Full Employment Opportunity

Tackling Poverty, Buttressing Capitalism

Overview

- We can create capitalist full employment opportunity funded by a moderate wealth tax generally, and pacify religions, stabilizing human civilization.

- Viewing downturns as inevitable, Hyman Minsky sought "a strategy for full employment that does not lead to instability, inflation, and unemployment. The main instrument of such a policy is the creation of an infinitely elastic demand for labor at a floor or minimum wage that does not depend upon long- and short-run profit expectations of business. Since only government can divorce the offering of employment from the profitability of hiring workers, the infinitely elastic demand for labor must be created by government." Naturally. Still various job guarantee proposals run into a wall of opposition: government as employer of last resort? No way, no socialism!

- C*apitalism* can flourish with a tweak of the idea: governments can guarantee full employment opportunity efficiently when employers bid to hire workers paid subsidized minimum wages.

- It will be useful when (1) a dictatorship demilitarizes (whether voluntarily or by obliteration), its soldiers scrambling for new livelihoods preferably not as mercenaries for warmongers; (2) any region has elevated unemployment; (3) firms are privatized, sold or liquidated with workers dismissed en masse; (4) convicts leave jail or (5) anyone is destitute. So it'll be useful globally.

- A moderate annual wealth tax can cover the public cost of full employment opportunity, continuously cycling purchasing power from the wealthiest to wage earners with the highest propensity to consume, increasing economic demand and deterring corruption as wealth is tabulated.

- Insofar as a moderate wealth tax exceeds the public cost of full employment opportunity, it can fund earned income credits tapering off as wages rise, tackling poverty. Earned income credits alone won't ensure full employment because wages are sticky and spending can wither (less spending and real investment without lower wages or new policy: yeah more unemployment).

Introduction

Why not pacify the world starting with universal economic opportunity? Only because it would be the end of brilliant capitalism? Well, that reason is moot. "Full Employment Opportunity" sketched a novel solution to unemployment: guaranteed minimum wages with bidding for subsidized workers a la eBay. "Full Employment Opportunity Revisited" indicated how to fund it as in the last article in this series, "Global Wealth Tax, Full Employment Opportunity". Its realization may hinge on answers to the few questions: Can humanity fund it readily? Can it buttress robust economic demand, output and innovation? And do most voters want opportunity for all?

Yeah, these articles proposed; yes and of course. We needn't experience a revolution to agree with U.S. President Kennedy: "If a free society cannot help the many who are poor, it cannot save the few who are rich."[1] "And what I believe unites the people of this nation," said President Obama in the States, "regardless of race or region or party, young or old, rich or poor, is the simple, profound belief in opportunity for all".[2] The belief may unite nations in time. Rounding out apothegms lest we be discouraged by snail-paced change: "In economics, things take longer to happen than you think they will, and then happen faster than you thought they could."[3]

1 U.S. President J.F.K. (1961). Inaugural Address. avalon.law.yale.edu/20th_century/kennedy.asp.

2 U.S. President Barack Obama. (2014). State of the Union Address. nyti.ms/1a06Sp5.

3 Commonly ascribed to economist Rüdiger "Rudi" Dornbusch (1942–2002).

Political milestones can happen likewise — gaining support slowly before enacted fast — beyond propaganda that to create more jobs, wealthy *job creators* should pay less tax. That workers create each other's jobs (the butcher buying from the baker who buys from the candlestick maker, who buys from an entrepreneur on *Shark Tank*), that idling hands without income can spark and spread misery, eludes plutocratic propagandists. Policy not enriching the rich promptly, one political party has opposed incessantly:

Leading up to these articles as they recount, homebuilding plunged in the United States, my home with ~ 1/23rd of humanity, 1/5th of the world economy and 1/3rd of worldwide military spending, a superpower that can spread peace on Earth or mess it up.[4] And in 2011, rather than heed the President's call to ramp up infrastructure investment with construction workers idled,[5] all U.S. Republican senators voted to slash public outlays and restrict more tax forever regardless of poverty, war or infrastructure decrepitness.[6,7]

Fast-forward to 2017 when Republicans took control of U.S. government, directing over 80% of tax cuts "to the top 1 percent of households" by income a decade hence; "[a] secretary at a public high school in Lancaster, PA, said she was pleasantly surprised her pay went up $1.50 a week" touted Republicans' House Speaker while the top 0.1% of U.S. earners pocketed an average $193,000 yearly from this act of Republicans, self-aggrandizing plutocracy (a la Grecian *ploutos*: wealth + *kratos*: state or strength; wealthy reign) in the 21st century.[8]

A 20th century downturn became a Great Depression before governments insured living essentials. Having cut taxes for the wealthy, Republicans sought to restrict public outlays for the poor a la their "Balanced Budget Amendment" reintroduced in 2018.[9] While balanced sounds beneficent, it's like preventing an insurer from paying claims for calamities — horrific unless all the people who matter to you can contentedly forgo public insurance for food, healthcare, shelter and employment: unless they're wealthy enough to view recessions as investment opportunities. It rendered the Republicans oblivious or politicians for plutocrats neglecting the needy in the name of fiscal prudence. Routinely they said that the U.S. federal budget is like a family's checkbook to balance. Setting aside the fact it's a ludicrous analogy (unless the family attends to its

---

4 The percentages are rounded estimates of the U.S. Census Bureau (census.gov/popclock), World Bank (worldbank.org) or Stockholm International Peace Research Institute (sipri.org).

5 President Obama called for more infrastructure investment in the 2011 "American Jobs Act" (goo.gl/mmC2BA) that Republicans opposed (goo.gl/tEp5U), inhibiting employment with U.S. homebuilding in a crystal-clear cyclical crater (goo.gl/T6QQkf).

6 U.S. Senate Joint Resolution 10 § 4 — 112th Congress (2011–2012). congress.gov/112/bills/sjres10/BILLS-112sjres10cds.pdf.

7 U.S. infrastructure has been deemed decrepit broadly (infrastructurereportcard.org).

8 Gleckman, Howard. (2017). How The Tax Cuts and Jobs Act Evolved. TPC, December 28. www.taxpolicycenter.org/taxvox/how-tax-cuts-and-jobs-act-evolved.

9 Supported by over 95% of Republican U.S. Representatives in 2018: clerk.house.gov/evs/2018/roll138.xml.

kingdom, taxes at will and borrows while it can print currency): what wealthy family would tolerate any of its honorable members unemployed and homeless in a downturn? Without some policy such as this series' proposal, a federation neither insures its citizens' base income efficiently nor acts like an intact family. Rather it acts recklessly, dishonoring the principle that, in net outlays, a federal government expands when its private sector opportunity is deficient and contracts when its economy heats up, not like its families' checkwriting but opposite, yin to their yang, as insurer of living essentials, insurer for the needy (bereft of private insurance), the insurer of last resort, ideally of omnipresent economic opportunity.

This series proposed universal opportunity to work for minimum wages that may approach half gross domestic product (GDP) per capita — in the U.S., nearly twice the $7.25 minimum hourly wage. Subsidized wages may approach 50% of per capita GDP for 3–20% of workers composing 2–12% of humans on average: i.e., 1–6% of GDP.[10] Employers' eBay-style bids to hire subsidized workers, along with taxes and savings the new workers engender, may reduce governments' cost of full employment opportunity to 0–5% of GDP.[11] We may compare that annual outlay with estimated wealth exceeding 300% of GDP in the U.S., Europe and globally mostly owned by 1–20% of citizens in about any country.[12] Moderate annual wealth taxes can, principally,[13] cover the public cost of this deal, justly funded by wealth growing with dynamic employment.

[10] Where 60% of humans work, 3.33–20% of workers receiving subsidized wages that average 50% of GDP per capita would be 2–12% subsidized workers/human population with subsidized wages amounting to 1–6% of GDP. Workers might compose ~60% of humanity generally where there's no pandemic or another catastrophe, as demographics converge. [Cf. Rosling, Hans. (2012). Religions and babies. TED Talk. ted.com/talks/1455.] Alternatively or thereafter, as artificial intelligence or robotics (AIR as in airheads, who may call us the airheads) increasingly replaces human labor, full employment opportunity may be supplemented or succeeded by (universal or means-tested) money grants to citizens commensurate with the rise of wealth in AIR, basic income others have advocated. [Sandbu, Martin. (2016). Free Lunch: Learning to love the robots [before Skynet's Judgment Day]. Financial Times, Jan. 7. goo.gl/jVNjiU.]

[11] The public cost of full employment opportunity may approximate 1–6% of GDP minus {employers' bids to hire subsidized workers, reductions in public costs of unemployment and the rise in tax receipts flowing from the deal including from workers' progeny} — cf. "Global Wealth Tax, Full Employment Opportunity" footnote 25 in this series. Some might suppose that moderate wealth taxation will crush GDP, yet profitable, in-demand commercial activities should attract financing continually (as banks create money at will: note 13 infra) and this deal raises aggregate demand as the workers it benefits retain money less than wealth tax payers do.

L. Randall Wray et al. estimated full employment opportunity costing government 1–2% of GDP *without* private sector bidding for workers: Wray et al. (2018). Public Service Employment: A Path to Full Employment. Levy Institute. http://www.levyinstitute.org/pubs/rpr_4_18.pdf. The Institute could model, survey and test for optimal minimum wages *with* bidding for subsidized workers provided earned income credits top up those wages to reconsidered poverty thresholds.

[12] Shorrocks, Anthony with Jim Davies and Rodrigo Lluberas. (2015). Global Wealth Report 2015 and Global Wealth Databook 2015. Credit Suisse. goo.gl/nVRBKw.

[13] How about when subsidized wage seekers exceed 12% of a population dramatically? It may be due to among three conditions. First, subsidies may be excessive. Subsidized employment can be fixed at modest wages with customary benefits: the first condition is administrative error.

Opposition to wealth tax surfaces in condemnation of estate tax, in a view taxing earnings twice, in death as in life, curiously more offensive than thrice in life by sales, payroll and income taxes. The view appears especially odd in the U.S. where bequeathed assets bear no income or capital gains tax. Beyond odd, calling estate tax "immoral" disregards how the poor are obligated to heirs continuously: required to supply labor for shelter (working for rent vs. not), for resources necessary to subsist. Only celebrating the newly wealthy, such as splendid entrepreneurs, ignores each generation's starting condition: the poor working for heirs born with monetary claims on their time. How moral is that?

Regardless of morality, the wealthy may seek a fairly stable civilization by subduing desperate acts, with universal: housing, healthcare and employment opportunity, otherwise a capitalism casualty. A moderate wealth tax generally funding full employment opportunity flows from pragmatism.[16]

What of counterargument that too much work opportunity is deleterious? Empirically U.S. labor shortages coincided with boom decades.[17] Capitalist full

---

Second, some countries have mass unemployment. International aid may jumpstart their full employment opportunity: maybe just considering imperialist history, in any case pragmatic to achieve a world of opportunity and stable governments adhering to future global agreements including to prohibit teaching or practice incompatible with peace among religious beliefs.[14]

Finally we have high unemployment in economic downturns. "Full Employment Opportunity Revisited" addresses this at its conclusion, yet explanatory words are in order. Private credit grows in sanguine times as banks create loans as new assets and deposits concurrently: new money (bit.ly/2DPQFme). (It's odd to let the banks, as money creators, speculate secretly by not publicly itemizing their derivative contracts, a la quarterly equity holding reports, for investors to flag when imprudent.) This inflation slows in macroeconomic downturns. Central banks may fund moderately increased public expenditures then, targeting low inflation: central banks may guarantee full employment opportunity funded by a moderate wealth tax in sanguine times, so guaranteeing continuous, cost-effective countercyclical fiscal policy.

