

# COMPLETING THE EURO: THE EURO TREASURY AND THE JOB GUARANTEE

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## **Abstract**

The problems with the design of the Eurozone came into focus when, late in 2009, several member nations – notably Greece – failed to refinance their government debt. The crisis that followed was not entirely a surprise. When the Euro was launched in 1999, many economists warned that the single currency was unworkable. Even Eurozone optimists argued that the Euro project would eventually need to be completed. More than 10 years after the crisis, unemployment rates remain elevated and continue to threaten the social, political and economic stability of the Eurozone. The institutional constraints of the single currency however preclude bold action to address these challenges. In this paper, we suggest that tackling the twin problems of the Eurozone – its institutional flaws and mass unemployment – could be addressed by creating a Euro Treasury that would finance a Job Guarantee program, which would eliminate mass unemployment, enhance price stability, and foster social and economic integration across Europe.

**Keywords:** *Euro, Euro Treasury, Job Guarantee, Monetary Sovereignty*

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## **INTRODUCTION: ALARM IN THE EUROZONE**

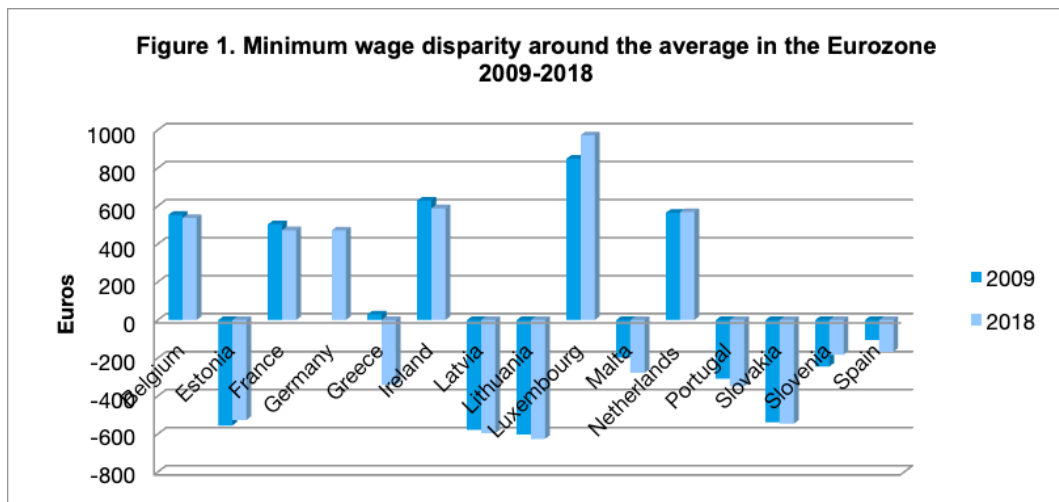
The Eurozone crisis started in late 2009 when Greek government bond yields spiked and diverged from those of other Eurozone countries. That caused European and especially Eurozone unemployment rates to increase above those of other non-European economies. The Eurozone (EZ) crisis, which was in part triggered by the Great Financial Crisis (GFC) experienced in the rest of the world, is a decidedly European phenomenon, much like the double dip recession that followed in late 2012. The underperforming economy of the Eurozone was subjected to various reforms, both at the European and national levels, none of which (in our view) tackled the essence of the European problem. In this chapter we argue that the economic troubles are macroeconomic in nature and largely stem from the Eurozone design. We propose that they could be corrected by two reforms in the Eurozone (one institutional and one policy reform), namely the creation of a Euro Treasury and the implementation of a Eurozone wide Job Guarantee program.

