Research Articles

FULL EMPLOYMENT IN PERIPHERAL ECONOMIES: SYNTHESIZING MINSKY AND NUTI

PLENO EMPREGO EM ECONOMIAS PERIFÉRICAS: SINTETIZANDO MINSKY E NUTI

PLENO EMPLEO EN ECONOMÍAS PERIFÉRICAS: SINTETIZANDO A MINSKY Y NUTI

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ABSTRACT: Following the dissolution of the Bretton Woods Agreement in the early 1970s, Keynesian macroeconomic policies, which relied on the state as an economic driver, were superseded by neoliberal policies. This shift had a negative impact on employment levels and economic stability in both developed and peripheral countries. The resulting increase in unemployment and greater economic instability due to reduced state participation in the economy has led to economic policy proposals aimed at boosting the labour market and reducing the negative effects of periods of greater instability, particularly in peripheral countries. In this context, this paper contributes to the debate surrounding the implementation of Hyman Minsky's Job Guarantee Programme, according to the establishment of national economic planning institutions as proposed by Domenico Mario Nuti in the 1980s in a study focusing on peripheral European economies. As part of this debate, the paper also highlights the importance of local development policies in achieving full employment.

RESUMO: Após o fim do Acordo de Bretton Woods no início da década de 1970, as políticas macroeconômicas de caráter keynesiano e baseadas no Estado como indutor da economia perderam espaço para as políticas de cunho neoliberal, o que afetou negativamente o nível de emprego e a estabilidade econômica tanto nos países desenvolvidos quanto nos países periféricos. A piora nos índices de desemprego, maior instabilidade econômica a partir da redução da participação do Estado na economia jogam luz sobre propostas de política econômica que visam justamente impulsionar o mercado de trabalho e reduzir os efeitos negativos de períodos de maior instabilidade, sobretudo em países periféricos. Nesse sentido, a contribuição deste artigo é inserir debate acerca da implantação do Programa de Garantia de Emprego idealizado por Hyman Minsky em conjunto com à criação de instituições econômicas nacionais de planejamento econômico propostas por Domenico Mario Nuti na década de 1980 em estudo para as economias periféricas europeias. Como parte do debate de implantação do Programa Job Guarantee, o artigo também lança luz sobre a relevância das políticas de desenvolvimento local para alcançar o pleno emprego.

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RESUMEN: Tras el fin del Acuerdo de Bretton Woods a principios de la década de 1970, las políticas macroeconómicas de carácter keynesiano y basadas en el Estado como inductor de la economía perdieron terreno frente a las políticas de índole neoliberal, lo que afectó negativamente el nivel de empleo y la estabilidad económica tanto en los países desarrollados como en los países periféricos. El deterioro de los índices de desempleo y la mayor inestabilidad económica derivada de la reducción de la participación del Estado en la economía ponen de relieve propuestas de política económica orientadas precisamente a impulsar el mercado laboral y a mitigar los efectos negativos de los períodos de mayor inestabilidad, especialmente en los países periféricos. En este sentido, la contribución del presente artículo consiste en incorporar al debate la implementación del Programa de Garantía de Empleo, ideado por Hyman Minsky, junto con la creación de instituciones económicas nacionales de planificación económica propuestas por Domenico Mario Nuti en la década de 1980, en el marco de un estudio destinado a las economías periféricas europeas. Como parte del debate sobre la implementación del Programa de Garantía de Empleo, el artículo también arroja luz sobre la relevancia de las políticas de desarrollo local para alcanzar el pleno empleo.

1. INTRODUCTION

The end of the Bretton Woods Agreement in the early 1970s is followed by the re-establishment of a liberal economic policy agenda in the 1980s[1]. Significant changes in the modus operandi of economic policy were implemented in developed economies and have spread to developing economies since then. The most significant shift in policy orientation was abandoning the commitment to full employment policies as a macroeconomic goal, then replaced with the commitment to stabilization and fiscal consolidation policies. Besides the end of the Bretton Woods Agreement, the 1970s were also marked by two oil crises, which dove the world economy into a recession. This new economic context contrasts with the period between World War II and the end of the Bretton Woods Agreement, known in the literature as the Golden Age of Capitalism or Keynesian Era, where economic planning and public investment were praised for sustaining aggregate demand and full employment[2]. Free trade and the de-regulation of financial and labor markets, and State shriking as flagstones of the liberal orientation, advanced slowly. As a consequence, the economic power of the financial markets increased, and the labor market institutions lost economic and political space. Moreover, the reduction of national states' space was followed by the strengthening of supranational entities, such as the European Union, and multilateral agreements, such as NAFTA and GATT (Mitchell; Fazi, 2017).

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1 The re-established liberal agenda in the second half of the last century will be named throughout this paper as the neoliberal agenda.

2 Setterfield (2006) points out that after the end of the Golden Age, the US only experienced low unemployment and low inflation rates in the 1990s, with the reconciliation between low inflation and low unemployment being achieved through the institutionalization of labor market insecurity.

