the JGP does not directly compete with the private sector. Instead, it operates in a counter-cyclical manner so that

when wages and opportunities are rising in the private sector the JGP shrinks automatically over time as workers move towards employment, which offers better remuneration and/or conditions.

When the private sector faces a recession, those who are made unemployed will be absorbed by the JGP. This creates an employed 'Buffer Stock' as opposed to an unemployed one, bringing a host of wider societal benefits with it.

Moreover, our vision of a JGP will also provide an employment alternative to those who are being physically, emotionally or sexually abused by their employers.

Furthermore, the JGP would create stability when launching the new Scottish currency. An independent Scottish government must create a demand for its currency and it will do this by taxing in that currency.

The JGP is another avenue for the flow of the new Scottish currency whilst maintaining full unemployment for the most vulnerable groups and increasing Scotland's productivity. It also sets new social standards for private firms and if they are unable to offer the same benefits and conditions as the JGP then their business model is failing and does not socially or economically benefit the majority in Scottish society.

Another important element of the JGP is its function as an economic auto-stabiliser. This is because in a recession, government spending goes up whilst in times of economic boom and near full employment government spending decreases. In this manner, the JGP also specifically targets economic instability.

This targeted method allows the JGP to self-adjust based upon the needs of the many.

Furthermore, it is important to really understand the relationship between the public and private sectors of our society. Launching a JGP will support and expand the private sector, by default, as participant's purchasing power is either increased and/or stabilised.

However, our societal focus must be shifted away from short-term consumerism and rebuilding our post Covid-19 economy must include a greater focus on shared, repairable, or reusable products. Further discussion on this

can be found in Common Weal's paper "*Resilience Economics*" (2020). (23)

Within the development of the JGP we must also consider that unemployment is not equal amongst different groups. In the UK, over 25% of all women are economically inactive and there is a 7.8% difference in employment between men and women. Furthermore, whilst Scotland is the most progressive within the UK regarding unemployment variations, there is still a difference of 4% between white ethnic groups (3%) and combined ethnic groups (7%). (24)

The JGP can introduce measures which ensure that these gaps are significantly closed. In fact, two primary goals of the JGP would be to ensure there is no selection bias and to expand the diversity of both those who give their labour to it and the range of work made available.

It is also vital that whilst closing these societal unemployment gaps, a socially inclusive wage is provided by the JGP

Research already exists on the positive effects a JGP can have on labour market outcomes. In India, The National Rural Employment Guarantee Act (NREGA) resulted in greater labour force participation, with rural women making up 1/3 of participants, eventually reducing the gender differential in wages. (25)

An independent Scotland can better utilise labour, producible technology, fiscal flexibility, and other real resources.

### Currency

The gold standard ceased in 1971, and thereafter pounds sterling became a free-floating fiat currency, like most countries. The currency of any country is a public policy tool to create, distribute and buy real resources. How it is utilised depends on who you vote for.

The previous section illustrates why an independent Scotland requires its own currency with which all government services can be paid for by the Scottish central bank crediting the relevant accounts or by quantitative easing operations (asset swaps). An independent Scotland with its own central bank cannot become bankrupt in its own currency. Monetarily sovereign countries rarely default and are better placed to tackle economic crises. (26)

Therefore, a Scottish central bank should issue a free-floating, fiat currency and would then be the lender of last resort.

Further reference can be found in Dr Craig Dalzell's paper "*Scottish Currency options post-Brexit*" (2016) (27) and Warren Mosler's "*How to exit the euro*" (1997) (28). Other currency contributions include Nobel Prize winner Professor Joseph Stiglitz and his argument for a new Scottish currency with a floating exchange rate. (29)

### Trade

We reject the spurious argument that immigrant workers have "stolen" jobs and that the liberalisation of trade has disciplined global economies to the point of economic stability.

Local communities are frequently forgotten by central government when a vital business or service is lost to them. The resultant loss of hundreds, sometimes thousands of jobs, propagates multiple societal problems, including higher mortality and suicide rates.