There is an inherent, if not immediately obvious connection between the two policies (the Eurozone-wide Treasury and the Job Guarantee), which resides in the nature of modern currencies. In the modern world, the imposition of mandatory and non-reciprocal obligations (e.g., taxes) by a government and the requirement that they are settled in the very currency the government issues, creates a particular type of 'monetary unemployment'—one where people are compelled to obtain the currency to settle their obligations. Since, normally, nation states retain the monopoly power over the issue of the currency, they have the ability to eliminate this type of monetary unemployment by devising a method of provisioning the currency in a manner consistent with full employment. Even though few nation states have done so (for reasons beyond the scope of this paper), Eurozone nations don't even have this prerogative because they have abdicated monopoly power over the currency. What we wish to stress is that, while monetary unemployment due to deficient aggregate demand and Keynesian liquidity preference constraints exists, there is also a type of monetary unemployment that is due to the nature of the monetary system. For this reason we propose the creation of a European Treasury as a method of correcting the institutional flaw in the unprecedented historical design of the Euro, which gave birth to a stateless currency. The Job Guarantee is a particular method of providing the currency that is distinct from traditional aggregate demand management methods. Even if Maastricht criteria were relaxed and a European Treasury established, long run full employment is not guaranteed through conventional aggregate demand management measures. Indeed, we have observed periods of robust growth that still experience joblessness. The Job Guarantee is a targeted demand approach to solving the problem of unemployment at all stages of the business cycle by an innovative policy design of direct bottom-up employment, which can also address other public purpose objectives such as Green investment. It is also superior to conventional pump priming measures because it acts as a robust Euro-wide anti-cyclical fiscal policy — one that neither creates too much, nor too little spending to produce and maintain tight full employment over the long run.

Since the Job Guarantee builds on the idea that money is a creature of the State and that the State is normally the monopoly issuer of the currency, to us it seems a logical step to first introduce a Euro Treasury and then proceed with the implementation of a macroeconomic policy for achieving full employment and price stability in the form of a Job Guarantee. In short, what we propose is for the Euro Treasury to establish a new fiscal institution that would issue sovereign securities. For simplicity, we call these eurobonds. The eurobonds would be eligible as collateral to borrow from European Central Bank (ECB) to the full extent possible. As the ECB is only prohibited to finance national governments directly, it could put its full support behind the eurobonds, meaning that it could promise to buy up as many eurobonds as necessary. Acting as a buyer of last resort it would guarantee that investors would always be able to sell eurobonds at a fair price without creating a large fall in the price of eurobonds. Thus, the ECB would ensure sufficient liquidity in the market for eurobonds. De facto, the Euro Treasury would spend first and tax later, thus removing the

need to finance the European Union's budget by transferring money from the budgets of the Eurozone's member countries.<sup>2</sup>

Having reestablished a sovereign currency issuer at the European level, a European Job Guarantee could be put in place. The Job Guarantee would offer all Eurozone citizens who are willing and able to work a job that is funded by the European government and that pays the minimum wage. While not all Eurozone countries have a minimum wage, it is not necessary to require them to introduce one, since the Job Guarantee wage would become the *de facto* minimum wage. Figure 1 below shows existing minimum wage levels. Denmark, Italy, Cyprus, Austria and Finland have no national minimum wage. The jobs would be created at the community level and offered on demand to anyone who needed one. Assistance with transitioning from the Job Guarantee employment safety-net would be offered to those seeking better paid private sector employment. The program would have key cyclical stabilizing features that are explained below.



Source: Eurostat

Introducing a Euro Treasury and a Job Guarantee together allows the rate of unemployment in the Eurozone to fall much faster than under current conditions and alleviate social stress caused by joblessness. This is an original proposal, as we will see, different from those that have been launched from within the European Union itself.

In the following sections, we first discuss in greater detail the institutions of the Eurozone that were set in in the 1990s and evaluate them in the light of the Great Financial Crisis and the Eurozone crisis. We then explain the Euro Treasury in more detail, adapted to the European Union's institutional framework. This is followed by a discussion of the Job Guarantee, first in general terms and then in terms of adapting it to the European context. The conclusion summarizes our findings and comments on the feasibility of these reforms.

<sup>2</sup> This is akin to Lavoie's notion of post-Chartalims (Lavoie 2013). Our point is logical, not descriptive. The fact that to save the self-imposed restriction the support of the ECB can be seen as an introduction of "latent" high-powered money within the banking sector. The money that will be used to buy these bonds from the banks comes from the ECB via open market purchases backed from the beginning. In this sense, the bonds would be involved in public spending. The Treasury spends first. If these bonds were not backed by the Central Bank, there would not be any increase in the money supply, producing only a change in the composition of the financial assets of the private sector (see Tymoigne 2016:1324-1325). Therefore the bonds would not be risk free, which would affect their price.