[14] It requires updating educational, legal and religious texts (including Biblical: e.g., Exodus 35:2, Leviticus 24:16 and Deuteronomy Ch. 13) to expunge, after agreement to outlaw, exhortation of violence, discrimination or antagonism on account of nonbelief or blasphemy — sensible when "radicalized" mass murderers merely take religious texts literally, seriously. And why wouldn't they, when the texts are memorized, chanted and deemed virtuous? Not taking care of this yet could become one of humanity's deadliest dawdles amid massively destructive weapons.[15]

[15] That intolerant religious teachings cannot be tolerated if humanity is to live in peace reflects the paradox of tolerance, as Karl Popper wrote c. 1945: "If we extend unlimited tolerance even to those who are intolerant, if we are not prepared to defend a tolerant society against the onslaught of the intolerant, then the tolerant will be destroyed, and tolerance with them."

[16] Pragmatically for economic stability, its evaders may be prohibited from entering, owning any asset in, and deriving income from any entity operating in or trading with, any country with a wealth tax. Regardless of whether they appreciate it, generally the wealthy may pay it rather than forgo life and earning at home. The G20+ could standardize and manage it cooperatively.

Concerns that a few percent annual wealth tax would dislocate financial markets make little sense in light of large trading volume and the wealthy holding near 20% of portfolios in cash.

[17] Salzman, Avi. (2018). The Great Labor Crunch. Barron's, March 9: "When Labor Shortages Hit, They Can Last Years" (goo.gl/MSdXcE). Real U.S. GDP growth averaged above 3.5% annually during the "labor shortages" of 1948–1967 and 1991–1999 vs. 2% so far this century (2000–2018) with average annual inflation below 3% in all 3 stretches (bit.ly/2HjKVn8).

employment opportunity should not reduce output while raising income that workers spend.[18] When funded by a moderate wealth tax, it may do more than tackle poverty in and outside recessions; it may upgrade economic growth.[19]

This *capitalism upgrade* requires politicians to override benefactors who abhor wealth taxation as a threat to their dynasties, luxuries or powers, to transcend the proverb: "whose bread I eat, their song I sing." To the politicians who trumpet opportunity for all: just test, refine and enact it. The prevailing alternative: public safety nets shredded by a pouty plutocracy pococurante maybe a depression away from riotous change like an astrobleme.

****

In stark contrast to observing politics, sharing these ideas was delightful. I edited them excessively, obliterating segues while clarifying bits hopefully, sent revisions to Switzerland and they appeared in beautiful typography as if divine encouragement of the exposition. Quite not supernaturally, it seems, rather as editor of *Vidya*, eclectic journal of a collegial society born in my birth year by fate or fortuitously: thank you Thorsten Heitzmann for welcoming and patiently, splendidly typesetting this series.[20]

---

[18] From Federal Reserve Bank of St. Louis Economic Research (FRED), U.S. Corporate Profits After Tax/Gross Domestic Product (fred.stlouisfed.org/graph/?g=sQC) averaged 6.6% and 5.8% during the "labor shortages" of 1948–1967 and 1991–1999, respectively, recently 10% in 2010–2018. That series, slightly negatively correlated with real GDP growth, suggests labor's share has room to rise benignly. Beyond more GDP flowing to labor, full employment opportunity may raise the percentage of labor income flowing to the least paid quantiles with the highest propensity to spend it (in consumption or real investment such as housing).

[19] Economists' notion that S = I, that saving = real investment, appears false and unfortunate in wealth tax evaluation. We might consider savers bidding up the price of a cryptocurrency with sellers' cash proceeds held in brokerage accounts: however peculiar, is it saving? Are realized gains income? Yes and still yes, yet how is it real investment or output defined reasonably? Meanwhile real investment can be funded by bank loans as money creation (bit.ly/2DPQFme). Even if all saving would create real investment (as if cash stashed under a mattress means inventory growth), not all real investment requires saving: S ≠ I. To misleading macroeconomic accounting we may add a missing variable F for financial products. As output can be funded by existing and newly created money, in a closed economy nominal GDP = conventional C+G+I plus F = sum(Ce,Cn,Ge,Gn,Ie,In,Fe,Fn). Viewing it more accurately might improve monetary and fiscal policy. Private sector saving may flow into I, F, Gl and Gs: real investment; financial products to the extent not conduits for real investment; and government bonds, notes or bills for living use (lifecycle saving) or as surplus with the proposition that moderate global wealth taxation matched by public outlays reducing poverty efficiently (as by generally funding full employment opportunity and earned income tax credits), raising consumption and reducing cumulative F+Gs while redistributing ownership of cumulative real investment (notably homes) moderately and continuously, may raise average economic growth in the long-run, ceteris paribus. The proposition may jibe with finding that "lower net inequality is robustly correlated with faster and more durable [economic] growth [per capita in the long-run], controlling for … redistribution [that] appears benign in terms of its impact on growth, except when it is extensive" — Berg, A. et al. (2018). Redistribution, inequality and growth: new evidence. Journal of Economic Growth. link.springer.com/10.1007/s10887-017-9150-2.

[20] I've modified the following articles lightly lest I rewrite them foolishly; others can share these ideas in modeling and superior prose. Each article expounds on the prior with redundancy — hopefully tolerable in outlining newly efficient full employment opportunity.

Full Employment Opportunity

by Noam Grunes

Economists including Hyman Minsky, Bill Mitchell, Warren Mosler and L. Randall Wray have advocated a "Job Guarantee": While central banks are lenders of last resort, why not let governments be direct employers of last resort?

The idea remains a non-starter. Two utilities' payroll fell from 6,800 to 2,539 as they changed from government-run to subsidiaries of Berkshire Hathaway. "Yet the companies are serving about the same number of customers as when they were government owned and are distributing more electricity", Warren Buffett wrote in his 2003 Chairman's Letter.[1] When profit-motivated enterprises serve people better than governments do, calls to enlarge public management fail.

But a variant of the full employment idea could flourish. Call it *Job Opportunity*: a new, low-cost pillar of the public safety net that harnesses dynamic private sector competition.[2] The plan could enable full employment opportunity, fuel small business growth, jumpstart U.S. exports and squash poverty.

How It Works

Let our government offer adult citizens a Job Opportunity wage slightly above the poverty line and slightly under a new minimum wage that applies outside the program. Then the private sector joins the deal.

Let the government post each participating worker's background check and let workers upload their experience and references in an online database that any employer can search easily. Workers specify where they're willing to travel and may opt out of a few types of jobs. Doctors can exempt workers from categories of

[1]Warren Buffett's 2003 Chairman's Letter to Berkshire Hathaway Inc. shareholders dated February 27, 2004.

[2]U.S. Senator Paul Simon advocated a different type of "Job Opportunity" program managed by government. The variant of full employment opportunity suggested in this chapter — with private sector bidding — is, to my knowledge, novel.

physical activity. Employers can then bid to employ qualifying workers starting at one cent per hour.

Other employers can bid more. Let bidders' identities be hidden to avert collusion. The government pays the difference between the winning bids and the Job Opportunity wage. This deal can create poverty-busting jobs at about lowest possible public cost.

Job Opportunity workers may quit or be fired anytime. Potentially having to manage an unproductive employee would be an unacceptable business risk. Public works agencies hire the few idle workers who receive no private sector bid even at $.01 per hour after weeks. That's full employment opportunity.

Employment terms can be limited so that trained employees are retained without a subsidy. Job Opportunity hires per employer can be limited to avert mass layoffs. Bidding collusion, work misrepresentation or pressuring anyone to back off bidding can be felonies. Concluding the few program rules, let Job Opportunity workers' perquisites be usual and customary. Then workers will be treated fairly and prefer an unsubsidized job for more pay without less perks.

What It Costs

(dated, recently near $15)

The U.S. minimum wage could become $8.50 per hour but for the Job Opportunity wage at $8 hourly. That may be $350 billion annual wages for 21 million Americans as their last resort for poverty-busting income.

The Congressional Budget Office may estimate public savings over $50 billion annually when able adults can receive unemployment benefits only briefly before enrolling to work. A $300 billion net outlay would be about 2% of U.S. gross domestic product. If employers bid about half the minimum wage for Job Opportunity labor, enabling work for 21 million adults may cost the government 1% of GDP. Job Opportunity may cost less than that when fewer than 21 million workers need the Job Opportunity wage or it fuels taxed activity.

What It Does

"Made in the USA" can make a comeback. Families need no longer be homeless because parents can't find a job. Crime borne of poverty can mostly disappear, because poverty can mostly disappear.

Squashing Poverty

The American poverty line was nearly $18,000 for a family of three and $32,000 for a family of six while over 40 million Americans lived in poverty recently per the U.S. Census Bureau.[3] A parent with two children can escape poverty on a Job Opportunity wage plus federal earned income credit ($8 per hour times 2,080 annual hours + $5,112 earned income credit in 2011 = $21,752). Two parents with four children can escape poverty with Job Opportunity (two earning $8 per hour times 2,080 hours + $3,328 earned income credit in 2011 = $36,608).

Economist Douglas Harris found that "low-poverty schools are 22 times more likely to reach consistently high academic achievement compared with high-poverty schools".[4] Squashing poverty could be one key to a high-performing nation.

But poverty income thresholds are unclear when not all income qualifies for the earned income credit. Let the Census Bureau update its definition of poverty income without the credit and per metropolitan area. Then let the Job Opportunity wage plus the earned income credit slightly exceed the most recent poverty line for nearly all American families, motivating work while maintaining incentives to study and strive for higher pay.

If the Job Opportunity wage then rises from $8 to $10 per hour, the additional program cost may be modest net of tax on more output. Let policy leaders focus on the incentive of a barely poverty-busting wage. A subsidized wage above that could unduly disrupt incentives to study and work diligently. A subsidized wage below that could motivate illicit activity in lieu of work. Job Opportunity may enable full, poverty-busting work opportunity at about minimal public cost in any economic environment.

A Little History

Economists may fret that full employment opportunity would cause huge inflation. It should not, when the public cost of Job Opportunity is less than 2% of GDP, businesses can hire from one cent per hour and the subsidized jobs pay least of all. Hyman Minsky concluded in his celebrated *Stabilizing an Unstable Economy*:

[3] The U.S. Census Bureau. Highlights of the Current Population Survey, 2011 Annual Social and Economic Supplement. Accessed via www.census.gov/hhes/www/poverty/about/overview/index.html.

[4] Douglas Harris. "High-Flying Schools, Student Disadvantage, and the Logic of NCLB." *American Journal of Education* Vol. 113, No. 3 (May 2007). Accessible via www.jstor.org/pss/10.1086/512737.

> The policy problem is to develop a strategy for full employment that does not lead to instability, inflation, and unemployment. The main instrument of such a policy is the creation of an infinitely elastic demand for labor at a floor or minimum wage that does not depend upon long- and short-run profit expectations of business. Since only government can divorce the offering of employment from the profitability of hiring workers, the infinitely elastic demand for labor must be created by government.[5]

And yet government need not manage labor it pays. This is the point of departure from prior Minsky-type plans: we can reconcile full employment opportunity with rightful aversion to public management. Then it is a hop, skip and a jump to the most efficient method of private sector participation in Job Opportunity among very different alternatives. That method is competitive bidding. And experimentation can improve the program details.

