Employer of Last Resort as an Alternative Development Strategy

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Building a Financial Structure for a More Stable and Equitable Economy

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Traditional UN Approach to Development

- **Constraints to development:**
  - Domestic savings gap
  - Scarcity of domestic resources
  - External resource requirements

- **How to Overcome constraints:**
  - Increase domestic savings
  - Foreign savings -- external resources
    - Official development assistance
    - Private aid and investment flows

- **First Development Decade**
  - One per cent of developed country GDP to be transferred to developing countries to achieve 5 per cent growth of GDP
  - 0.3 per cent private flows, 0.7 per cent ODA
Net transfers of resources

- Success measured by positive net transfers of real resources from developed to developing countries
- For Four UN Development Decades this has been the exception
  - negative net transfers rule
    - 1960s, lost decade of the 1980s, financial crises of the 1990s
- Led to the creation of the Development Committee of the BWIs in the 1970s
- Private Flows have become dominant
  - Resource flows no longer subject to development needs, but to private incentives
No Fifth Development Decade: Millennium Declaration

- Reduced emphasis on resource transfers
- A directed aid strategy
- Designed to meet time-bound, measurable Social Development Goals
- Goals are symptoms of underdevelopment
- Still requires external resources:
  - $100 billion per year to 2015
- Current Debate:
  - What happens after 2015?
A recommendation from the 2005 Global Summit Outcome Document

Employment

47. We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals.
Employment joins MDGs

• High-level segment of the 2006 substantive session of the Economic and Social Council Ministerial Declaration reinforced the 2005 World Summit position

• Make full and productive employment and decent work for all, including for women and young people, a central objective of relevant national and international policies and national development strategies and to be part of efforts to achieve the internationally agreed development goals, including the Millennium Development Goals.
How to make employment part of meeting the MDGs?

- If private sector demand is insufficient to provide full employment
- Government takes responsibility to provide employment to all those willing and able to “work” at or marginally below the prevailing informal sector wage
- Increases flexibility in the labour market by creating a ready supply of labour to meet demand
What does “work” mean?

- Different according to level of development
- Primary goals:
  - Maintain and improve skill level of the labour force – basic educational skills
  - Provide social safety net – income maintenance
  - Provide social inclusion for the unemployed/unemployable – social services
  - Meet the needs of female heads of households to combine work with family responsibilities
  - Improve the well-being of society – useful public works
ELR as an MDG programme

- A suitably designed ELR programme to provide employment can also be designed to satisfy:
  - MDG Goal 1: Eradicate Extreme Hunger and Poverty
  - MDG Goal 2: Universal Primary Education
  - MDG Goal 3: Promote Gender Equality and Empower Women
  - MDG 4 and 5: Reduce Child Mortality and Improve Maternal Health
Will it create external constraint?

Does not depend on external financing
No external debt service
External constraint may arise for other reasons –
  - Monocommodity economy
  - Inappropriate structure of production
  - Lack of technological development