Furthermore, societal divisions can grow as immigrant workers are held up as responsible for the resultant loss of employment opportunities, rather than the weak response from central government. Racism in communities is highly correlated with unemployment.

Trade liberalisation has been biased towards wealthy investors and has not benefitted our wider society or the environment. The neoclassical economic view of this is that these are externalities and that can be simply ignored.

Whilst it has raised international living standards trade agreements have pressured developing countries into the extraction and exportation of domestic resources. Export-led growth has fuelled climate change and forced many workers into exploitative job conditions in order to export cheap products on the behalf of advanced nations. Stephanie Kelton writes in her book *The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy*:

"As long as most developing countries have to import basic necessities, they will remain 'developing' – caught in a desperate scramble to acquire the currencies of the rich world. Corporations around the world will keep feverishly chasing short-term profits, extracting scarce natural resources, polluting precious

ecosystems, and ruthlessly firing desperate people, all in the name of maximising shareholder value." (30)

With a JGP in place, this removes the false narrative of immigrants "stealing" jobs. Eliminating this toxic trope can build bridges within communities and perhaps focus citizens towards holding the responsible politicians to account instead.

An independent Scotland can lead by example on the international stage, by moving away from harmful and skewed free-market ideology.

### Maintaining Full Employment

The JGP is focused on creating new jobs in areas that are either emerging or have been neglected for decades by the current failing growth model. Furthermore, the JGP also allows the private sector to hire newly skilled labour, helping reduce transitional and training costs. (31)

A JGP removes the illusion of separation between the public and private sectors. With the plenitude of economic and social overlaps, both should be framed together as our single society. This framing is shared by many progressive intellectuals, including distinguished Polish economist and former deputy director of the United Nations Economic Department, Michał Kalecki. In his 1943 essay, *The Political Aspects of Full Employment*, he further explains this relationship and how the government has the capacity to reach full employment through public spending. He further argues that full employment can be achieved whilst maintaining no rise in inflation or interest rates.

One might think that too much overlap in spending between the private and public sectors can result in a backlash from private employers defending their profit margins. As employment increases, so too does the influence of workers over their national and local economies. Kalecki responds to this by arguing that increasing output and employment would benefit both workers and private employers. With increasing consumption, it is possible to have increasing private expansion with labour shares. (32)

### *Local and Regional Development*

As a country within the United Kingdom, Scotland's infrastructure and economic development has been hamstrung as deficit spending has been focused on the South East and London.

In the interests of increasing democratic participation, an independent Scotland must decentralise and facilitate local community empowerment. The JGP can be an enabler for this progression and a vehicle for local strategic planning and community cohesion. Therefore, avoiding overt political control from the central belt and the Londonisation of Scotland.

Moreover, local planning would promote diffuse and more tailored employment across each geographical area within Scotland.

### *Social Security*

For those who seek employment, the JGP can be a valuable tool within the 'toolbox' of social securities within an independent Scotland.

Social security, such as a basic income or child benefits, are foundational for a modern, advanced society and the JGP may not be suitable for everyone. It is not designed to be imposed on those who cannot and should not work, and those who do not want to work.

The JGP must be designed to suit all. For example, people who live with a disability should not be excluded. Work must be reimagined to suit people who want to work and earn a socially inclusive wage in their community. However, people who live with a disability must also be accommodated and respected if they cannot physically work and cannot participate in the JGP. A humane and dignified social security system must offer an alternative in this case. That is, a basic income and care services when required.

At Modern Money Scotland, we believe that students should not pay fees and they should be paid to study. However, until such a policy is implemented, students should be able to access the JGP. They would have the right to full-time employment during the summer break and should have the possibility to work-part time alongside their studies. This would offer students the stability of financial security when perhaps they are leaving home for the first time.

Carers must also be considered within the JGP and the social security system. Caring for the most vulnerable is incredibly important for our society and as such must be recognised and paid for. The GDP of any country is supported by the quiet and often unrecognised work that carers do, sometimes termed the 'Love Economy'. This paper proposes that the JGP both accentuates and supports the Scottish social security system.