The neoliberal agenda was successful in inflation control in many countries, but at the expense of an increase in the unemployment rate from the 1980s in advanced countries (Rothschild, 2009). In addition, from the 1970s, financial transactions increased and were not necessarily linked to capital accumulation, characterizing a new wealth accumulation pattern. This phenomenon became known as financialization[3]. Combined with the increase in financial transactions are the increase in private and public indebtedness and the financialization of social services (Lavinas, 2017; van der Zwan, 2014; Streek, 2014).

Economic policies aimed at increasing the number of jobs were designed within the neoliberal agenda, but with the priority of fiscal consolidation and inflation control as a limit. In contrast with these orientations, following Keynes (2018) and Hyman Minsky (1965, 1969a, 2008), as well as contemporary authors (Wray, 2000; Forstater, 2003; Tcherneva, 2017; Kaboub, 2006), the discussion on the implementation of the Job Guarantee (JG) Program as an economic policy of sustaining aggregate demand and price stability gained evidence after the 2008 international financial crisis[4].

Contemporary authors have refined the JG proposal in the context of Modern Money Theory, known by the acronym MMT (see Wray, 2015). However, MMT has a gap regarding the potential negative impacts of the JG program on the external accounts of developing countries, which can face a significant increase in the volatility and an appreciation trend of the exchange rate, with negative impacts on the productive structure of these economies (Belluzz; Raimundo; Abouchedid, 2021; Vernengo; Caldentey, 2020). To overcome this gap, this article argues that implementing the JG program in developing economies should be followed by implementing economic planning, including actively managing the economy's external sector to mitigate exchange rate volatility and the appreciation trend.

Furthermore, this paper aims to deepen the discussion of JG policy by articulating the organization of national institutions responsible for guiding public and private investments that secure and increase the number of jobs created with local development strategies focused at the community level. The main innovative proposal of this study is to advocate for coordinating the Job Guarantee program with a broad 'National Development Plan', basically a program of public expenditure that demands proper public institutions and local developmental strategies. As theoretical support for achieving this objective, we will present the main Keynesian concepts regarding the importance of the role of the state in the economy, in addition to resorting to Minsky (2008) regarding the Job Guarantee proposal, as well as Nuti (1985) with the role of specific public institutions, to elucidate recommendations for macroeconomic structure management, especially fiscal policy, focusing on full employment.

[3] The financialization process is marked by the increasing allocation of resources in financial assets in detriment of investments in physical assets (Boyer, 2000). This pattern of accumulation is characterized by the centrality of financial transactions in economic relations in general, with significant reflections on the orientation of economic policies (Epstein, 2005). See also, Chesnais (1997), Guttmann (2008), Palley (2007).

[4] It is worth mentioning that in 2020, the Austrian Public Employment Service developed the first historical experience of implementing a universal job guarantee in a middle-sized Austrian city.

In addition to this introduction, this paper has four more sections and a conclusion. The following section analyzes the role of the State in Keynesian theory to highlight the relevance of pursuing the maintenance of aggregate demand and full employment, as well as the significance of the State for this purpose. The third section presents Minsky's alternative policies to sustain aggregate demand and promote full employment through a Job Guarantee program. The fourth section brings the contributions of Nuti to peripheral European economies in the 1980s of national public institutions to sustain full employment and promote structural change to overcome balance of payments constraints. The fifth section argues that a JG program in developing economies should also look at local development and points to the Chinese development process as an empirical example of the combination of national planning and local implementation. The final section introduces the final remarks of the paper.

1.1. ROLE OF THE STATE IN KEYNES

In the period of the Golden Age of capitalism, the role of the State as an agent that induced economic development increased. Therefore, Keynes's theory is seen as guiding the general management of economic policies after the war. However, Keynesian economic policies were abandoned over the following decades, and the global economy experienced the expansion of neoliberal economic policies.

Aggregate demand as the leading force in explaining short-term dynamics and the emphasis on expectations formed under radical uncertainty in the decision-making process of economic agents are primordial themes in Keynes's theory. In this sense, the expansion or maintenance of aggregate demand is a crucial point to understand the importance of the participation of the State since, for Keynes, public spending is the main channel through which economic policy should work. On this subject, Carvalho (2008) states that Keynes's view is centred on two points: the first is that the expansion of public spending does not necessarily cause fiscal deficits since the income growth generated by the increase in public spending generates an increase in tax collection[5]. Moreover, the second point of the Keynesian argument is that the participation of the State in the economy to ensure the maintenance of aggregate demand reinforces a positive expectation, hence, it would stimulate private spending, which would even avoid the need for higher public expenditure. In this case, public expenditure would be an inducer of private spending.

[5] It is worth noting that Modern Monetary Theory (MMT) also argues along the same lines as Keynes, since it emphasizes the privilege of the State to issue currency and determine that taxes must be paid in that same currency (see Wray, 2015).

In chapter 12 of the *General Theory*, Keynes explains that the investor's state of confidence is crucial to the investment decision. This means that when expectations on the future behavior of aggregate demand are pessimistic, private investment expenditure will decline. The perception of an adverse economic scenario opens space for State intervention to maintain aggregate demand, as it may revert private's expectations and, consequently, may induce the mobilization of resources and increase aggregate demand[6].