L. Randall Wray, an economics professor and a former student of Hyman Minsky, recounted hearing investor Warren Mosler and economist Bill Mitchell discuss full employment opportunity in the 1990s:

> I can't remember what Warren called it but Bill called it BSE, buffer stock employment.
>
> I had never thought of it that way, but Bill's analogy to commodities price stabilization schemes added an important component that was missing from Minsky: use full employment to stabilize prices. With that we turned the Phillips Curve on its head: unemployment and inflation do not represent a trade-off, rather, full employment and price stability go hand in hand.[6]

Messrs. Minsky, Mitchell, Mosler, Wray et al. have advocated governments be direct employers of last resort. Job Opportunity retains benefits of that idea with two changes. First, remove governments from managing many more people, because governments tend to be inefficient and least responsive to what consumers care about. Second, let private sector bidding minimize the public cost of full employment opportunity.

[5] Hyman Minsky. *Stabilizing an Unstable Economy.* McGraw-Hill, 2008, p. 343. First edition: Yale University Press, 1986.

[6] L. Randall Wray. "MMT: A Doubly Retrospective Analysis." An August 2011 speech in Newcastle, Australia. Accessed via bit.ly/x2xdfT.

Critique from the Left

Democrats may want Job Opportunity workers only to engage in other public works. But millions of workers will be most valuable if they are hired precisely where they are most valued by competing employers who can fire as well as hire. Governments can buy public goods, such as trees planted, at competed prices. The nonprofit organization American Forests could bid for Job Opportunity labor as any employer may.

Global Impact

When nations with three quarters of the roughly 4.5 billion people aged 15-64 enact this plan for 3-15% of their working-age populations, Job Opportunity may fuel around 100-500 million jobs on average.

It may be most consequential in helping laid-off breadwinners restart work promptly. When several hundred thousand Iraqi military personnel were suddenly unemployed in 2003, for example, plunging families into poverty, how could we have expected imminent peace? Nearly universal employment opportunity is a pillar of peace.

A Brief Aside to Save the Euro

The Eurozone — with over 10% unemployment across 17 nations — could use that pillar now.[7] Low-cost Job Opportunity could solve leaders' first challenge: enable more jobs amidst austere public budgets.

But the Eurozone may disappear if European leaders neglect their second and third challenges.

International Financing Review suggested European banks may reduce loans by up to €5 trillion within three years.[8] The European Central Bank (ECB) can ensure banks' liquidity and, by lending banks cash at ultra-low rates, reduce interest rates on government debt that banks need no extra capital to buy. Banks need capital for private sector loans. A bank can increase a deficient 6% capital-to-loans ratio to a safer 10% ratio by retaining earnings over years or by reducing its private sector loans by 40%. That incentive to slash loans can prolong a recession, especially when banks tighten lending simultaneously.

[7] European Commission: Eurostat unemployment data updated monthly. Accessed via bit.ly/x29cNT.

[8] Gareth Gore. "European banks' asset sales face disastrous failure." *International Financing Review*, November 26, 2011. Accessed at www.ifre.com/european-banks-asset-sales-face-disastrous-failure/1617239.article.

Innovative vouchers could turn it around. The ECB could print vouchers that citizens use to buy bank capital. If regulators say banks' assets require €1 trillion more capital, let the ECB distribute €1 trillion of vouchers to Eurozone citizens equally. Let the banks compete to price capital attractively. Mandate capital raised from vouchers be kept at the ECB, released only equal to banks' future permanent losses. *That can support banks' private sector loans without changing banks' earnings or inflation.* It can avert credit contraction and banks' recapitalizations draining public coffers. And that can raise Eurozone governments' creditworthiness.

European leaders' third challenge: resolve untenable public debt. The German Council of Economic Experts' proposal to pool Eurozone governments' debt in excess of 60% of their GDP into a redemption fund could work.[9] Couple it with euro bonds issued up to 60% of each participating nation's GDP (the "Blue Bonds" that Jacques Delpla and Jakob von Weizsäcker have advocated) and the public debt challenge may be solved.[10]

Four agreements — Eurozone Job Opportunity funded jointly up to say 5% of each member nation's GDP, bank capital vouchers that support private sector loans, a redemption fund and Blue bonds — could preserve the euro union.

To credibly commit to nearly balanced budgets, governments require provisions to enable full employment and to recapitalize weak banks without obliterating public coffers. Fiscal austerity accords without those provisions may lead to monetary union breakup or regime change as unemployment persists.

A Pillar for the IMF

Suppose you lead the International Monetary Fund and consider aid to a government dependent on outside financing (with public debt denominated in a currency that it does not print), such as any Eurozone member. How can you lend to that government reasonably without abiding poverty?

This may be a way: condition aid on (1) ending barriers to firing workers; (2) making new enterprise formation fast, easy, transparent and cheap; (3) paring government to taxation, defense, law enforcement, supply of safety nets and public goods regulation; (4) recapitalizing banks with public vouchers and (5)

[9] Hasan Doluca et al. "The European Redemption Pact: An Illustrative Guide." February 2012 working paper accessed via bit.ly/xR3Nv9. The illustrative 4% interest rate therein could be 2-3% if the redemption fund issues short-term bills.

[10] Jacques Delpla and Jakob von Weizsäcker. "The Blue Bond Proposal." Bruegel Policy Brief, May 2010. Accessed via bit.ly/vYXb7N. Cf. the same authors' "Eurobonds: The blue bond concept and its implications." Paper for the European Parliament's Economic and Monetary Affairs Committee, March 2011. Accessed via bit.ly/wK3x1t.

offering Job Opportunity to working-age citizens. This approach may merit tests to avert human catastrophes in macroeconomic transitions.

Status Quo vs. Job Opportunity

Dr. Martin Luther King, Jr. spoke in 1967:

> For the 35 million poor people in America — not even to mention, just yet, the poor in the other nations — there is a kind of strangulation in the air. In our society it is murder, psychologically, to deprive a man of a job or an income. You are in substance saying to that man that he has no right to exist. You are in a real way depriving him of life, liberty and the pursuit of happiness, denying in his case the very creed of his society. Now, millions of people are being strangled that way. The problem is international in scope.[11]

Universal Job Opportunity may be the missing element of a solid public safety net, of a land of opportunity for all citizens amidst frictions of brilliant capitalism and of a nation true to its founders' Declaration.

Without Job Opportunity or a large-scale war, what must generally occur to maintain jobs offered in the U.S. after an asset bubble pops and consumption and investment plummet? The American President, Senate and House of Representatives must agree on a fiscal deficit that can replenish lost economic demand. All three must fund jobs for those in sectors cyclically walloped such as construction. All three must prioritize employment impact of policy above gifts to patrons. All three must act fast. All three must adjust policy as data amass, even as one party may prefer a weak economy to gain power. All three must not crush private sector confidence via brinkmanship. Those are 18 of 18 things that must occur in status quo governance to possibly sustain jobs offered in tough times. And even if all of that happens, conventional fiscal stimuli — tax cuts and politicians' spending — fuel jobs imprecisely.

By contrast, Job Opportunity could fuel jobs precisely, efficiently and consistently without ongoing political action. We could enable full employment opportunity perpetually. If annual public spending around 2% of GDP to create full employment opportunity is widely agreeable, Job Opportunity will be a hallmark of lands of opportunity in due course. But who would start it?

[11]Dr. Martin Luther King, Jr. *The Trumpet of Conscience.* Boston: Beacon Press, Kindle Edition 2010

Political Strategy

Presidential candidate W. Mitt Romney told CNN February 1, 2012: "I'm not concerned about the very poor — we have a safety net there." Mr. Romney might be unconcerned about the poor because he's accustomed to helping people through church. Single parent Peggy Hayes, for example, "earned some money while she was pregnant organizing the Romneys' basement. The Romneys also arranged for her to do odd jobs for other church members, who knew she needed the cash."[12] Millions of other parents lack benefactors. Mr. Romney could acknowledge 40 million Americans in poverty by embracing Job Opportunity in place of unemployment benefits.[13]

Politicians might suppose that nearly anyone can find work at $8-10 per hour. If that's true, Job Opportunity in place of benefits should reduce public spending as benefit recipients become workers who prefer an ordinary job to least-paying Job Opportunity. Whether that's true or untrue, Job Opportunity could enable poverty-busting employment at minimal public cost.

President Obama might propose Job Opportunity to tackle poverty in America together with the private sector.

It could lift millions of Americans out of poverty within one presidential term and be budget neutral when paired with fewer tax expenditures. The deal could start with grants for well-designed Job Opportunity experiments.[14]

Noam Grunes is a private investor and writing a book on public policy very slowly. It may suggest how to improve policy on education, energy, executive pay, finance, jobs (this chapter), law, politics, public healthcare, taxes and tolerance to dampen the probability of nuclear aggression. He welcomes suggestions of literary agents, literary attorneys or editors of nonfiction bestsellers at a division of Amazon, Hachette, HarperCollins, Macmillan, Penguin, Random House or Simon & Schuster.

[12] Michael Kranish and Scott Helman, "The Meaning of Mitt", *Vanity Fair* February 2012

[13] After all, "since we're not going to let people starve, we face a choice of paying people for doing nothing, or paying people for doing something. And it just seems to me we're infinitely better off paying people for doing something." — U.S. Senator Paul Simon in September 30, 1987 congressional testimony. In *Achieving Full Employment: Legislative and Policy Considerations.* Washington, DC: U.S. Government Printing Office, 1988, pp. 6-20. Accessed via bit.ly/zIJ7zt

[14] Nonprofit foundations affiliated with leading technology companies may be encouraged to submit proposals for Job Opportunity experiments. The winning proposals may include voluminous data deliverables and be made public for critique, for reasonable accountability and to engender informative experiments in more localities. Socioeconomically similar regions might be grouped and then randomly sorted into trials of (a) Job Opportunity, (b) Job Opportunity plus education or (c) inaction.

Full Employment Opportunity Q&A

by Noam Grunes

This Q&A addresses the article "Full Employment Opportunity" by Noam Grunes, which appeared in *Vidya* 286/287, p. 27.

1. *Would Job Opportunity crush incentives to study for higher paying work?*

   Experimentation can answer that question. Edmund Phelps, 2006 winner of the Nobel Prize in Economics who advocated subsidies for low-wage earners, surmised:

   > A young worker who is drawn into a low-productivity job by the decent pay resulting from the subsidies — instead of unemployment or crime or incarceration — is apt, having gone that far, to be more willing on that account to obtain the additional education necessary to move to a higher rung on the ladder.[1]

2. *What if employers such as Walmart insist on hiring new employees through Job Opportunity, costing the government a boatload of money for workers they would hire anyway?*

   I'm not sure it's problematic when employers compete. Still, all or large employers may be constricted to bidding for up to some portion of their workforce in excess of their average non-subsidized number of employees in recent years. Restrictions on only large employers might be reasonable if economies of scale can engender competitive dominance.