### *Case Studies*

There are several cases of JGPs across the world, notably India's National Rural Employment Guarantee Act (NREGA) and the Swedish corporatist post-war model where the government was the employer of last resort until the end of the 1980s. A more recent case study can also be found in Argentina's 'Plan Jefes de Hogar'.

After the collapse of the Argentinian economy, unemployment increased significantly. So from April 2002, the Argentinian government responded by implementing a limited employer-of-last-resort program called Plan Jefes de Hogar. The programme provided jobs for 2 million workers, which at the time was 5% of the population and 13% of the labour force. (33)

The Jefes programme provided 150 pesos per month to the head of a household for a minimum of 4 hours of work per day. The Jefes participants worked on community services, small construction or maintenance activities. Jefes participants were also offered training programmes. The Jefes program was limited to households which contained children under the age of 18, persons with handicaps or a pregnant woman. The government expanded the Jefes programme into the Programa de Emergencia Laboral (PEL) which expanded out to those who did not qualify for the Jefes programme.

The total government spend for Jefes and PEL was equated to about 1% of GDP, with nearly 2 million Argentinians participating. Four months after the launch of the programme, the poverty rate in participant households had fallen by nearly 25% and by 18% for individuals. There was a significant influx of women into the Jefes programme who accounted for 64% of participants.

The response to the Jefes programme was overwhelmingly positive, as 90% of the workers said they were satisfied or very satisfied.

When examining the wages of Jefes participants after they re-entered the private sector, 93% of these workers received wages of 150 pesos or above, suggesting that the Jefes wage became the effective minimum wage in the economy.

The macroeconomic impact of the Jefes programme was significant. 1.8 million people took part in the programme and the annual addition to GDP was calculated to be 8.327 billion pesos, which then represented 2.49% of GDP.

The Swedish Rehn–Meidnel (SR-M) economic and wage policy model was first developed in 1951 with four key pillars: low inflation, full employment, high growth and income equality. This model would define the Swedish economy for four decades. However, it was abandoned by the Conservative government in 1991 after increasing pressure from white collar unions (such as the Swedish Confederation of Professional Employees) who were primarily focused on increasing their profit margins.

This model stood out in contrast to other Keynesian models at the time, as it was particularly useful at preventing wage-price spirals. This empowered trade unions to seek fair compensation, through increasing real wages, alongside productivity. With a positive spiral, this created stable and growing expansion of social security programmes and government investments. This level of government protection allowed for increased purchasing power for Swedish citizens, followed by increasing general demand. Over the four decades of this model use, the national private debt remained at historically low levels whilst Sweden's unemployment rate stayed at levels of 3% or lower. In 1985, women's share of public employment was 67.1%, compared to 46.6% in the USA's laissez faire model. (34)

The employment of last resort aspect of the Swedish model is explained in greater detail by Professor Fadhel Kaboub. In his paper *Employment Guarantee Programs: A Survey of Theories and Policy Experiences* he writes:

“The National Labour Market Board (AMS) has played a key role in implementing activist labor market policies in Sweden. It is a tripartite institution (labor majority, business, and government) funded by Parliament via the annual budget appropriation. AMS meets twice a month to make decisions about labor

subsidies for workers who have not been placed within six months. Only after all employment and training options have been exhausted are individuals entitled to unemployment benefits, and once those benefits are also exhausted, the unemployed has the right by law to work up to six months in the public service employment which acts as the employer of last resort.” (35)

When this model was scrapped, Swedish unemployment increased to just under 10% in 1993, with a gradual increase in household debt over time. Since then, Swedish unemployment has fluctuated between 4%-7%.

Further Job Guarantee case studies are explored by Professor Pavlina R. Tcherneva in her book *“The Case for the Job Guarantee”* (36).