In addition, in chapter 10 of the *General Theory*, Keynes also affirms that at times of high unemployment, State intervention via public investment becomes even more necessary. According to the author, expanding public investment will generate an increased positive effect on aggregate income, crowding in private investment[7].

According to Skidelsky (1991), one of the main topics Keynes brings to the debate at the time of his writings is the abandonment of the laissez-faire doctrine and the defense of a more significant role of the State at the macroeconomic level[8]. Skidelsky also points out that Keynes's major objective in the *General Theory* was to address an economic policy aimed precisely at economic stability, which would materialize in the level of both prices and investments. Contra-cyclical state intervention in the economy would not only be essential but also genere benefits for workers with the maintenance of investments and, consequently, of jobs. The policy in favor of maintaining economic stability would also reduce capitalists' risks. In other words, the State's action to mitigate the effects of an economic slowdown would also prevent private investors from incurring losses generated by recurrent falls in aggregate demand.

1.2. KEYNES AND THE SOCIALIZATION OF INVESTMENT

For Keynes, the role of the State, especially in terms of public investment, was based on long-term planning. The National Investment Board (NIB) is one of Keynes's main proposals for investment planning, and according to Seccareccia (2004) the best exemple of the concept of "socialization of investment". The idea involved creating a semi-public organization responsible for directing investment flows and controlling long-term financing, thereby mobilizing resources to achieve full employment.

[6] Regarding Chapter 12 of the GT, there is debate in the literature as to whether the Keynesian argument regarding expectations and conventions is restricted to financial assets or can be extended to fixed capital (see Dequech, 2011).

[7] Reis, Araújo and Gonzales (2019) present a study for the Brazilian economy between the years 1982 and 2013 in which there is a positive correlation between the increase in public investment and the increase in private investment, which would configure a crowding-in effect and not a crowding-out effect of public investment.

[8] Tonveronachi (2020) points out that the financial instability in the first decades of the 21st century presents an even more challenging scenario than the one experienced by Keynes, which led to the 1929 crisis. The author points out that in the 21st century what we see is the communion of financial vested interests with laissez-faire ideas in the economic mainstream.

Therefore, it is crucial to demystify a possible interpretation that the Keynesian economic policy proposal tends to generate fiscal deficits. Keynes was very conservative when it came to fiscal policy. He proposed to divide the public budget into two budgets; the ordinary or current budget and the capital budget. The former would be responsible for the current expenses of the State and should always be balanced, while the capital budget would be operated in such a way as to ensure full employment. On the subject of budget division, Keynes (2013a, p. 225) states: "For the ordinary budget should be balanced at all times. It is the capital budget which should fluctuate with the demand for employment". Ferrari-Filho and Terra (2012) point out that for Keynes the policies achieved to socialization of investment was the path to stabilize the economic cycle. Thereby, fiscal policy would work as the automatically stabilizing economic policy. While Davis (1992) argues that, for Keynes, the socialization of investment is a way of remedying a period of negative expectations on the part of entrepreneurs, who, in such situations, tend to seek increased liquidity, which, in turn, can enhance investment volatility.

Parallel to the long-term investment policy, Keynesian theory is concerned that such investment policy is tied to a low-interest rate. Maintaining a low-interest rate would be key to mobilizing private capital for investments that would result in full employment and in the maintenance of aggregate demand, as well as to keep capital away from the rentiers' interests. In chapter 24 of the *General Theory*, Keynes summarizes this issue by pointing out that the interest rate must be reduced to a level at which the marginal efficiency of capital and, consequently, full employment, is reached. Thus, the capital employed would achieve a collective efficiency; that is, its allocation would not only serve an individual interest but would have a joint function by contributing to the economic development of a country or region. Besides being a form of socialization of investments, this movement would also work as a "rentier's euthanasia" since the investment policy would reduce the capitalists' power to take advantage of the capital shortage to increase their profit margin.

Still, on the issue of socialization of investments, Keynes also sustains that the State should not be responsible for all investments in the economy by stating directly that "[...] we must probably prefer semi-autonomous corporations to organs of the Central Government for which ministers of State are directly responsible" (Keynes, 2013b, p. 290). Thus, Keynes points toward a State that can provide conditions for private investments. In this regard, Terra, Ferrari-Filho and Fonseca (2020) explain that Keynes's notion of investment socialization should be analyzed as the State creating better market conditions for investors. This can be translated as the creation of instruments by the State that contribute to reducing investors' uncertainty, thus reducing the risks of capital allocation in the economy.

Keynes' ideas, particularly those related to the socialization of investment, move in the opposite direction to the neoliberal policies experimented with after the collapse of Bretton Woods. In opposition to neoliberal policies and closer to Keynes' ideas, new economic policy proposals emerged, especially from the 1980s onwards. Here, it is worth highlighting those by Nuti (1985) and Minsky (2008). For Nuti (1985), concerns with long-term investment planning to improve labor market conditions were proposed during the 1980s for peripheral European economies. In the USA, Minsky (2008) proposed the creation of a Job Guarantee program, which would directly respond to the insufficient aggregate demand and contribute to stabilizing market economies.