3. *You write that Job Opportunity employment "terms can be limited so that trained employees are retained without a subsidy." How would you limit the terms?*

   Localities can experiment with program details. For example, any particular employer might be able to employ any particular worker through Job Opportunity up to some number of months (e.g., 2-12 months). Workers who add value in excess of a minimum wage may then be retained without a subsidy. So that the time limitation is meaningful, employers may be prohibited from bidding, through Job Opportunity, for anyone whom they or an associated entity (AE) employed. AEs may be defined along the lines of having had the

[1] Edmund S. Phelps. 2007 (1997). *Rewarding Work.* Cambridge: Harvard University Press, p. 163.

same person as a director, highly-paid person or over-5% owner disregarding passive asset managers such as mutual funds. Workers let go could return to the Job Opportunity pool available for hire.

4. *Should we be concerned about workers cycling through Job Opportunity positions indefinitely?*

   I don't think so. In contrast to higher minimum wage plans that may increase unemployment, Job Opportunity may effectively eliminate a minimum wage for some labor — as employers may bid for Job Opportunity workers from $.01 per hour — while it ends involuntary poverty. Workers should not prefer the Job Opportunity wage to a higher-paying position. A modest portion of adult citizens who never attain the private sector minimum wage, who take only least-paying Job Opportunity positions, may be preferable to welfare for workers, for business owners and for taxpayers.

5. *Why wouldn't the Job Opportunity wage soon double or triple, impairing incentives to strive for higher earnings?*

   Three program attributes may prevent that outcome. First, the program cost may be statutorily limited to 5-6% of GDP with expected average cost nearer 2%. Second, the Job Opportunity wage may be statutorily limited to not exceed about 60% of real per capita personal income averaged over the trailing three or four years. Third, a supermajority of taxpayers may perceive no direct benefit from the program and may therefore be wary of any Job Opportunity wage materially above a poverty threshold.

6. *Sir Mervyn King said, "Our biggest trading partner is tearing itself apart with no obvious solution." How could we start Job Opportunity in Europe?*

   Fast. Say Job Opportunity pays nations' current minimum wage. Convergence of Job Opportunity wages across the Eurozone toward about €10 hourly, funded jointly, might be preferable in due course. Job Opportunity wages may be increased until the program costs a few percent of each nation's GDP with full employment opportunity. Let the European Central Bank (ECB) pay half Eurozone governments' universal Job Opportunity costs for three years if their citizenry opt into a uniform law that ends restrictions on hiring or firing workers. Let opting in nations join a "redemption fund" that leading German economists have envisioned for public debt in excess of 60% of nations' GDP. Let the fund issue short- and medium-term bonds that pay 1-3% interest to the

ECB if necessary. Third, let the ECB recapitalize Eurozone banks, ideally with vouchers distributed to Eurozone citizens equally, to avert private sector credit contraction.

Those actions could end involuntary unemployment in the Eurozone while fostering economic growth with modest inflation.

7. *Would government pay employers' share of FICA (Federal Insurance Contribution Act: Social Security and Medicare) tax for Job Opportunity employees in America? And shouldn't new earned income tax credit payments to Job Opportunity workers be added to the program cost?*

Perhaps and yes, respectively, although there are offsets. Nonpartisan analysts including the U.S. Congressional Budget Office might estimate the net public cost of Job Opportunity with inputs along the following lines:

Job Opportunity Costs

- Funded portion of wages
- Funded portion of payroll tax
- More earned income benefits
- Program administration cost

Job Opportunity Offsets

- Less welfare benefits
- Less unemployment benefits
-
- More personal income tax
- More business income tax
- More property tax
- More payroll tax
- More sales tax

From Job Opportunity workers and progeny insofar as income is a function of parents' (past) poverty or unemployment[2]

[2] For example, Philip Oreopoulos et al. "find that children whose fathers were displaced have annual earnings about 9% lower than similar children whose fathers did not experience an employment shock. They are also more likely to receive unemployment insurance and social assistance." — P. Oreopoulos et al., "The Intergenerational Effect of Worker Displacement", *J. of Labor Econ.* 26:3 (2008), pp. 455-483. Randall Akee et al. "find that children who reside the longest in households with exogenously increased incomes tend to do better later in life on several outcome measures." — R. Akee et al., "Parents' Incomes and Children's Outcomes", *Am. Econ. J.: Applied Economics*, 2:1 (2010), pp. 86-115.

Feature Articles

Full Employment Opportunity Revisited

by Noam Grunes

Introduction

This article modestly amends "Full Employment Opportunity" from *Vidya* #286/287 (April 2012) and "Full Employment Opportunity Q&A" from *Vidya* #288/289 (June 2012). It then proposes a high-end wealth tax to fund Job Opportunity, to stabilize economies. Concluding sections address economists and central bankers.

Jobs: The Missing String

> The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.
>
> *U.S. President Franklin D. Roosevelt*[1]

Hyman Minsky taught that lending against rising asset values can lead to financial bubbles that burst, throwing economies into a tailspin and people out of work.[2] "The policy problem", he concluded, "is to develop a strategy for full employment that does not lead to instability, inflation, and unemployment. The main instrument of such a policy is the creation of an infinitely elastic demand for labor at a floor or minimum wage that does not depend upon long- and short-run profit expectations of business. Since only government can divorce the offering of employment from the profitability of hiring workers, the infinitely elastic demand for labor must be created by government."[3]

E.L.R. — government as the Employer of Last Resort — is so 20$^{\text{th}}$ century, but a new take on it might flourish. With a hat tip to the late U.S. Senator Paul Simon who advocated "Job Opportunity" for public works,[4] let adults post their experiences, preferences and references in a Job Opportunity website. Any employer

---

1 Roosevelt, Franklin. (1937). Second Inaugural Address. avalon.law.yale.edu/20th_century/froos2.asp

2 McCulley, Paul. (2009). The Shadow Banking System and Hyman Minsky's Economic Journey. PIMCO. May. media.pimco.com/Documents/GCB%20Focus%20May%2009.pdf

3 Minsky, Hyman. (2008). *Stabilizing an Unstable Economy.* Yale University Press, p. 343. First edition: 1986.

4 Simon, Paul. (1988). *Let's Put America Back to Work.* Bonus Books. Second Edition.

could bid to hire any regional Job Opportunity applicant starting at one cent per hour, eBay-style with a few constraints. Governments can fund the difference between the winning bids and a modest wage. [redacted] New aid recipients would be working for employers bidding competitively for labor: an efficient deal.

Imagine the European Central Bank (E.C.B.) finances Job Opportunity for euro zone governments whose citizenry approve a uniform referendum that eases hiring and firing labor, sparking business.[5,6] Then let the E.C.B. give euro zone citizens equal vouchers to buy fresh capital of euro zone banks, kept at the E.C.B. and released equal to the banks' future credit losses — a trick to ease debt restructuring and lending [redacted].[7] Those actions could turn around the zone, where unemployment rose from 16.8 million in 2010 to 18.8 million in 2012.[8]

U.S. politicians could address similarly chronic unemployment, even after residential construction rebounds, with millions of new public jobs or a deal to beef up privately managed work. Beyond politically untenable, the first way is unsustainable if it would drain America's private sector, engine of output.

But the engine sputters when inventories are high, asset prices crash or debt is repaid en masse. Then economy-wide spending can fall, jobs can disappear and "the economy can get trapped in a low level equilibrium simply because there is insufficient pressure for the balanced simultaneous expansion of all markets. Correcting this", Martin Weitzman wrote, "requires nothing less than economy-wide coordination or stimulation."[9]

Macroeconomic stimulation through Quantitative Easing (Q.E.) — a central

---

5 Cf. Alderman, Liz. (2012). Italy Wrestles With Rewriting Its Stifling Labor Laws. *New York Times*. August 10. www.nytimes.com/2012/08/11/business/global/italian-business-potential-thwarted-as-crisis-persists.html

6 Cf. Ewing, Jack. (2012). The Trade-Off That Created Germany's Job Miracle. *New York Times*. September 24. www.nytimes.com/2012/09/25/business/global/the-trade-off-that-created-germanys-job-miracle.html

7 Small businesses may borrow at annual interest rates of about 10% to 15% from private investors, if at all, or about 4% to 9% from banks, but banks are reluctant to lend with impaired capital (e.g., Michael Stothard, 2013, Funds lend direct to Eurozone groups, *Financial Times*, March 12). Printing new bank capital should not be excessively inflationary when it (a) is released from central bank accounts equal to future credit losses, a slight innovation, and (b) merely sustains performing loans and lending expansion in line with moderate economic growth.

8 Eddy, Melissa, and David Jolly. (2013). Unemployment Rises to New High in Euro Zone. *New York Times*. January 8. www.nytimes.com/2013/01/09/business/global/daily-euro-zone-watch.html

9 Weitzman, Martin. (1982). Increasing Returns and the Foundations of Unemployment Theory. *Economic Journal*. December.

bank buying bonds with new money — can juice financial markets as former bondholders buy other investments. Q.E. may fuel jobs slowly if not all capital gains are spent, new mortgages ease spending gradually and businesses tie payrolls more to customers than to credit rates. Q.E. may fuel public deficits too.[10] Yet politicians do not always stabilize employment when recessions start.[11,12]

That is when Job Opportunity can expand with new applicants. Fewer adults would sign up for the Job Opportunity wage as demand for labor rises. Job Opportunity can be the income source of last resort in all seasons, automatically calibrated to abject need nationwide.

> For the 35 million poor people in America — not even to mention, just yet, the poor in the other nations — there is a kind of strangulation in the air. In our society it is murder, psychologically, to deprive a man of a job or an income... You are in a real way depriving him of life, liberty and the pursuit of happiness, denying in his case the very creed of his society.

Dr. Martin Luther King, Jr. said that over forty years ago.[13] Now it may sound unduly strong or timely depending on your family, friends and circumstance. "If someone lost their job and couldn't afford to meet their rent payments", politician W.M. Romney said, "I was responsible for helping get them the financial aid they needed" as a church leader.[14] One parent "earned some money while she was

[10] McCulley, Paul and Zoltan Pozsar. (2013). Helicopter Money: Or How I Stopped Worrying and Love Fiscal-Monetary Cooperation. Global Society of Fellows. January 7. www.interdependence.org/wp-content/uploads/2013/01/Helicopter_Money_Final1.pdf

[11] Matthews, Dylan. (2013). The jobs report in six charts. *Washington Post Wonkblog*. February 1. www.washingtonpost.com/blogs/wonkblog/wp/2013/02/01/the-jobs-report-in-six-charts-5/

[12] The "public authorities are in a position somewhat to lessen the fluctuations that occur in the demand for labour, and hence to diminish unemployment, both by fitting that part of their own demand for goods and services, which is necessarily occasional, into the interstices of the general demand, and also by avoiding unnecessary ups and downs in that part of their demand which is, or can be made, continuous." So wrote Arthur Pigou in *Unemployment* (c. 1914, Kindle Edition). While J.M. Keynes criticized Professor Pigou in his *General Theory* (c. 1936, Kindle Edition), that excerpt looks right. Fast forward nearly 100 years: U.S. authorities declined to ramp up public employment or infrastructure construction amid the private construction depression c. 2008-2012 (Note 11 supra: charts 2 and 5, respectively). That may have been sensible if the depression mirrored secular industry decline. But it flowed substantially from excessive housing inventory: it was a cyclical downturn in part, an interstice of highly elevated unemployment. When authorities imperfectly smooth the macroeconomic waves of human excess, consistently full employment opportunity can be advisable. That is, Job Opportunity can be advisable on the basis of cyclical strife even before regard of persistent downturns in individual circumstances, cities or nations.