### *Green New Deal*

Should an independent Scotland seek to mirror the US democrats with their proposed Green New Deal (GND) whilst combining it with a JGP? It is critical here to point out the difference between a JGP and the GND. The GND is an economic stimulus programme that aims to reduce both inequality and carbon dioxide emissions. Part of this deal does include a JGP for the US to use in order to reshape the economy. This includes creating more solar panels, retrofitting coastal infrastructure and producing more electric cars. (37)

The GND aims to fundamentally change the consumption and production patterns of households, industries and firms. And It opposes the notion that the free market is the best tool to allocate natural resources. When it comes to free market priorities, large firms focus on increasing wealth before considering the negative effects on the environment and wider society. These negative consequences are tellingly termed externalities, linguistically removing them from a real economy calculation. If a GND was implemented, guarantees must be in place so that real world costs would not be placed on labour and local communities.

To prevent this a “Just Transition” must be put in place. This requires central government fiscal intervention with cooperation from the local communities involved with the GND implementation. Furthermore, central government must work with unions and specialist local groups in order to offer the appropriate training, compensation and

investment to all stakeholders involved. Most importantly, any central government intervention must be financial only and should hand decision-making about what is required in local communities to local communities.

An independent Scotland can adopt its own GND with a combination of new policy ideas and cross-party cooperation. The JGP will sit alongside the Green New Deal with both programmes designed to complement and enhance their collective impact.

### *Universal Basic Income*

Currently, there is some passionate debate between advocates of Universal Basic Income (UBI) and the JGP. It is possible for both policies to work together, but only if it is modelled in a way that allows both policies to complement each other. Both sides of the discussion have attempted to find common ground, as can be seen in Common Weal's paper *Social Security For All* and also comments made by economics Professor Pavlina R. Tcherneva, who has authored a book detailing the Job Guarantee (38). How a married model could look, if agreement is found, is for a future discussion.

It must also be noted that whilst both policies overlap in values, they are ultimately different in outcomes and should not be directly compared. UBI is a social security programme that offers unconditional income for everyone in society, whereas the JGP builds an institution that values and supports labour, the environment, and encourages democratisation and communitarianism. Furthermore, the JGP will build a macroeconomic structure that will stabilise the economy for everyone. These are two different policies for two different problems.

To properly marry these two policies the concerns of both sides need be addressed. First, those who propose a UBI must consider the general inflation, asset price inflation and currency leakage risk of an unconditional income. The marginal propensity to consume (MPC) metric demonstrates the wealthiest in society have both what they need and want and are likely to use their extra disposable income to save or buy shares, stocks and property. These types of investment could raise prices and lock out other consumers from these markets. Therefore, any UBI proposal must exist within a progressive taxation system that removes increased disposable income for the wealthiest in society. This is not currently the

situation in the UK, where tax evasion for the wealthy is enabled. The model must also consider the risk of big business and the rentier economy attempting to raise prices to extract a percentage of UBI payments for increased profits. Furthermore, UBI advocates must be certain any model does not turn citizens into socially isolated consumption units.

Research by the Progressive Policy Research Group found that the UBI model proposed by Reform Scotland would leave many average workers worse off, whilst disproportionately benefitting higher income workers. Their research reveals that a worker earning £20k per annum would only benefit from an extra £100 a year, whereas a worker earning £25k would be worse off by £315. Meanwhile, workers earning £50k a year with three children would be better off by £3,000 a year. They also argue that the same model would be a disincentive to immigration, as migrants would face a higher tax burden without being eligible for the UBI payment. (39)

Additionally, JGP advocates must also be prepared to answer challenging questions. First, advocates must present a JGP that does not ultimately result in workfare. Those who witnessed the Thatcher Youth Training Scheme (YTS) have reason to be concerned about reduction in income and exploitation.

Furthermore, the coalition government from 2010 brought in workfare which placed its participants into exploitative and dangerous working conditions. (40)

Secondly, any JGP must avoid creating an excess of "macho" jobs, which are jobs disproportionately aimed at men. Meaningful consideration must be given to the working roles of women and disabled participants. These concerns are addressed in more depth in Part 2 of Modern Money Scotland's JGP.

Even if an agreed model cannot be found, policy advocates on both sides are united by similarly progressive values and should focus these policies onto challenging the dysfunctional status quo, for example the current taxation and social security systems in the UK. However, the debate between the JGP and a UBI does advance progressive thinking, attitudes and policies.