2. JOB GUARANTEE: THE EMPLOYMENT POLICY PROPOSED BY MINSKY

Minsky's proposal to create a program that seeks to eliminate unemployment, despite being consolidated in his writings in the 1980s, already appears in his texts throughout the 1960s. One of Minsky's concerns was precisely economic policies that would enable poverty reduction. The author came to the conclusion that this would only happen by eliminating unemployment. Based on his analysis of the positive cycle of the US economy in the 1960s, Minsky (1969a, 1969b, 1969c) points out that poverty reduction in the country occurred due to an increase in employment levels. Still on Minsky's analysis, the author will point out that maintaining a high level of employment tends to generate three the following benefits for people in poverty: reduction of unemployment and underemployment and higher relative wages.

Moreover, Minsky (1965) points out that maintaining full employment is crucial for the war against poverty. The author argues that a tight full employment scenario will set off a market process that tends to raise low wages faster than high salaries, consequently improving the income of poorer families and moving them away from poverty. Still on this matter, Minsky (1969a) argued that poverty should be tackled in connection with the production of goods, especially public goods that could benefit the population living in poverty.

Minsky's proposition comes from the recognition that expansionary conventional fiscal and monetary policies to increase aggregate demand, as had been implemented during the 'Golden Age', had also put pressure on inflation. Therefore, the management of aggregate demand as it used to be raised serious questions because of the inflationary bias. This happened because every time the economy decelerated and moved into a recession, in the presence of the 'Big Government', aggregate demand, profits, and asset prices were rescued by the combination of budget deficits and monetary interventions by the Central Bank. In place of this strategy, Minsky proposed a mechanism for promoting full employment, creating an infinite demand for workers at a given wage. Therefore, price stability and full employment could be both sustained[9].

[9] Although Minsky's proposition is accepted mainly by post-Keynesian economics, in practical terms, it has never been tested on a large scale. A JG Program would demand institutions that promote full employment at national and local levels.

Minsky's arguments are built on the assumption that market economies suffer from an insufficiency of aggregate demand and persistent involuntary unemployment; therefore, the Job Guarantee (JG) Program is an economic policy designed to extinguish involuntary unemployment and create a State-funded reserve fund of workers that will employ all workers willing to work. The work reserve fund would provide workers for both the private and public sectors[10].

The JG proposal was further developed by other researchers, especially from the 1990s, such as Randall Wray (2000), William Mitchell (1998), Mathew Forstater (2003), Pavlina Tcherneva (2017, 2018), Fadhel Kaboub (2006), and others[11]. Tcherneva and Wray (2005) summarized the main features of the JG proposal as (i) JG should provide jobs for an infinite and elastic labor demand; (ii) the wage will be in a fixed and minimum amount sufficient for the maintenance of the minimum standard of quality of life; (iii) the jobs will not be fixed, therefore, the private sector can absorb the workers in the JG Program; (iv) JG also seeks to prepare workers for the labor market; therefore, they must be allocated to jobs that will allow them to use their skills in future jobs; (v) the jobs generated by the JG Program must be helpful to the community; (vi) the State must finance the JG Program. On the policy to achieve full employment, Minsky (2008, p. 343) explains:

> The main instrument of such a [full employment] 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 the business. Since the 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.

Therefore, the JG is a program structured to operate in the opposite direction of the neoliberal agenda. Assuming that in market economies, the behavior of the labor market is pro-cyclical, the JG is genuinely counter-cyclical since the program's financial efforts will increase during slumps to support the increase in the unemployed and decrease during economic growth, when the expansion of private investments increases the hiring of workers.

The Job Guarantee proposal has been discussed under the MMT framework. MMT advocates that money is a creation of the sovereign State that enforces its acceptance of the denomination of taxes. Taxes, in turn, are an instrument that stabilizes aggregate demand and redistributes wealth.

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[10] Jefes de Hogar in Argentina (see Tcherneva; Wray, 2005) and the National Rural Employment Guarantee in India (see Deininger; Liu, 2013) are two examples of job policies already implemented that are similar with the JG Program.

[11] Among the research performed on the feasibility of implementing Job Guarantee are a series of estimates on the fiscal cost of implementing JG in different countries (see Appendix).

Given the ability of the State to issue currency and determine taxes in that same currency, the State would never incur insolvency in its own currency, which, in turn, leads to the conclusion that public spending is not restricted to the collection of taxes or sale of government bonds (Wray, 2015). Thus, monetary and fiscal policy should be structured to achieve economic and social development[12]. In this sense, MMT leads to the Job Guarantee. At the same time, from the Keynesian concept of insufficient effective demand and Mynskian assumptions on the endogenous financial fragility of market economies, full employment should be the target of economic policies.