[13] King Jr., Martin Luther. (2010). *The Trumpet of Conscience.* Beacon Press, Kindle Edition.

[14] Romney Revealed: Family, Faith and the Road to Power. (2012). CNN. September 15. transcripts.cnn.com/TRANSCRIPTS/1209/15/se.02.html

pregnant organizing the Romneys' basement. The Romneys also arranged for her to do odd jobs for other church members".[15] Dr. King's lament could sound less contemporary if all Americans would belong to the same church.

And yet all Americans do. To neglect U.S. Job Opportunity is to neglect the church of democracy. Job Opportunity is a missing string in the federal safety net, an accord to tackle involuntary unemployment and honor the spirit of our creed.

It can be a pillar of sound governance globally, essential to the smooth displacement of belligerent regimes when employees of state may scramble for income from illicit activity. Selective aid for soldiers a la the U.S. G.I. Bill (the Servicemen's Readjustment Act of 1944) may be advisable but impractical when former occupations are unverifiable or, in any case, inadequate to sustain work amid the collapse of state enterprises. While massive unemployment in chaotic regions may foment war, there has been no instant and durable solution to general unemployment. Job Opportunity is one, a potential cornerstone of peace.

There are three keys to it: (1) government-sponsored opportunity for any and all adults and young graduates in a jurisdiction to earn a modest wage, (2) employers' bids to fairly minimize the public cost of that opportunity and (3) trials to improve the deal details.[16]

One detail might let any particular employer (or related entity) hire any particular worker only once through Job Opportunity, for 3 to 9 months and not bid for any of their current or past employees or consultants. Then workers who add more value than the Job Opportunity wage may be offered an ongoing position without any subsidy; workers let go may rejoin the Job Opportunity pool for others to hire.

Critics may say that a higher minimum wage would raise long-term adult unemployment.[17] Job Opportunity offered at any wage would not, as employers bid for new workers from one cent per hour; trade-offs between adults' long-term unemployment and minimum wages can be moot.[18] New debates can address

[15]Kranish, Michael, and Scott Helman. (2012). The Meaning of Mitt. *Vanity Fair.* February.

[16]Job Opportunity details such as restrictions per employer, bidding period per hire and supplemental education opportunity can be varied in data-rich trials with random assortment before and after Job Opportunity is established widely. State-based management of federally-funded Job Opportunity may facilitate ongoing experimentation, innovation.

[17]Free exchange: The argument in the floor. (2012). *Economist.* November 24. econ.st/Wdsaa1

[18]A minimum wage percentage raise may non-exclusively (a) raise consumer prices, (b) exceed the concurrent percentage rise in total business costs and raise minimum wage earners' purchasing power, (c) curtail some businesses where minimum wage earners supply a discretionary product or service and (d) reduce income inequality even indirectly as workers who earn near the minimum wage receive raises that maintain incentives to be loyal (staying in pay bands based on service duration that, when the minimum pay band rises, rise across the board) while executive pay remains

the impact of Job Opportunity on fiscal policy, consumer prices and workplace incentives.

Job Opportunity wages can be set at a fraction of median earnings, regionally or nationally, to preserve incentives to serve customers, study valued know-how, seek a more valued position or start a business: to strive for higher pay inuring to aggregate benefit.[19] Median American earnings have been about $20 hourly.[20] U.S. Job Opportunity could pay between 50% and 60% of that cyclically adjusted figure per statute: about $10 to $12 per hour soon, rising with median earnings as averaged over years. European Job Opportunity may pay similarly.

Sustainable income sources of last resort must not attract everyone; Job Opportunity can appeal to some of the estimated 200 million people unemployed worldwide, more than 50 times the stated capacity of all U.S. professional gridiron stadiums combined.[21,22] And among billions of people employed, respectful accommodation of wage earners may skyrocket even as workers escape poverty

tethered to business results. A minimum wage raise can, in other words, bump up different wages and least well-off laborers' real earnings. Typically, this might (e) lower exports and (f) raise long-term adult unemployment. Amid Job Opportunity, however, that last potentiality can disappear. A minimum wage raise may still (g) lower foreign exchange value of currency in which it is paid due to expectation or realization of higher inflation or lower exports. That and other wage raise effects may be desirable, muted or inconsequential relative to enabling full employment opportunity with minimal poverty and strong incentives for individual earnings growth, altogether engendering three propositional foundations of peace: sovereign power that deters belligerence, minimal crime for necessities and widespread individual commercial striving that trumps bellicosity generally.

19 John Keynes observed in his *General Theory* (c. 1936, Kindle Edition, Ch. 24): "dangerous human proclivities can be canalised into comparatively harmless channels by the existence of opportunities for money-making and private wealth, which, if they cannot be satisfied in this way, may find their outlet in cruelty, the reckless pursuit of personal power and authority, and other forms of self-aggrandizement. It is better that a man should tyrannize over his bank balance than over his fellow-citizens; and whilst the former is sometimes denounced as being but a means to the latter, sometimes at least it is an alternative." Yet commerce is more than an alternative to aggression in the sense of occupying people's energy, for it depresses aggression when commercial advancement requires affability. And occasionally requisite affability may become habitual. This deepens the economic view of pecuniary pursuit inuring to aggregate benefit by satisfying variegated desires supremely. Countervailing currents of organized crime, war or bellicosity might tend to be common or rare based on prospects for social and commercial advancement by non-coercive means and unnoted factors, sovereign powers, public institutions, natural resources, climate, convenient ocean access for trade, neurological pollutants, unresolved vendettas and policies that promote or constrict tolerance of sectarian pluralism.

20 Usual Weekly Earnings Summary. (2012). Bureau of Labor Statistics. October 18. www.bls.gov/news.release/wkyeng.nro.htm

21 *Global Employment Trends 2013: Recovering from a second jobs dip.* (2013). International Labour Organization. www.ilo.org/global/research/global-reports/global-employment-trends/2013/

22 NFL Stadium Comparisons. (2013). Stadiums of Pro Football. www.stadiumsofprofootball.com/comparisons.htm. I added Aloha Stadium in Hawaii as if the Pro Bowl counts.

with this deal.[23] For earners may see improved working conditions, pay or benefits when employers know they can leave for Job Opportunity.

"An opportunity to work gives people self-esteem," Senator Simon said; "when self-esteem disappears, alternatives that are not good for society emerge. People without self-esteem cannot convey self-esteem to their children".[24] In a landlocked town in the United Kingdom, beset by unemployment, recent hires at an Amazon warehouse echoed the Senator's sentiment.

> One young agency worker said he was earning about £220 a week, compared with the £54 he had been receiving in jobless benefits. He had bought a car and moved out of his mum's house and into a rented flat with his girlfriend, who he had met at work. "I'm doing pretty well for myself," he said with a shy grin. "There's always opportunities to improve yourself there." Across the table, an older man, wagging two fingers with a cigarette pinched between them, said slowly: "It gives you your pride back, that's what it gives you. Your pride back."[25]

The Fair Tax to Stabilize Economies

A 3% annual tax on wealth over $5 million per independent adult, and $10 million per married couple, could fund full employment opportunity, stabilizing

[23] Organisation for Economic Cooperation and Development may use 50% of median household equivalised income nationally as poverty lines; "income is equivalised using the square root of the household size" (*Doing Better for Families*, OECD Publishing, 2011, p. 73). Job Opportunity could end poverty for some dual-earner households on that basis and end or mitigate poverty widely considering wages and child support, child tax credits, earned income credits, healthcare benefits, shelter discounts and nutrition subsidies in imputed household income.

Means-tested benefits raise the challenge of high effective marginal tax rates (the sum of taxes incurred and benefits lost per additional dollar earned) that may rarely deter higher earnings if, for example, (a) higher pay enhances status or esteem, (b) workers seek raises as a step toward more, (c) workers seek a step change in pay such as upon a professional certification, (d) marginal discretionary income is highly valued near means-tested income levels or (e) marginal tax rates are variable and confusing such that money in the hand is preferred to money from Uncle Sam. Politicians could beef up earning incentives by moderating effective marginal rates of tax on earnings between Job Opportunity pay and median. With a bit more progressive tax code, politicians might do so in a revenue-neutral way.

[24] Simon, Paul. (1987). Statement of Senator Paul Simon, from the State of Illinois. In: *Achieving Full Employment: Legislative and Policy Considerations.* (1988). U.S. G.P.O., p. 12. babel.hathitrust.org/cgi/pt?view=1up;id=pst.000013682231;seq=16;num=12

[25] O'Connor, Sarah. (2013). Amazon unpacked. *FT Magazine.* February 8. www.ft.com/intl/cms/s/2/ed6a985c-70bd-11e2-85d0-00144feab49a.html

economies conducive to peaceful wealth preservation. The tax may be fair in that respect and its Pigovian nature.

Named after a Cambridge professor who enrolled at Harrow School a few years after Sir Winston Churchill began there in 1888, Pigovian taxes mitigate incidental disservices of that which is taxed; for example, a wine tax can mitigate drunk driving accidents even as wine is enjoyed. Some unemployment may be an incidental disservice of wealth if, inter alia, (a) politicians focus on priorities of wealthy donors or family benefactors, (b) net savings exceed investment that generates jobs or (c) fluctuating asset values lead to variable consumption or investment and so unstable demand for labor. *A wealth tax can mitigate incidental disservices of wealth including disparate political representation of citizens and unstable labor demand.* That observation may undergird support for the wealth tax by intelligentsia who decline to embrace it with pragmatism or a semblance of utilitarianism, for Pigovian taxes may be deemed elegant. ← *yeah, right*

Retirement accounts would be included in taxed wealth as would assets owned worldwide. Criticism of this plan may start with challenges of wealth tax measurement and enforcement. But it is fairly easy. Moreover, as we delve into it, we will see the wealth tax details can have side benefits. ← *can I buy a segue?*

New businesses may sell preferred shares valued at the highest of last price, marketable price or value if convertible and converted to common shares such as AAPL, a stake in Apple Inc. Common shares or business units can be valued at price if traded publicly (at the higher of the last price or volume-weighted average price — the VWAP — of any thinly traded share in each year).

Private business ownership can be valued at the highest of (1) zero; (2) a figure in line with publicly traded peers or (3) book value per the principle that a business may earn little while growing or temporarily, but a business appraised at materially less than its net assets should be restructured, sold or liquidated.[26]

Real estate can be appraised as governments appraise it now; annuities and

[26] The wealth tax should not motivate hiding companies from public stock markets. The peer-based valuation multiple can be applied to private companies' (a) revenues or (b) earnings and match that of publicly traded peers, on average, (a) in the same industry with similar revenues or (b) across all sectors with similar earnings (plus any goodwill impairment and amortization of acquired intangible assets to arrive at economic earnings generally) — whichever result is highest. When a company can be classified in multiple industries (such as software generally and software as a service), owners may be required to use whichever applicable industry revenue multiple is highest. Companies emerging from adversity may be priced markedly lower in public than per the wealth tax rules; for example, [redacted]. Business owners who complain about the private valuation for wealth tax purposes may list their companies publicly, incidentally upping transparency of corporate governance overall.

bonds can be valued conventionally.

Cars, jets, yachts and other owned modes of transportation can be valued at the higher of appraisal, estimated median price per model year or cost (including the cost of improvements) minus statutory depreciation. Lease and other prepaid expenses can be valued at inflation-adjusted outlays until they convey no benefit.