## Covid-19

In the wake of the global pandemic of 2020, every month that passes has resulted in increasing unemployment for millions around the world. Many of these jobs will be temporarily lost, whilst others will never return. While communities hold together to fight the virus, many governments across the world struggle to produce coherent economic and healthcare strategies.

Some might imagine that a JGP is not what a post Covid-19 economy requires. If any government were to utilise labour on a mass scale to support local projects at this time, this would only increase the chances of spreading the virus and would force another national lockdown. However, this argument is a misunderstanding as to how the JGP operates. Under a JGP, workers would be encouraged to stay at home as it is their civil duty. It is essential to protect ourselves and others from the virus, as this is a service to our local communities. Covid-19 has definitively demonstrated that the government is capable of being the employer of last resort, thus emphasising the viability of the JGP.

As it stands, the currency issuing UK government currently supports workers through the furlough scheme – a grant that covers 80% of worker’s pay and leaves private business to decide to cover the remaining 20% or not. When the UK government failed to guarantee the continuation of furlough in September of 2020, redundancies rocketed up by 181,000 – totalling 314,000. In response, the Chancellor of the Exchequer Rishi Sunak was forced to guarantee furlough until Spring of 2021. (41)

Whilst welfare and business support are of great value, this also leaves the UK economy widely exposed to future economic shocks because no long-term visionary plans are in place. A JGP would be able to support the thousands of workers left redundant from Covid-19, allowing them to return to their chosen work sectors, but also with the possibility of transitioning to new sectors of the economy.

## Conceptual Projects

The JGP does more than empower local communities to socially and economically prosper; these projects can become a representation of an independent Scotland’s core values. The following conceptual projects are not formally endorsed or rejected by Modern Money Scotland. These project ideas are inserted here to aid the beginning of a conversation about the kind of country we want Scotland to be.

### 1) Land of the Trees

In Val McDermid and Jo Sharp’s book *Imagine A Country: Ideas for a better future*, film director and writer Mark Cousins presents a vision of Glasgow in 2025 that has decided to enter for the International Forest City of the Year (IFCY). Glasgow has decided to enter the competition by planting 800,000 pine trees, capturing the attention of the world, vastly increasing tourism from countries such as Finland and Canada.

Scotland’s new fascination for trees has a domino effect. School curriculum gives large focus to ecosystems and outdoor study, whilst greener cities allow greater leisure activities – reducing levels of anxiety across all demographics. Cousins also considers modern housing design, one that is focused on building housing around existing trees or giving trees an aesthetic focus. He goes on to write:

“The last decade – the 2030s – saw Scotland’s arboreal realignment widen and deepen so much to the extent that even the sceptics conceded. Government-select committee reports demonstrated that the improvements in education, medicine, mental health, housing and – of course – air pollution levels, were substantial and systemic.” (42)

Whilst housing and education policy would be separate from the JGP, the project of planting 800,000 trees can become a reality. If Glasgow’s people want to bring a forest into the city the JGP can play a part in making that vision a reality.

### 2) A Nation of Art

Two of the major projects for the New Deal’s Works Progress Administration was the Federal Art Project and the Federal Writers’ Project, active between 1935 to 1943. The Federal Art Project, sustaining over 10,000 artists and establishing over 100 community art

centres across the country, focused on various visual arts such as murals, easel paintings, sculpture, graphic art, posters, photography, theatre scenic design, and arts and crafts. The Federal Writers' Project, employing thousands of writers, created hundreds of guides for areas across the entire nation. The Federal Writers' Project created jobs such as librarians, clerks, researchers, editors, and historians.

In his paper *The Achievement of the Federal Writers' Project*, historian Daniel M. Fox writes:

“Writers in the libraries, writers bumping over dusty roads in battered Model A Fords, hungry authors, young writers with ambitious off-time projects, talented writers past their creative prime and preferring FWP work to home relief, hacks with meaningless pasts (in literacy terms) and hopeless futures – these people cannot be ignored in the presentation of the administrative history or discussion of ideas. Their contribution stands today as an increasingly dated example of American ingenuity and literacy skill, and an unfinished reminder of the tension between culture and the American political system.” (43)

Both New Deal programmes were largely centralised, leaving them vulnerable to the moving tides of their political system. Our vision of a decentralised JGP can create similar projects across Scotland, putting power and vision into the hands of local artists and writers.