The JG program should be designed to exert a long-term, positive economic impact, promoting structural transformation. Kregel (2009) argues that one of the main problems facing developing countries is their ability to mobilize available resources to leverage development. In this sense, the JG would be a way of mobilizing labor for this purpose. This aspect is of great relevance for developing economies seeking to catch up to developed economies. In that case, the coordination between an increasing public expenditure strategy to foster development and public institutions focusing on full employment should be considered. This is so because the long-term dimension is even more latent for developing countries since these economies lack the appropriate social and physical infrastructure to leverage development in addition to issues such as unemployment per se and precarious labor relations.

The mobilization of capital to generate jobs should be carried out in line with the increase in the number of jobs with higher productivity levels and the encouragement of technological progress, in addition to filling gaps in infrastructure. For countries of continental dimensions, coordination in public decision-making with local entities becomes even more necessary to mobilize capital more efficiently and fill specific lacks of each region[13].

3. PUBLIC SPENDING AND PUBLIC INSTITUTIONS: NUTI'S PROPOSAL

Italian professor, Domenico Mario Nuti's writings comprehensively analyze public institutions and their articulation to implement full employment policies. Nuti (1985) argues that the main problems in the macroeconomic level of the economies are unemployment, low income growth and external payments deficits. In this sense, the author wrote about the design of institutions responsible to work exclusively for implementing full employment

[12] The MMT concept in which monetary and fiscal policies should pursue economic and social development, and ultimately full employment, are heavily inspired by Abba Lerner's (1943) functional finance theory.

[13] These recommendations align with developmental proposals put forward by Eclac's structuralism and neo-developmental policies. See Ocampo (2011) for a summary of structuralist macroeconomic proposals. See also Bielschowsky (2012) for a proposal of sources of expansion for the Brazilian economy.

policies, to overcome low economic growth and deficits in external accounts in peripheral European economies. The logic of this proposal is to specify a commitment to a certain level of employment over a longer time horizon so as not to depend exclusively on the incumbent government. Besides that, Nuti also points out that inflation is not too bad as is believed, so with the main three problems under control, it should be possible to control inflation through income policy when monetary policies are not sufficient. As we can see, the author's argument is not aligned with mainstream economics, where inflation control became the main target of economic policies. It is worth noting that the author inserted the economic planning at the core of the macroeconomic policies. However, the economic planning should be restricted to major macroeconomic variables, while markets should determine the output structure and the relative prices by the competing firms. Market failures and specific targets neglected by the firms should be solved through taxes and subsidies. Therefore, Nuti's proposal was not designed to be like the former Soviet Union, but to create public institutions responsible for managing the major macroeconomic variables with specific targets, while the markets will continue to determine resource allocation through their mechanisms[14].

Therefore, for the author, three institutions should be created to address unemployment, low income growth and external payments deficits: the National Employment Corporation, the National Investment Corporation, and the International Trade Corporation. They would not function as ministries but as independent institutions part of the structure of governmental bodies such as a National Development Bank or the Central Bank. Furthermore, the operations of these institutions would have as one of their targets not to incur financial losses.

According to Nuti's proposal, the focus of the National Employment Corporation (NEC) should be to hire unemployed workers and rent them to companies that need their services through financial compensation from these companies; if there is no demand for these workers, they have to be allocated at no cost to local authorities. The amount to be paid by companies to the NEC will be determined by the market. The purpose of this measure is to enable companies to hire employees at a lower cost without workers receiving lower wages. The effect would be similar to a subsidy for hiring workers; however, in this case, workers would have their income guaranteed and, upon a lack of demand, would be assigned to perform their tasks at local authorities.

The National Investment Corporation (NIC) would be tasked with carrying out investments in public infrastructure. Aiming at expanding the country's production capacity, it can build new production units and sell or rent them to the private sector to compensate for its investment. NIC would be prohibited from operating production plants itself, as this function would be exclusively reserved for both public and private companies.

[14] Estrin and Uvalic (2021) point out that Nuti was deeply concerned about the balance between markets and government intervention, so his proposals were formulated to achieve precisely the right balance between the roles of the market and the state.

The proposal also states that NIC's investment plans must be announced in advance to indicate the purpose of the investment and avoid excess production capacity.

The International Trade Corporation (ITC) would act as an intermediary to introduce long-term contracts with local and foreign companies for imports and exports. This institution would have the main target to mitigate external payment deficits. ITC will operate long-term contracts both as an exporter and as an importer. This will enable ITC to import and sell locally at spot prices, while also making local purchases for export to generate foreign exchange to cover imports. Given that the proposal aims to operate on long-term contracts, ITC must always announce its contracts in advance to allow local producers to adjust their production plans. This institution would not have the monopoly on international trade, but rather the ability to intervene for a better result in the external accounts. Table 1 summarizes the functions and targets of the public institutions designed by Nuti.

Table 1 – Institutions, functions, and targets

Institution	Functions	Main target
National Employment Corporation	Hire and allocate workers	Job creation
National Investment Corporarion	Conduction of investments in public infrastructure and production capacity	Expansion of production capacity
International Trade Corporation	Intermediate long term contracts between local and foreign companies.	Mitigate currency crisis

Source: Author's own elaboration based on Nuti (1985).