Art, jewelry, stored food (such as rooms full of aged balsamic) and stored drinks can be valued at the higher of appraisal or cost plus subsequent inflation. Unrefined precious metals and other commodities can be valued at the higher of trailing year VWAP or spot price at each wealth assessment date, demotivating commodity hoarding.

Financial derivatives can be valued per current practice, multiplied by ten for wealth tax calculation if derivative assets that are not stock options of a private business or traded publicly — the murky ones. Wealthy business owners may then require public, exchange-traded derivatives. Banks' and insurers' derivative books may then crystallize, easing prudential oversight, deterring imprudent bets and mitigating systemic risk.

Public company employees' new stock options, with strike prices reduced by dividends, can be valued at exchange-traded VWAP minus a 1% discount per year until they can be hedged or sold. New options grants can include annual sale rights sufficient to pay wealth tax thereon, and full sale rights over years. Adding these options to public exchanges may clarify pay and improve mutual funds that then avoid companies with red flags including dismal estimation of their enduring total returns.

Funds, private for-profit entities and trusts can be required to report supplementary unit value per the wealth tax rules. Assets in in living trusts can be taxed as if owned directly. Irrevocable charitable, education and healthcare trusts can be deemed beneficiaries' assets. Any other trust can be required to pay the highest wealth tax rate on 100% of trust assets, valued per the wealth tax rules, from the trust and without exemption.

While that might sound strict, $1 million worth of goods can be exempted from any family's taxed wealth on top of the $5 million wealth exclusion per adult; accountants can group household items into "almost certainly worth less than $1 million in total" for convenience. To a decent approximation, high-end wealth appraisal can be fairly easy with an exemption for myriad belongings and a felony for grand wealth tax fraud perpetuating, aiding or abetting by any tax payer, wealth manager or other financial institution employee or consultant, whether by attentive action or willful negligence.[27,28]

When high-end luxuries are enjoyed or gifted relative to peers' activity, or priced per scarcity such as oceanfront penthouses, a moderate, high-end wealth tax need not curtail prevailing commerce, prospective entrepreneurship or pleasure.[29,30,31,32] United Nations members may agree to levy a minimum wealth tax with minimum penalties for grand wealth tax fraud perpetuating, aiding or abetting that deter it strongly, reasonably. They may agree to outlaw conduct of any business, and ownership of any asset located or traded, in their territories by anyone not subject to at least the agreed minimum wealth tax on holdings worldwide.

Politicians may oppose the wealth tax as the peons of dynasties or embrace it as leaders who favor limited government with universal opportunity to work for a modest living, to find a more valued job or found a valued business in competitive markets, provide for family, enjoy luxurious fruits of labor, accumulate vast wealth and – then – to back opportunity for all.

Universal opportunity to earn about 50% to 60% of cyclically adjusted median earnings regionally or nationally can maximize adults' minimum earning opportunity durably, I suggest, as it ends chronic downturns and preserves incentives to seek higher income. When a moderate, high-end wealth tax funds that opportunity, it may be a part of public policies that, insofar as governance over the ages can, maximize well-being.

[27] Willful negligence can be along the lines, "Don't send me that brief" or "Ms. remains unavailable to consider your allegation of wealth tax fraud". Then Ms. and her assistant could be indicted for perpetuating, aiding or abetting wealth tax fraud by willful negligence. "Gross negligence" might be construed similarly but indicate oversight more than misdeed.

[28] United Nations could enact a similar global felony for aiding or abetting, by attentive action or willful negligence, activity by any U.N.-designated organization that gravely threatens peace, as designated by the U.N. Security Council and a super-majority of the U.N. General Assembly to unnecessarily spark war among council powers and because leaders, or deputes, may be expected to wage war on political foes unreasonably from time to time and to garner friends, dependents or reliably corrupt leaders to support tyranny, but rarely both great power unanimity and a super-majority of nations' representatives. Now, there can be little disincentive to facilitate intolerantly belligerent organizations' activity, let alone tax evasion. (Taibbi, Matt. (2013). Gangster Bankers: Too Big to Jail. *Rolling Stone*. February 28.)

[29] Frank, Robert. (2012). When Low Taxes Don't Help the Rich. *New York Times*. October 28. www.robert-h-frank.com/EV.10.28.12.pdf

[30] Frank, Robert. (2010). Taxing the Rich: It's All Relative. *New York Times*. November 28. www.robert-h-frank.com/PDFs/EV.11.28.10.pdf

[31] Frank, Robert. (2005). Do Tax Cuts for the Wealthy Stimulate Employment? *New York Times*. July 7. www.robert-h-frank.com/PDFs/ES.7.7.05.pdf

[32] Roemer, John. (2008). Just Tax the Rich. In: Kinsley, Michael, ed. *Creative Capitalism*. Simon & Schuster, pp. 156–160.

Leaders Amiss

Economists might expect full employment to arise if officials (a) reduce government benefits so more people are impelled to find work or (b) create a deeply negative real interest rate with higher expected inflation, inducing more spending or real investment. Paul Krugman, leading economist at The New York Times, has criticized the first view and advocated the second.[33,34] But both views are misguided.

Economists have yet to coalesce around reasonable models of full employment in the aftermath of debt and inventory corrections. A housing construction boom and bust occurred in much of the world, including America, where annualized privately owned housing unit construction starts fell from near 2 million to 0.5 million.[35] "From 1997 to 2007, about 1.5 million households were formed on average each year in the United States".[36] Similar average net household formation would fill vacant homes and require more building eventually. In the meantime, what were workers laid off from construction — and related activities — to do?[37] Should they have sought grounds maintenance work, for example? The population's maintenance requirements were already satisfied. Should they have sought restaurant jobs maybe? The population's dining propensity was substantially satisfied. More jobs arise far and wide in a growing economy, not in a shrinking or stagnant one.

They could have competed for extant jobs, pressuring wages without bringing about full employment. They could have returned to school, but their families needed income. They could have sought new work supplying exports, but

[33] Krugman, Paul. (2013). The Price is Wrong. *New York Times blog: The Conscience of a Liberal.* March 30. krugman.blogs.nytimes.com/2013/03/30/the-price-is-wrong/

[34] Krugman, Paul. (2013). Simple Natural Goodness. *New York Times blog: The Conscience of a Liberal.* April 12. krugman.blogs.nytimes.com/2013/04/12/simple-natural-goodness/. This view (a) neglects unemployment due to industry depressions, when inventory needs to be worked down to normalize labor demand, and (b) overstates the potency of interest rates or inflation expectations amid widespread deleveraging. The durable solution to unemployment lies not in interest rates but in an efficient, consistent safety net.

[35] Housing Starts: Total: New Privately Owned Housing Unit Started (HOUST). U.S. Department of Commerce: Census Bureau via FRED. research.stlouisfed.org/fred2/series/HOUST. Cf. Chart: NAHB/Wells Fargo HMI and Single-Family Housing Starts. National Association of Home Builders. www.nahb.com/reference_list.aspx?sectionID=134.

[36] Dunne, Timothy. (2012). Household Formation and the Great Recession. Federal Reserve Bank of Cleveland Economic Commentary. August 23. www.clevelandfed.org/research/Commentary/2012/2012-12.cfm

[37] Martin, Carlos and Stephen Whitlow. (2012). The State of the Residential Construction Industry. Bipartisan Policy Center paper. Exhibits 1, 3 and 25. bipartisanpolicy.org/library/report/state-residential-construction-industry

economies elsewhere were in a funk. And raising expected inflation would hardly have induced former consumer borrowing, dramatically less saving or resurgent real investment when the housing bubble had popped, lenders were tightening credit and unemployment remained elevated.[38,39,40] "'If people were comfortable that they would be able to find jobs or keep their jobs, then, even if rates were a little bit higher, they would be willing to borrow more and spend. But that is not the situation,' says Brian Rehling, managing director and chief fixed-income strategist at Wells Fargo Advisors."[41] It is in times like these that an exogenous force is required to bring about full employment opportunity.

Ad hoc fiscal stimulus is one exogenous force and basically absurd:

> Without Job Opportunity or a large-scale war, what must generally occur to maintain jobs offered in the U.S. after an asset bubble pops and consumption and investment plummet? The American President, Senate and House of Representatives must agree on a fiscal deficit that can replenish lost economic demand. All three must fund jobs for those in sectors cyclically walloped such as construction. All three must prioritize employment impact of policy above gifts to patrons. All three must act fast. All three must adjust policy as data amass, even as one party may prefer a weak economy to gain power. All three must not crush private sector confidence via brinkmanship. Those are 18 of 18 things that must occur in status quo governance to possibly sustain jobs offered in tough times. And even if all of that happens, conventional fiscal stimuli — tax cuts and politicians' spending — fuel jobs imprecisely.
>
> By contrast, Job Opportunity could fuel jobs precisely, efficiently

[38] U.S. home equity fell from $13.1 trillion in 2005 to $6.6 trillion in 2011 per the Flow of Funds Accounts of the United States. (2005–2012). Board of Governors of the Federal Reserve System. Table B.100, Line 49. www.federalreserve.gov/releases/z1/Current/annuals/a2005-2012.pdf

[39]

[40] Job Openings and Labor Turnover Survey Highlights. (2013). U.S. Department of Labor: Bureau of Labor Statistics. Chart 1 shows seasonally adjusted "unemployed persons per job opening" rose from less than two in 2007 to over six in 2009. www.bls.gov/web/jolts/jlt_labstatgraphs.pdf

[41] Steiner, Sheyna. (2012). Borrow money? 'No thanks,' say consumers. Bankrate.com. October 22. www.bankrate.com/finance/consumer-index/borrow-money-no-thanks-say-consumers.aspx

and consistently without ongoing political action.[42]

Once enacted, Job Opportunity can expand and contract without political action as it offers a consistent fraction of cyclically adjusted median earnings, guaranteed by central banks, with natural trials of supplementary education and other policy details across states and nations. Once base income is universally attainable come what may in this efficient way, economies can be okay.

I have shared iterations of the Job Opportunity idea with leaders in academia, media and politics. It has been met, like most new ideas I suppose, with pleasantries and deafening silence. Future generations can marvel that leaders countenanced an estimated 200 million people unemployed around the world when modest, universal work opportunity is sound policy.

Central Bankers

Central bankers might wonder how they can guarantee Job Opportunity. It may involve distinct action in three environments.

Base interest rates ($\boldsymbol{R}$) may reflect a rule such as 8.5% + 1.4($\boldsymbol{C}$-$\boldsymbol{U}$), where $\boldsymbol{C}$ is core inflation and $\boldsymbol{U}$ is unemployment in the absence of Job Opportunity.[43] The $\boldsymbol{R}$, $\boldsymbol{C}$ and $\boldsymbol{U}$ may be around 2.9%, 2% and 6%, respectively, in a preferred environment. Central bankers accountable for financial stability may later stipulate Job Opportunity be funded by a wealth tax in such an environment (recognizing only financial institutions that levy the tax, and financial account owners who pay it). As unlimited Job Opportunity offers adults a fraction of cyclically adjusted median earnings and is no service to employers seeking workforce continuity, it should require modest base case Job Opportunity funding ($\boldsymbol{B}$). Job Opportunity wages may be raised or lowered as a fraction of median earnings until $\boldsymbol{B}$ is a few percent of output, a durable deal.