A JGP can not only develop new art projects, but also expand existing ones. This can include centres such as the Pier Arts Centre in Orkney, the Highland Folk Museum in Newtonmore, The Smith Museum in Stirling or the Skye and Lochalsh Archive Centre.

All corners of Scotland have different stories and artistic expression, therefore a JGP would give them the platform to tell their histories. The JGP can also offer a platform for new Scots to present their vision, expanding Scotland's artistic concepts and talents.

### 3) Rewilding Scotland's Highlands

The vital importance of the ecological restoration and repopulation of Scotland's highlands cannot go unstated. The JGP can offer a platform for highland communities to discuss options, whilst bringing in expertise to feedback their views on any community proposals. One potential project support and expand is the Langholm Initiative.

The Langholm Initiative aims to support traditional industries in the highlands through various projects. These projects are focussed on digital skills, outdoor education, textile industries, improving the Townfoot Sport Centre and more.

One project in particular is the Langholm Moor crowd funder appeal. The fund aims to purchase Langholm Moor and turn it into a community-owned nature reserve. As Kevin Cumming explains in the crowd funder appeal:

“Langholm Moore is a site of scientific interest and a special projection area for breeding for hen harriers. The most persecuted bird of prey in the UK has a stronghold here, and their projection is just one of the many environmental goals of community ownership.” (44)

As of November 2020, the initiative successfully secured the community buyout. Though it did not reach its original goal, the community was able to secure 5,000 acres of land, costing a total of £3.8m. (45)

In an independent Scotland with a progressive government in place, the Langholm Initiative would not have to rely on fundraisers and voluntary work to achieve their goals, it should have government support.

In this situation we imagine an empowered community council directing local unemployed people to assist with this type of community enhancing work, especially in response to the growing threat of climate change and the post-industrial crisis.

According to a UN report - Trade and Environment Review 2013 - only by moving to smaller farms will we be able to feed the world's population. Current conventional agricultural practices have relentlessly increased the size of farms and fields, whilst mechanisation has engineered out as much labour and employment as possible. This has resulted in industrialised agriculture being wholly dependent on fossil fuels and one of the biggest polluting industrial sectors in the developed world.

As we transition away from industrialised agriculture, we start to see the proliferation of smaller, local farms practising permaculture regenerative farming techniques, such as

agroforestry (food forests) and silvopasture (integrating cattle back into their native forest environments). These restorative farming systems are not only significantly more productive per square hectare, growing local, seasonal organic food, but with reduced mechanisation, generate much higher levels of meaningful local employment in a healthy and natural environment.

The JGP, coupled with regenerative farming, would provide a variety of quality employment opportunities across the entire food chain, growing the local economy. These roles could involve working directly on the farm, sowing, growing and harvesting, forestry, husbandry, milking, delivery and distribution, marketing and sales.

#### 4) A Country of Cycling

As the threat of climate change looms large, communities are further faced with growing pressure to respond with both short-term and long-term solutions. But without the necessary tools, they struggle to respond with real effect.

A JGP could form a part of various solutions – such as helping communities form large-scale cycle networks. Cycle networks not only reduce carbon dioxide levels, but they are also a response to challenges around health and environmental issues. The reduction of pollutants from vehicles also reduces long-term respiratory problems for citizens, reducing the strain on Scotland's National Health Service.

Scotland could eventually pride itself as a nation of cycling, but it does not have to stop there. Local communities could lead the way by creating or expanding sports centres in their local areas. Sport is highly symbolic for any nation and it brings national pride and excitement for countries across the world. The JGP can be part of the response to the expansion and contraction of the communities and their leisure needs.

The JGP is the stage for people to use their imagination and shape their local communities. It can tell the story of Scotland's past, present and future. Our vision is not just to ask Scotland's citizens to imagine, but to also build the country they want to see.

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*Part 2 Coming Soon*