## A DYSFUNCTIONAL DESIGN

The European Monetary Union (EMU) was completed in 1999 by irrevocably fixing the exchange rates of the currencies of participant countries. The previous decade of European deliberations, witnessed the emergence of fault lines, not between left and right, but between those whose economic thinking was rooted in monetarism and those who based their ideas on Chartalism (Goodhart 1997, 1998).

It seems that by 2019, eleven years after the Lehman Brothers crash and ten years after the start of the Euro crisis, it is now established that those warning that the Euro would not work have been correct. Without the stabilizing role of fiscal policy, unemployment rates and economic growth in general have diverged. With hindsight, it is clear that government spending in the Eurozone has been too low to achieve full employment, is too low and, given recent institutional reforms, will continue to be too low.<sup>3</sup>

Among heterodox economists linked to the post-Keynesian approach, there are authors who suggest that the design of the Euro is a deliberate "strategy to institutionalize neoliberalism in the European Union" (López-Castellano and García Quero 2019:10). There is a broad agreement that "the original sin of the euro is the separation between fiscal policy and the sovereign currency" (Soy 2014:6), beyond the debate on whether the Eurozone crisis is a problem of balance of payments (Cesaratto 2015:152) or monetary sovereignty (Lavoie 2015:14).

Spanish heterodox economists have favored the following policies to enhance the sustainability of public finances:

- a. A combination of public income and expenditure that guarantee annual GDP growth of 3% thanks to the multiplier effect. (Uxo *et al.* 2018).
- b. Reform of the TARGET 2 mechanism (Barredo-Zuriarrain *et al.* 2017)
- c. Debt restructuring through the ECB (Ayala 2018).
- d. The creation of a supranational fiscal authority (Portella-Carbo, Dejuán 2018; Febrero *et al.* 2018).

The first proposal has been dubbed "(partially) balanced-budget multiplier" and aims to increase the fiscal space of the Spanish economy without expanding the public deficit. Uxó, Álvarez y Febrero warn that it is an imperfect measure (Uxó *et al.* 2018:5), because "the need to take into account the effects of fiscal expansion on the public debt over GDP ratio is derived from the particular institutional framework of the eurozone" (Uxó *et al.* 2018:22).<sup>4</sup>

Barrero-Zurriarain, Molero-Simarro and Quesada Solana (2017) focus on reforming the TARGET 2 mechanism by adding a feature of the international monetary system outlined by Keynes after the Bretton Woods agreements of 1944 with the aim of the symmetric burden sharing between deficit and surplus countries. With the objective of "reducing the debt to release resources superior to the Marshall Plan, or the North American New Deal" (Ayala 2018:26), Ayala adheres to the PADRE Plan (Politically Acceptable Debt Restructuring in the Eurozone) proposed by Pâris and Wyplosz (2014), which suggests that it can be "a consensus that allows generating a paradigm of progressive growth within the integration process" (Ayala 2018:22).

Finally, we have the reform that implied a deepening of the European integration, namely the creation of a supranational fiscal authority. Coordinating the money-issuing capabilities with fiscal policy would

<sup>3</sup> One might think of the national debt brakes instituted at the constitutional level.

<sup>4</sup> An additional issue that Uxó, Álvarez y Febrero add is the conceptualization of their proposal as "Functional Finance" (Uxó *et al.* 2018:8). Functional Finance is defined by Lerner as "the full acceptance, by the State, of the task of avoiding inflation and deflation, and leaves no room for budgetary balance or for a great concern for the volume of debt public" (Lerner 1957:112). Neither maintaining a public debt target nor reaching a certain growth rate are objectives of Functional Finance.

allow "a federal fiscal authority to incur deficits that are proportional to the private spending gap", as Mitchell points out and as was already recognized by the Werner reports and MacDougall of 1970 and 1977, respectively (Mitchell 2016:67). Despite this recognition, the recommendation was abandoned by the 1989 Delors Report, culminating in the Treaty of Maastricht, leaving the European Central Bank as the only supranational institution to carry out macroeconomic policy, blinded by neoliberal thinking and the misuse of the notion of subsidiarity. The advance towards a federal Europe is perhaps one of the best-known reforms, although the recommendations for implementation have been very heterogeneous. Ehnts (2016) proposed two possible solutions for the economic and institutional deficiencies of the EMU. The first is to return to the national currencies and the second is to institute a Euro Treasury. Recognizing that politics plays an important role in the decision, we are aware that the economic dimension is one among many. Since the economics of national currencies is well established we turn to the second alternative of creating a Euro Treasury. Its main task would be to finance the European Job Guarantee program, which is explained in the following section.