The effects of the activities of each of the institutions to be created are not restricted to their specific targets. Job creation by the NEC, for example, will contribute to higher incomes, since new hires tend to increase demand. Meanwhile, investments made by the NIC tend to boost employment through the investments themselves, but also subsequently through the use of the newly installed capacity.

In addition to these specific institutions responsible for implementing long-term development strategies, othersshould be considered, such as national and subnational development banks. Development banks, in particular, are of special importance as they grant credit directed at activities that contribute to structural change. Moreover, they are also used to support medium and small companies in accessing credit.

Nuti's institutional proposals were conceived when analyzing Yugoslavia's and Eastern European economies during the 1980s. Therefore, his proposals were tailored for peripheral economies in the process of structural change. In this sense, the public institutions designed by Nuti would cover three central axes for a long-term developmental strategy: investments in productive capacity, job creation, and the external balance.

More than a short-term policy of sustaining full employment, Nuti's proposals recognized the need for structural transformation to enlarge the supply of goods and services of higher added value and, in this sense, to improve economic productivity and relax the balance of payment constraint.

This developmental strategy centered on the central government's commitment to full employment and the institutional arms to implement and sustain such commitment has a clear Keynesian basis[15] of argumentation, especially regarding the need to coordinate investment decisions. As in Keynes's view, the institutions designed by Nuti do not aim to compete with the private sector but rather to complement private investment to raise and sustain aggregate demand and generate high-productive jobs.

3.1. JOB GUARANTEE PROGRAM AND NUTI'S PROPOSAL FOR DEVELOPING ECONOMIES

At the macroeconomic level, the JG proposal is similar to the NEC proposed by Nuti, in that both of them aim to eliminate unemployment and create a pool of workers who can be allocated to companies. Regarding JG, research on the program has advanced to the specific benefits that its implementation would generate. One of the main points of JG is to create jobs that generate direct benefits for communities, i.e., respond to local demands, and to investment in professional qualifications to increase workers' skills. Thus, national institutions can work in the direction to allocate workers to jobs that fill the gaps of social service provision and/or infrastructure.

Moreover, in seeking full employment, JG tends to minimize the disparities within the labor market, for example, between the pay of men and women in the same jobs. The JG also sustains a stock of workers in which the private and public sectors can seek labor for hire. In this sense, it smooths the effect of economic fluctuations in the labor market, guarantees minimum purchasing power for labor remuneration, and prevents the devaluation of labor capacity by keeping the labor force fully employed. Ultimately, Job Guarantee contributes to the growth of aggregate productivity and the population's welfare by providing public goods and services.

Furthermore, included in Nuti's proposals is a national institution responsible for managing the country's balance of payments since it is precisely about the balance of payments that lies one of the main criticisms of the implementation of JG in developing countries[16].

[15] In addition to Keynes' influence, D.M. Nuti's work clearly shows the influence of other important authors, such as N. Kaldor and M. Kalecki (see Estrin; Uvalic, 2021).

[16] The implementation of the JG is essential when bringing the issue of climate transition into the debate. Therefore, the link between proposals such as the Green New Deal and consequently the increase of green investments, cleaner technologies, changing energy sources, reducing the use of fossil fuels, and investments to protect the environment can be expanded with the creation of the JG Program. About the Green New Deal, see Chomsky and Pollin (2020); Nersisyan and Wray (2019). See also Haim (2021a) for a discussion of lessons from COVID-19, and Feijo, Feil and Pessoa (2023) for a discussion on economic planning and developmental convention in a context of climate transition.

Regarding criticism of the Job Guarantee program, Ramsay (2002) argues that a substantial increase in employment would also increase the consumption of imported goods and services, which would tend to put pressure on the exchange rate, which, in turn, could pressure inflation resulting from currency devaluation. Regarding this criticism, it is relevant to pay attention to what type of production the capital spent by the JG program will be mobilized for. Under economic planning, the JG would be a program organized at the national level; therefore, the goods and services produced should be precisely those aimed at the domestic market, as well as activities of a community nature aimed at supplying local populations. Regarding rising inflation, Wray (1997) argues that the JG does not generate inflation per se, since it is a job creation program that tends to increase supply. The author also assumes that, in the short term, the implementation of the JG may put pressure on prices; however, this impact would be diluted over time, given the program's countercyclical nature.

On the criticism of the JG, Levrero (2019) expresses concern about the inflation of costs that may be generated if the JG reference wage is higher than unemployment insurance benefits. Following Kalecki (1943), the author argues that, in addition to a higher wage, workers would have greater bargaining power, which could put pressure on costs. The author also points to investments that enable increased productivity as a solution. In this sense, the proposal for an institution responsible for increasing the country's productive capacity, as designed by Nuti, would fulfill this role. As part of a development process focused on eliminating unemployment, it is essential that the NIC direct investments toward sectors with higher productivity that also enable cost reduction and greater competitiveness.