[42] Grunes, Noam. (2012). Full Employment Opportunity. *Vidya*. April.

[43] Mankiw, N.G. (2006). What would Alan do? Greg Mankiw's Blog. June 30. gregmankiw.blogspot.com/2006/06/what-would-alan-do.html. Cf. Harless, Andy. (2010). US Monetary Policy in the 2010's: The Mankiw Rule Today. Employment, Interest, and Money blog. June 3. blog.andyharless.com/2010/06/us-monetary-policy-in-2010s-mankiw-rule.html.

While Job Opportunity may attenuate the volatility of workforce participation rates, output and interest rates, suppose core inflation spikes: the second environment. Central bankers may then impose very high interest rates while funding the spike in publicly funded Job Opportunity cost above B, cramping commerce, crushing aggregate wages and taming inflation with nonetheless full employment opportunity.

In the third environment, prescribed interest rates are negative given low inflation and weak labor demand. With C=1.5% and U=8%, for example, prescribed rates may be negative and floored at 0% when traditional monetary policy cannot loosen further. Let E denote the excess of unlimited publicly funded Job Opportunity cost over B that arises in this environment associated with private sector deleveraging, retrenchment or a sector depression. I suggest quantitative easing can fund E without worries as it offsets, or cushions, diminution in private sector credit expansion in some cases and soft aggregate demand anyway. If so, what excuse remains for less than full employment opportunity?

Noam Grunes is Managing Partner of Komodo Global Fund LP, an investment partnership, and writing slim books on public policy: education, energy, executive pay, finance, full employment opportunity, healthcare, law, politics, taxes and tolerance. Before founding the LP, Noam was a private investor in Australia since 2002. Earlier he served as CEO of a venture-backed company that digitized comp cards for model and talent agencies out of Brookline, Massachusetts and New York City, in-between attending the interdisciplinary University Professors program from Boston University on a Trustee Scholarship. He lives in Hollywood, Florida.

Feature Articles

Global Wealth Tax, Full Employment Opportunity

by Noam Grunes

Thomas Jefferson wondered "[w]hether one generation ... has a right to bind another", opining "that the earth belongs in usufruct to the living" — to enjoy without degrading.[1] How about a new parable on this Jeffersonian ideal that we're born with earthly essentials and debt-free:

Imagine an island with coconut trees and scarce other food. In the first case, no one owns the trees; a child born indebted to another fetches her coconuts to pay debt. In the second case, a child inherited trees; another fetches her coconuts to earn access to them. Beyond to eat, the indebted child fetches coconuts for her creditor while the poor child fetches coconuts for the wealthy.

Living in shelter, island residents honor laws. In the first case, no one owns shelter; a child born indebted to another fetches him coconuts to pay the debt, avoiding eviction. In the second case, a child inherited shelter while another pays rent with coconuts. The indebted child fetches coconuts to avoid eviction. The poor child does too.

Whether to eat or sleep: what's the difference between being born indebted amid public wealth and poor amid private wealth? When they are alike, can we reasonably shun one condition and favor the other? If we don't believe in shackling children with debt, how can we look favorably on dramatic disparities in inherited wealth where currency is required to live, valued largely based on how much of it everyone has, indebting poor children to wealthy heirs?

What if we could approach the Jeffersonian ideal — that we're born with earthly essentials and debt-free — in a durable way?

[1] Jefferson, Thomas. To James Madison, 6 September 1789. National Archives: Founders Online. Updating this footnote in 2019 amid surveillance tantamount to physical assault: Madison replied (4 February 1790), "The [earthly] *improvements* made by the dead form a charge against the living who take the benefit of them": unpersuasive as the dead cannot collect, and the unborn do not choose the improvements. More persuasively he wrote: "Debts may be incurred for purposes which interest the unborn, as well as the living: such are debts for repelling a conquest, the evils of which descend through many generations." Ideally perhaps such costs would be borne by nations united, funding defense costs regularly, or by elevated progressive taxation as required to maintain a healthy fiscal position. Otherwise they may be exigent external national debts rather than indebting poor children to wealthy heirs in a nation. Madison's counterarguments appear to leave Jefferson's ideal of debt-free birth intact with the possible exception of national debt. When its carrying cost is a few percent of output, Jefferson's ideal looks substantially undiminished, leaving this new parable of apparent hypocrisy.

An Ideal Tax

Well, it may start with a bit of tax.

Decent taxes, we might suppose, are progressive, Pigovian or productive. Progressive taxes can ease burden on those with least. Pigovian taxes offset harm such as noise pollution (negative externalities in economic parlance). And productive taxes help sustain something like a smooth road or world-class education. In moderation, these three types of taxes can help maximize well-being.

It so happens that a new wealth tax can be progressive, Pigovian *and* productive. About a 3% annual tax on wealth over $5 million per adult in U.S. dollars, wealth including all retirement accounts, can be Pigovian by offsetting harm of inequality — we'll get to that in a bit. Standardized among nations, the wealth tax can fund a productive public good: full employment opportunity.

Economists including Hyman Minsky, William Mitchell, Warren Mosler and L. Randall Wray have wanted governments to pay a minimum wage to any adult who fairly applies for one, for work in some public service, even by planting trees like in the Great Depression. By adding employers' bids to the deal they envisioned, we might attain, at a first approximation, full employment opportunity at minimal public cost. Employers would bid for job applicants who enroll for work at a website like eBay where a government tops up the winning bids — even a penny, peso or pence — to minimum wages: full employment opportunity.

It might sound good — this way of maximizing dignity, stabilizing economies and creating a reservoir of active workers available to hire without subsidy when economic conditions improve[2] — unless it impairs "incentives to serve customers, study valued know-how, seek a more valued position or start a business, to strive for higher pay inuring to aggregate benefit" as I wrote here last year.[3] That's why this deal may subsidize minimum wages, which might be gradually raised to and then maintained near 60%–65% of the median wages in regions, states or nations.

The U.S. Bureau of Labor Statistics estimated a $16.87 median hourly wage for 132,588.8 thousand American employees in 2013, for example; 60% of that

[2] William (Bill) Mitchell emphasized that full employment opportunity can create a "buffer stock" of labor at minimum wages, anchoring rather than igniting inflation. While he advocated full employment opportunity only in public service, fully funded by government, I think this idea of a buffer stock can apply to some subsidized employment too. For a bit of the thought history, see Wray, L. Randall. (2011). MMT: A Doubly Retrospective Analysis. Keynote at a conference in Newcastle, Australia. neweconomicperspectives.org/2011/12/mmt-doubly-retrospective-analysis.html

[3] Grunes, Noam. (2013). Full Employment Opportunity Revisited. *Vidya* Issue 300 (June). Kindly see the end of that article for how central banks can facilitate full employment opportunity. It's a bit dense. Okay, more than a bit. Saying so is the first step in Dense Scribblers Anonymous.

is about $10.10 per hour.[4] This compares with the U.S. federal $7.25 minimum hourly wage today.[5] Over 90% of U.S. employers replied a fair minimum wage would exceed that in a 2014 survey, the median favoring $10 per hour, with employers' #1 reason for opposing a minimum wage raise: it can reduce hiring, a risk nullified by full employment opportunity.[6]

You may see more than one adult in fine shape, walking on a road, even in America, carrying a sign along the lines, "Homeless, hungry, out of work, please help." Suppose they can't find a full-time job even at the minimum wage. That possibility needn't exist. And while the opportunity to earn a higher minimum wage can motivate work , making it some percentage of the regional median wage, around 60%, can motivate subsidized workers to seek career advancement into the unsubsidized labor market generally, continually. The deal: efficient employment of last resort.

Employers may bid for a fraction of their workforces on the new websites that create full employment opportunity (a fraction that public authorities may adjust for all), no one they have employed or hired as a contractor before.[7] Valuable workers will be retained generally. At the same time, work opportunity will never disappear. Mass unemployment can end thanks to a wealth tax.

That a moderate wealth tax can so stabilize capitalism conducive to wealth creation makes it pretty fitting besides progressive, Pigovian and productive. But you doubt it's sound policy (unless you're harboring one of exceptional thoughts including, "You had me at coconuts"). Maybe an inquiry into wealth dynamics will sway your thinking.

[4] United States Department of Labor: Bureau of Labor Statistics Occupational Employment Statistics. www.bls.gov/oes/current/oes_nat.htm

[5] United States Department of Labor. www.dol.gov/dol/topic/wages/minimumwage.htm While Congress has not raised the minimum wage since 2009, contractors working for U.S. government must pay at least $10.10 per hour starting in 2015: President Barack Obama. (2014). Executive Order — Minimum Wage for Contractors. The White House. www.whitehouse.gov/the-press-office/2014/02/12/executive-order-minimum-wage-contractors

[6] CareerBuilder, LLC. (2014). Majority of employers want minimum wage increase. Report of Harris Poll study for CareerBuilder conducted in May-June 2014. advice.careerbuilder.com/posts/majority-of-employers-want-minimum-wage-increase

[7] The fraction may be raised to 100% in blighted realms.

Wealth Dynamics

> When the rate of return on capital [r] significantly exceeds the growth rate of the economy [g], then it logically follows that inherited wealth grows faster than output and income.... Under such conditions, it is almost inevitable that inherited wealth will dominate wealth amassed from a lifetime's labor by a wide margin, and the concentration of capital will attain extremely high levels — levels potentially incompatible with the meritocratic values and principles of social justice fundamental to modern democratic societies.
>
> *Thomas Piketty,* Capital in the Twenty-First Century[8]

When $r > g$, inheritances may tend to grow faster than wages in an instant. But some investment income must be spent or reap diminishing returns. Businesses may show high returns on capital but dividend earnings with limited investment in expansion. The dividends may be spent or saved at variable yields. Amid high unemployment and central banks crushing interest rates, recently Spain's 10-year bond yields fell near 2% while France's fell near 1%, their lowest yields in centuries.[9] Government bonds in the U.S., U.K., Germany and Japan recently yielded about their least ever.[10] Meanwhile some companies' stock prices exceed 40 times their peak and generally projected annual earnings.[11] Returns on financial capital are widely low, returns on owner-occupied housing are often latent, and it's unclear to me whether capital or capital income will grow faster than labor income.[12] Yet I think Mr. Piketty is right that wealthy heirs may at least

---

[8] Piketty, Thomas. (2014). *Capital in the Twenty-First Century* (below: just "*Capital*"). Translated by Arthur Goldhammer. Harvard University Press. Kindle edition. And piketty.pse.ens.fr/en/capital21c2

[9] Reid, Jim and Nick Burns. (2014). Early Morning Reid (clever, right). Deutsche Bank.

[10] Committee (2013) Financial Stability Report. No. 33 (June), p. 8, Chart 1.4. Bank of England www.bankofengland.co.uk/publications/Documents/fsr/2013/fsrfull1306.pdf

[11] The companies include [redacted].

[12] Mr. Piketty wrote in *Capital* that beta (B), designating the capital/income ratio, equals the savings/growth ratio (s/g) "in the long run". If a nation saves 12% of its income growing 2% annually in one of his hypothetical examples, its B converges to 6: the nation's total capital, or wealth, becomes about 6x its annual income. With a 5% average annual return on capital, about 6*5% = 30% of the nation's income would flow to wealth owners.