The Job Guarantee will operate with the objective of "keeping spending at the level for which the total demand of the system does not originate neither inflation nor deflation" (Lerner 1957:329); so we can define it as an instrument to achieve full employment and price stability. This alternative does not depend on the rate of growth to create jobs like the traditional Keynesian strategies of pump-priming aggregate demand. Traditional Keynesianism fails to end unemployment decisively because "employment is at the end of the transmission mechanism", a bi-product of a pro-growth strategy that increasingly doesn't materialize (Tcherneva 2014:54); whereas the Job Guarantee prioritizes employment creation and ensures pro-employment growth, banishing jobless recoveries altogether. The policy "treats full employment, better income distribution, and sustainable growth as complementary goals" (Tcherneva 2014:58), as we will explain in the section 3 of this work.

The idea of a Euro Treasury is not a new one. It appeared in the 1970s in both the Werner and MacDougall report. In the context of the Eurozone crisis, the idea has resurfaced. The European Commission (2015) published the Five-Presidents-Report, including a Euro Treasury. However, the proposal was weak because the Euro Treasury would not have the power to issue bonds. We believe that only a genuine Euro Treasury with that power would constitute a step forward. It is by now clear that handing the power over public budgets over to "the markets" is not feasible at all and needs to be reversed if the Eurozone is to survive. The only way to remove "the markets" from influencing public policy is to have a Eurozone Treasury run constant deficits that cause public sector surpluses for the national Treasuries of member states. Constant and significant surpluses, together with the ECB's promise of sustained buying of government bonds on the secondary markets, will remove pressure from speculators completely and so remove one of the major flaws of the Eurozone design. The Stability and Growth Pact will continue to exist and can remain in place.

The Euro Treasury will work as a regular national Treasury. It will issue bonds – Eurobonds – to fund itself. The bonds can be bought by banks, which will be able to borrow at the ECB using the Eurobonds as collateral.<sup>5</sup> This mechanism works just as when the national Treasuries want to spend. They issue Treasury bonds, sell them to banks that can borrow from the ECB (against collateral), and spend the central bank deposits that accumulate at their national central bank's account. The reserves are created by the ECB on the initiative of the banks.

The Eurozone government's budget will depend on the political decisions of the democratic bodies. Proceeds from bond issuance will then make available deposits at the ECB to spend. The so-called "sound

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<sup>5</sup> In our opinion, the ratings of sovereign debt given by rating agencies should not be used in monetary policy making. Even if they could be used, the Eurobonds would - beyond any doubt - have the highest rating all of the time, given the promise of the ECB to buy up the entire issuance in times of crisis.

finance" or "golden rule" will be replaced. An important issue is what the Eurozone government will be exactly. Bibow (2014) suggested that the Euro Treasury should be "established as a means to pool eurozone public investment spending and have it funded by proper eurozone treasury securities".<sup>6</sup> Ehnts (2016:201) proposes that Brussels would take over the European provision of some public goods, like education.

As it stands, the European Commission is the quasi government of the European Union (EU). However, not all EU countries are part of the Eurozone. The question naturally arises which institution(s) should determine how and for what purpose the funds will be spent. The Eurozone government could take on many forms. It might be a chamber that is added to the other institutions and replaces the *ad hoc* Eurogroup or even the European Parliament. Alternatively, there might be a reform so that the European Commission becomes a more democratic institution. Members of the EU parliament could automatically become members of the Eurozone parliament if their home country is a Eurozone member state. These details need to be worked out and put up for public discussion.