Although Ramsay's criticism concerns possible inflation generated by currency devaluation from the increased consumption of imported goods, an overvalued currency for an extended period, on the other hand, impacts relative prices, inducing the substitution of domestic production for imports. This phenomenon has been observed in many developing countries, leading to early de-industrialization due to the leakage of domestic demand abroad[17].

The external restriction is a key issue for the implementation of the JG in developing countries with free capital mobility, and this has been pointed out as one of the gaps in MMT since, in Wray's (2006, 2007, 2015) view, the adjustment of external accounts would occur from the floating exchange rate, as in Mundell's (1963) model. However, the author minimizes the volatility generated in developing countries in a capital flight scenario. Belluzzo, Raimundo and Abouchedid (2021), among others, point out that when Wray adheres to Mundell's trilemma, he disregards the asymmetries of the international monetary and financial system in a context of financial openness[18].

[17] This argument is developed by the new-developmentalism. See Bresser-Pereira, Oreiro and Marconi (2014).

[18] Vilella (2022) argues that Wray's idea in proposing the adoption of a flexible exchange rate is because a fixed exchange rate would become a target for speculative attacks. It is also worth noting that in Wray (2006), the author argues that traditional policies such as import tariffs and capital controls could also be used.

On this topic, as Gerioni (2020) argues, it is not possible to understand the implementation of the JG as a cause of a balance of payments crisis, since it tends to have a countercyclical fiscal effect. However, given the constraints and external vulnerability of developing countries, it is important to analyze the implementation of the program as part of a larger development plan that can ensure the advancement of productive capacity and mitigate external constraints. In this sense, Nuti's proposal to create a national institution responsible for external sector balance can be seen as a strategy to avoid de-industrialization. This is so because the national institution responsible for keeping the external sector balanced is fundamental to coordinating exchange and monetary policies to mitigate exchange pressures that may generate adverse effects on the country's productive structure.

Another criticism of a strategy of full employment and structural change is the negative impact on foreign investors due to the potential increase in public debt. The theoretical reference is the twin crises, fiscal and current account deficits. In this case, the argument is that the rise in public spending and, consequently, in the budgetary deficit, tends to generate a drop in capital flows to the country. This movement would create a deficit in the balance of payments. Aidar and Braga (2020), in a well-praised article, contest the thesis of twin deficits; the authors show that during the first two decades of the 21st century, the balance of payments crises in developing countries were related to international liquidity and capital flows, also showing that there was no direct link between this type of crisis and fiscal policy in developing countries.

Therefore, implementing the Job Guarantee program as devised by Minsky, as part of a development plan proposed by Nuti, and with support from public institutions signals a feasible alternative to overcome underdevelopment and sustain aggregate demand and full employment. In this sense, public institutions responsible for job creation, investment, and external sector management will contribute to the success of the JG.

4. LOCAL DEVELOPMENT STRATEGIES: THE PRACTICAL WAY TO IMPLEMENT JOB GUARANTEE – THE CHINESE EXAMPLE

Beyond national institutions, a JG program cannot be dissociated from localities for its operationalization. Mastromatteo and Esposito (2017, p. 124) point out that "Employer of Last Resort (or Job Guarantee) is not mainly about Big Government, it is about the empowerment of local communities." Therefore, the proposed design of JG to improve the community by creating jobs for everyone who can work is intrinsically related to coordination between national and local governments. Since there is a limit to the capacity of local governments to finance policies to induce local development, a country that adopts the full employment policy must have a national strategy that includes localities.

The adoption of national public institutions responsible for implementing economic development policies can be seen in different regions of the world throughout the history of capitalism. However, we will highlight China's development process precisely because it brings together national institutions to coordinate the investments to be made and local action to generate jobs and boost productivity in different regions of the country.

As to the public institutions responsible for planning in the Chinese development process, the State Planning Commission (SPC) and the State Economic Commission (SEC) have been the main articulators of the Chinese economy since 1978. The SPC was responsible for drawing up five-year plans and long-term production targets and the SEC for organizing and implementing the economic policies. In addition to these two institutions, the Ministry of Commerce and Foreign Affairs, responsible for managing China's international trade and foreign investment flows, played a central role in this process[19].

In addition to the central planning strategy, China established the so-called Township and Village Enterprises (TVEs) at the local level. TVEs were local state-owned enterprises that aimed to provide local governments with the possibility and freedom to create and operate their industrial sector, seeking to raise the productivity of the local economy, reduce unemployment and, consequently, reduce production costs, as well as generating opportunities for the export sector (Bateman, 2017).

TVEs have a community aspect: the profits made by these companies have been reinvested to develop the local economy. Among the investments made by TVEs were incubator units, business parks, technical schools, and development funds. Incubator projects, in particular, played the role of funding and promoting research through Chinese sub-national entities (Bateman, 2017). The research projects promoted by the incubators focused on the activities inherent to each locality, so that local companies could achieve a local comparative advantage.

During the 1990s, many of the best TVEs were privatized or sold to their managers, which had a negative impact on some localities, as the profits earned were no longer reinvested in the local economy (Lee, 2014). From this starting point, the country's economic strategy advanced in the following decades and began to focus on the development of high-tech sectors. Therefore, the Chinese development plan saw local economies as the key to a national plan, since the development of localities, especially with the increased production of higher-value products, spread technical knowledge throughout the country.