Yet more than savings and growth impact wealth accumulation; valuations and instability do too. Financial capital derives marketable value from income it may generate, and can be impaired when investment income is subpar. Unusually high capital/income ratios can indicate potential asset bubbles susceptible to pop (*Capital*, Chapter 5, Footnote 27). And this seems to negate {savings =

sustain fortunes while spending some investment income, holding assets from bonds to equity in business to real estate — coconut tree inheritance writ large.

Within generations, a factor that I haven't seen others mention can further concentrate wealth. Consider two large families, each with $100,000 expenses, one earning $125,000 and one earning $250,000 after tax. Their take-home incomes differ by a factor of two, yet their investable incomes ($25,000 and $150,000 respectively) differ by a factor of six. Among savers, expenses held equal, *any* after-tax income inequality is wider investable income inequality. That is, $iii > ii$: investable income inequality trumps mere after-tax income inequality. Families' operating leverage — living costs to pay before incomes can be invested (in assets held passively, in business ventures or in education and the social connections it brings), investable income growing faster than after-tax income grows within families — may tend to widen wealth inequality relative to after-tax income inequality and, as wealth yields income, perpetuate or amplify income inequality.

Still, isn't wealth widespread? We might guess that entrepreneurs, professionals and others amass wealth alongside executives, throughout the middle class.[13] Asked to guess how much U.S. wealth the richest 20% in America own, a

sustained capital}. Rather than say that $B = s/g$, viewing times of capital decimation as blips in the trajectory of wealth accumulation, we might say that B tends toward s/g with risk of capital impairment. And, as Mr. Piketty and many have suggested and I'll suggest below, that risk may be elevated in times of high inequality.

[13]Wealth inequality has widened partly via executive pay akin to gifting among princes. Thomas Piketty (supra) reports "the vast majority of the top 0.1 percent of the [US] income hierarchy in 2000–2010 consists of top managers. By comparison, athletes, actors, and artists of all kinds make up less than 5 percent of this group. In this sense, the new US inequality has much more to do with the advent of 'supermanagers' than with that of 'superstars.'" Yet many managers aren't so super. "The most convincing proof of the failure of corporate governance," he notes: "it is very difficult to explain the observed variations in terms of firm performance." Why? I think the problem and solution may be partly as follows:

Boards of directors may now choose a CEO and let consultants work out the CEO's pay. Never mind that CEOs also hire the ingratiating consultants, that directors are friends with their CEO or that CEOs serve as directors too, basically patting each other on the back with wads of other people's cash. And where CEOs are paid tens of millions of dollars for mediocre results, how can other executives, steps away from being CEO, reasonably earn less than a few million each?

The solution to unwarranted executive pay, I might suggest, can be, in part, a safe harbor CEO election process that directors can use to abide fiduciary duty. Each director and major shareholder can nominate a CEO candidate to serve a term of years. Candidates can seal a public case for their hire and propose their own pay before they know what any other candidate offers (with a felony for collusion as the sums involved exceed grand theft auto). Shareholders can compare the candidates' offers and elect their CEO, changing the trajectory of CEO pay from rising for crowned leaders, greased by consultants with other people's money, to falling in competition as CEOs propose their own offers, scrutinized in public, chosen directly by shareholders with viable choices. The more moderate CEO pay — at least for moderate results — may reverberate through executive ranks. Whether rising or falling, executive pay can become tethered to business performance as "nationally representative online sample of respondents (n = 5,522, 51% female, mean age = 44.1), randomly drawn from a panel of more than 1 million Americans," on average replied "about 59% of the wealth when the actual number is closer to 84%. More interesting, respondents constructed ideal wealth distributions that were far more equitable than even their erroneously low estimates of the actual distribution, reporting a desire for the top quintile to own just 32% of the wealth."[14] Beyond the average was "a surprising level of consensus: All demographic groups — even those not usually associated with wealth redistribution such as Republicans and the wealthy — desired a more equal distribution of wealth than the status quo."[15]

It's concentrated around the world. Credit Suisse estimated the richest 1% globally owned 48% of all wealth in 2014 (some $126 of $263 trillion) when the richest 10% owned more than 70% of the wealth in Argentina, Brazil, Egypt, Hong Kong, India, Indonesia, Malaysia, the Philippines, Russia, South Africa, Switzerland, Thailand, Turkey and the United States.[16]

Even where *Égalité* (equality) centers an old government slogan (*Liberté, Égalité, Fraternité*), in France,"the richest 10 percent command 62 percent of total wealth, while the poorest 50 percent own only 4 percent." Mr. Piketty further wrote in *Capital*,

> When we look at all the available data today, what is most striking is that national wealth in Europe has never been so high. To be sure, net public wealth is virtually zero, given the size off the public debt, but net private wealth is so high that the sum of the two [divided by nations' output] is as great as it has been in a century. Hence the idea that we are about to bequeath a shameful burden of debt to our children and grandchildren and that we ought to wear sackcloth and ashes and beg for forgiveness simply makes no sense. The nations of Europe have never been so rich. What is true and shameful, on the other hand, is that this vast national wealth is very unequally distributed.

To flesh out his meaning: some leaders preach austerity where public debt is near 100% of GDP (annual gross domestic product, economic output), arguing

candidates seal their pay terms in transparent competition.

14 Norton, Michael and Dan Ariely. (2011). Building a Better America — One Wealth Quintile at a Time. *Perspectives on Psychological Science* Vol. 6, No. 1, pp. 9-12. www.people.hbs.edu/mnorton/norton%20ariely%20in%20press.pdf

15 Ibid. The article sensationalized on YouTube: youtu.be/QPKKQnijnsM

16 Stierli, Markus et al. (2014). Global Wealth Report 2014. Credit Suisse AG.

governments should curtail safety nets, education or infrastructure. (See: news.) Yet what the wealthy have lent governments, holdings of public bonds, increasing public debts, could be paid as taxes. In leading nations and all nations combined per his or Credit Suisse's estimates, private wealth amounts to some 300%–500% of GDP, wealth of the top 1% nearing or exceeding 100% of GDP, the richest 10% owning more than the next 90%. The richest 3% of American families owned twice as much as the bottom 90% recently per Federal Reserve estimates.[17]

Recapping the first line of inquiry then: Is wealth concentrated? Surprise, surprise: yes. More specifically, wealth may tend to be or become concentrated, and it looks concentrated around the world with potential implications.

A second line of inquiry seeks to refute intuitions that such inequality breeds instability. Perceived economic injustice may destabilize regimes. Regardless of politics, wealthiest families' spending may vary most with economic conditions or generally, as the wealthiest can afford to vary spending most of all.[18] Unstable spending impacts others as one's spending is others' income and spending in turn; spending back and forth makes economies run. What they don't spend, in part, the wealthy lend. And debt-fueled spending may be less stable than outlays from wages, more prone to bubble up and crash. Michael Kumhof and Romain Rancière noted that run-ups to both the Great Depression in 1929 and the Great Recession near 2008 "exhibited a large increase in the income share of the rich, a large increase in leverage for the remainder, and an eventual financial and real crisis."[19] They did not deem that parallel coincidental. Moderate wealth taxes may become Pigovian — denoting any tax that offsets harmful side effects — partly by attenuating macroeconomic instability that can flow from concentrated wealth, volatile debt or rising inequality. (Wealth taxes might become Pigovian partly by dispersing political power too, strengthening democracy.)

Rising inequality — even with terrible instability — may be desirable if, not only if, it necessarily accompanies high average, median or bottom-half income growth.[20] From one vantage point, distributions of wealth and instability matter

[17]Bricker, Jesse et al. (2014). Federal Reserve Bulletin. Vol. 100, No. 4 (September), p. 10 bottom. www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf

[18]For example, "the average net worth of the lower half of the distribution, representing 62 million households, was $11,000 in 2013" in America, "50 percent lower than the average wealth of the lower half of families in 1989, adjusted for inflation.... Meanwhile, the average real wealth of families in the top 5 percent has nearly doubled, on net — from $3.6 million in 1989 to $6.8 million in 2013." — Yellen, Janet. (2014). Perspectives on Inequality and Opportunity from the Survey of Consumer Finances. Speech, October 17. www.federalreserve.gov/newsevents/speech/yellen20141017a.htm

[19]Kumhof, Michael and Rancière, Romain. (2010). Inequality, Leverage and Crises. IMF Working Paper. www.imf.org/external/pubs/ft/wp/2010/wp10268.pdf

[20]Much contentment may be associated with social factors (and sleep and calm — in what world is

less than how average earners fare 8, 24 or 72 years from now, and that hinges on growth. But International Monetary Fund researchers found that "redistribution appears generally benign in terms of its impact on growth" while "higher inequality is associated with lower growth" consistent with "a tentative consensus in the growth literature that inequality can undermine progress in health and education, cause investment-reducing political and economic instability, and undercut the social consensus required to adjust in the face of major shocks, and thus that it tends to reduce the pace and durability of growth."[21] When the researchers mentioned growth as a single word, by the way, they seemed to mean growth in real per capita income nationally, not growth in moral fiber or a philosophical awakening. Combining the strands: wealth may tend to be or become concentrated (as $r > g$ sometimes and $iii > ii$ always), and it looks concentrated around the world, threatening stability *and* growth. It's not a case for socialism, for crushing economic competition and profit-motivated quests to satisfy myriad wants.[22] It's a case for a moderate wealth tax.

---

it reasonable for trains to blast horns through the night or trucks with rear-view cameras to beep incessantly?) but also with improving circumstances generally, with income growth more than income per se. See Parducci, Allen. (1995). *Happiness, Pleasure, and Judgment: The Contextual Theory and Its Applications.* Psychology Press.

[21] Ostry, Jonathan, Andrew Berg and Charalambos Tsangarides. (2014). Redistribution, Inequality, and Growth. IMF Staff Discussion Note. www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

[22] Media leaders who conflate a new tax with socialism — governmental, monopolistic control and ownership of all means of production — are like the boy who cried wolf. Meanwhile they may trumpet the *Constitution for the United States of America*, maybe forgetting that it authorizes taxes in Article 1, Section 8, "to pay the Debts and provide for the common Defence and general Welfare". Those who would oppose a wealth tax by citing any legal minutia or precedent might like to view Mr. Piketty's *Capital* (supra), Chapter 16, Footnote 49.

Summary and Net Funding

A moderate wealth tax funding full employment opportunity, besides being fitting, progressive, Pigovian and productive, might undergird resilient, robust — rarefied — economic growth, heading off conflicts attending economic stagnation and raising standards of living across generations. Analysts can estimate governments' net cost of full employment opportunity, how a moderate wealth tax can fund it, with employers bidding for workers and with offsets along the lines:

Costs

- Funded portion of wages
- More earned income benefits[23]
- Administration cost
- Publicity cost

Offsets

- Fewer law enforcement costs[24]
- Fewer unemployment benefits
- More payroll and income taxes
- More property and sales taxes

From moderated inequality, more output, milder downturns, subsidized workers or progeny[25]

[23] These include the Earned Income Tax Credit in America.

[24] While crime persists, crime tied to idleness or privation may subside.

[25] "[C]hildren who reside the longest in households with exogenously increased incomes tend to do better later in life on several outcome measures" — Akee, Randall et al. (2010). Parents' Incomes and Children's Outcomes. *American Economic Journal: Applied Economics* Vol. 2, No. 1, pp. 86–115. www.jstor.org/stable/25760194