The introduction of a Euro Treasury does not by itself lead to "more Europe" or "bigger government". The additional government spending coming from the European level might include transfers to local or regional governments, increasing their fiscal possibilities. One can imagine Europe as a collective of regions that can be thus strengthened. On the other hand, it would also be possible to give more clout to Brussels and let Brussels pay for the provision of some public goods and maybe other European social schemes. The question of what to do is ultimately political. It would be wise to design institutions that make it possible for the European Union to adjust to the changing ideas about the level of political and economic integration that the majority of Europeans have. As to the size of the European government, it is also up to the electorate to express its preferences. As in the European nation states before the introduction of the Euro, the idea of government spending is not simply because of macroeconomic reasons but importantly also because the government can provide essential resources, goods and services that the people want. In our proposal, the Job Guarantee substitutes old school Keynesian "priming the pump" policies with a superior automatic macroeconomic stabilizer.<sup>7</sup>

## **THE JOB GUARANTEE AS A DEMOCRATIZING MECHANISM**

A Treasury may be a necessary but not sufficient condition for the resolution of the economic woes that have befallen the Eurozone. What is also needed is a clearly defined fiscal policy for the Eurozone as a whole. The minimum necessary conditions for such a Euro-wide fiscal policy are: a) public expenditure large enough relative to Eurozone GDP to offset swings in private sector spending and investment; b) a funding mechanism via Euro Treasury and ECB coordination that cannot be jeopardized in sharp downturns, precisely when it is most needed; c) policy design around the principles of functional finance which focus on the economic and human impact of policy rather than a specific budgetary outcome (more below).

We propose a Eurozone-wide Job Guarantee program that would avoid the main pitfall of conventional aggregate demand management, namely its inability to tackle the key casualty of recessions, mass unemployment. Jobless recoveries have become endemic, even in countries with large-scale countercyclical swings in fiscal policy, as in the United States (Tcherneva 2012). This policy failure stems from demoting public spending as a policy of first response when dealing with crises, but also from the manner in which it has been deployed. In the early postwar era direct job creation and public investment were common responses to recessions and mass unemployment. In the neoliberal era, however, fiscal policy has largely been confined to tax cuts (particularly at the top of the income distribution), increasingly weakened income transfers (mainly unemployment insurance and other temporary cash assistance) and firm subsidies, which

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<sup>6</sup> Bibow (2019:64) reiterates this approach, proposing "a minimalist fiscal union that features a common public investment budget funded by common euro bonds".

<sup>7</sup> See Tcherneva (2013b) for a more detailed critique.

after the 2008 crises largely went to the financial sector. The ideology that drove these responses dictated that, so long as the banking sector is made solvent and the tax burden on wealthy families falls, investment, growth and job creation would follow.

None of these measures delivered the job creation the world so desperately needed. The United States, which enjoyed a large fiscal impulse – more than 10% of GDP – saw its longest and most protracted jobless recovery in history. And while the US managed to bring its jobless rates down a decade later, the unemployment numbers hide deeper problems of economic insecurity (for example real incomes of 90% of families have not grown during 1997-2017, whereas incomes of the top 0.01% of households have increased a whopping 60% during the same period). Across the ocean, Europe struggles with elevated levels of unemployment, which have remained at depression levels for young people throughout most of the continent.

The pain and distress that come with joblessness, economic insecurity and diminished prospects for stable and well-paid work are nothing short of a quietly brewing social crisis that may well be, as Junker had warned, the undoing of Europe. Joblessness masks a large number of other social and political problems – from suicides to crime to health problems, political unrest and social antagonism and increasing xenophobia. A Europe that was meant to unite has created more divisions than the architects could have imagined.

The Job Guarantee is much more than a policy for job creation, it is as a tool for social and macroeconomic policy integration across the Eurozone. The proposal aims to replace the NAIRU with a policy of macroeconomic stability that produces tight full employment and enhances currency and price stability. The Job Guarantee embodies Lerner's functional finance approach, which recommends that any policy must be undertaken and evaluated on the basis of its economic effects and human activity, not by an ex-post accounting identity called the budget balance (Lerner 1943:354).

The Maastricht deficit targets at the national level can be hit with effective Eurozone-wide fiscal policy. However deficit spending in general is endogenous and thus an inappropriate policy objective—both spending and tax revenue move independently from one another and depend on underlying economic conditions. No case better illustrated the endogeneity of the budget than the structural reforms imposed on Greece. In 2009, Greek debt to GDP was 112%. By the end of all structural reforms in 2015, it had exploded to 177%. The severe austerity had the effect of crushing output, incomes and tax revenue, necessitating further social expenditures (despite the draconian cuts the country had already experienced).