[19] About the Chinese Economic Development since the 1970s, see Jabbour and Gabriele (2021); Moura (2021).

Besides economic development, implementing the JG program locally would fulfill the community's social needs. Moreover, job creation in poor communities, per se, immediately increases the community's aggregate demand by enhancing the disposable income of a portion of the population with a higher propensity to consume. According to Kerstenetzky (2021), expanding services focused on social needs - which are labor-intensive - means strengthening countries in their quest for structural change; these services can also generate less inequality and less wear and tear on the environment[20].

A well-coordinated JG program between national and local levels will also positively contribute to decreasing regional inequalities within regions. China's development programs focusing on local development are a positive example of coupling economic growth and reducing regional inequality[21]. Targeted investments can also reduce productivity disparities in backward areas to increase the population's technical production and educational training[22].

In sum, a JG program combines national public institutions to promote structural changes and local government to implement the job policy. National planning is essential to outline common objectives for the country, such as the quantity and quality of job creation. Based on planning, public institutions will fulfill the purposes outlined, such as financing the investments and controlling the external accounts. Thus, the final execution of the job creation policy will be the responsibility of local governments and institutions.

5. FINAL REMARKS

Neoliberalism's advance since the end of the 1970s has imposed a new pattern of wealth accumulation. In this sense, the increase in unemployment rates in most market economies results from abandoning full employment policies, which have guided macroeconomic policies since the war. The movement to reduce the State's participation in the economy, primarily through the reduction of public investments and fiscal consolidation, contributed to the deterioration of the labor market and increased financial instability.

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[20] Kerstenetzky (2021) writes that during the crisis generated by the COVID-19 pandemic, its effects were less profound in countries with a robust Welfare State, which also means that countries with robust welfare systems were better positioned to emerge from the crisis. See also Kerstenetzky et al. (2023) for a proposal on job creation on public social services to promote sustainable and equitable well-being.

[21] It is worth noting that during the 2000s, China even expanded social security investments to increase the provision of social services, such as health and welfare, to a larger portion of its population (Barbosa, 2024; Nogueira; Bacil; Guimarães, 2020).

[22] The provision of social services during the period of the rise of neoliberalism was also brought under the rules of resource allocation following market incentives; thus, poor regions are not interesting areas to allocate services to increase corporate profits (see Lavinas, 2017; Cordilha, 2020).

Keynes's writings in the first decades of the 20th century diagnosed unemployment as a limiting factor for aggregate demand and, consequently, an obstacle to sustained economic growth. In line with this analysis, Keynes himself proposed alternatives such as the socialization of investments through the creation of a capital budget, which would be used to make investments that would have the long-term goal of taking the economy to full employment, besides being the budget responsible for carrying out countercyclical fiscal policy. After Keynes, other authors pointed out economic policies aimed at full work. This paper sought to highlight the Job Guarantee proposal by Hyman Minsky with the creation of jobs by the public sector to eliminate involuntary unemployment and financial instability.

Besides highlighting Keynes and Minsky's contributions, this paper also presented Nuti's proposal of designing public institutions to promote the development of peripheral economies. Thus, the author's proposal to induce economic development was the creation of three national public institutions responsible for the labor market, public investments, and controlling the external sector. Therefore, these three institutions would be the national structure to manage the economic policy for implementing the JG program and, consequently, of full employment macro policy. This proposal fulfills the three main macroeconomic keys for the economic development of peripheral regions, which are to generate jobs, raise productive investments, and manage the external sector in such a way as to avoid pressures on the balance of payments.

Finally, a focal point in sustaining full employment through aggregate demand is the interrelationship between a national development strategy and the operationalization of employment policies at the local level. On this point, we highlight China's economic development since 1978, which has combined national planning with public institutions responsible for organizing and directing the investments to be made, as well as local action through the TVEs. In sum, the central proposition of an agenda aimed at economic development and full employment contrasts with the neoliberal economic policy agenda, aiming at price stability and, consequently, the reduction of State participation in the economy.

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APPENDIX - Previous studies on JG

Table 2 - Estimated public investments for implementation of the job guarantee program in different countries (% GDP)

Country	% GDP	Source
Saudi Arabia	5,4	Kaboub et al (2015)
Australia*	2,3	Mitchell & Watts (2020)
Austria**	3,7	Haim (2021)
United States of America	3,9	Kaboub (2013)
Greece***	2,2	Antonopoulos et al (2014)
Ireland	Between 1 e 2	Wray (2013)
Mexico**	5,1	Sovilla et al (2021)
Tunisia****	3	Kaboub (2006)

Notes: * Investment needed to reduce unemployment from 10 to 4%.
**The papers estimate different scenarios, with the percentage presented being the scenario of greatest fiscal effort
*** Investment necessary to reduce unemployment by 64%
**** Maximum annual estimate for implementing the JG in stages.
Source: Authors' own elaboration.