In sum the government was forced to borrow and deficit spend, despite the Troika's insistence that reforms would bring the budget into balance. Indeed the IMF's own estimates of the decline in GDP that would result from structural reforms were woefully inadequate. At the end of the reforms, Greece had lost a quarter of its economy, a protracted decline in GDP that made the downturn longer and more severe than that of the Great Depression in the US and UK. The result was national unemployment rate and youth unemployment peaking at 25% and 60% respectively, child and elderly poverty of 40%, suicides jumping by 35%, and 60% of Greek families experiencing food insecurity.

The functional finance approach argues that there is no economic rationale to subjecting the real economy to some budgetary considerations in nation states with independently funded fiscal and monetary policy. With a Eurozone Treasury in place, Eurozone nations can pursue functional finance around the principles of full employment and price stability.

The Job Guarantee not only replaces the NAIRU as a policy guide but the program also serves as a safety-net that addresses the scarring effects of unemployment. It also acts as a preventative measure—guarding against massive spikes in joblessness such as those from the 2008 crisis. Finally, the Job

Guarantee is a policy of harmonization that can secure economic convergence by instituting a base wage for the Eurozone area as a whole.

*a) What is the Job Guarantee?*

The Job Guarantee (JG) (Tcherneva 2018), also sometimes referred to as the Employer of Last Resort (Tcherneva 2012) is a voluntary employment opportunity in the public service sector available to any unemployed individual in need of work at base, above-poverty pay. It is a public option for jobs that is funded by the Eurozone Treasury but implemented and administered at the local level. Indeed a similar proposal exists in Europe called a Youth Guarantee (YG), which aims to tackle the enormous social costs and scarring effects of youth unemployment. However the YG program is largely ineffective because it places the burden of program funding on cash strapped member nations, which have no incentives to proceed with implementation. While the Youth Guarantee can serve as a model to be expanded, for our purposes, it is important to note that the Job Guarantee is a specific macroeconomic mechanism for economic stabilization.

*b) Macroeconomic stabilization through the Job Guarantee*

With respect to macroeconomic stabilization, policy can be designed around two options –to either use unemployment as a buffer stock that fluctuates with the business cycle and tames the forces of inflation or deflation, or use an employment buffer stock for the same purpose. The NAIRU is the former –unemployment fluctuates around it, expanding in recessions and shrinking in expansions. All social expenditures on unemployment serve as the 'stimulus' that prevents a collapse in aggregate demand and partially offsets deflationary forces, whereas in expansions as unemployment shrinks, so do fiscal expenditures. If the expansion is deemed too strong, monetary policy steps on the breaks, slowing down credit growth and employment. In essence policy explicitly targets a given pool of unemployment (the NAIRU).

The Job Guarantee serves the same purposes except it is a vastly superior automatic stabilizers as it prevents the scarring effects and large social costs of unemployment. If Europe were to institute a standby policy of hiring the unemployed at all stages of the business cycle at a base (non-competitive) wage, the Job Guarantee pool would expand with recessions as people are laid off and enter the program. The expenditure of employing them is the very stimulus that resuscitates the European economy. As the private sector recovers, the program helps JG workers transition to better-paid private sector employment opportunities. Macroeconomic and price stabilization are achieved in a similar way as with the NAIRU except by a fluctuating pool of public service sector workers.

*c) Superior price anchor*

Unemployment Buffer Stocks based on the NAIRU use unemployment to control inflation. Governments fix their budgets and pay floating market prices for product. The Job Guarantee is designed in a way to anchor prices by establishing a fixed JG wage and allowing the budget (i.e., the expenditures on hiring the unemployed) to float counter-cyclically. The JG essentially buys all excess labor available for sale and provides a floor to the price of labor for the Eurozone economy as a whole (thus it becomes an effective minimum-wage policy). This mechanism is well understood with respect to other commodities. There have been many buffer-stock programs through history for the purposes of stabilizing the price of gold, wool, corn or silver. The JG operates on a similar principle, what can be termed as NAIBER (*Non-Accelerating-Inflation-Buffer Employment Ratio*; see Mitchell, Mosler 2002).

Because labor is an input of production of virtually every other commodity, once the JG wage is set exogenously, it becomes an anchor -- a stable benchmark -- for all prices. Furthermore, the JG is more



'liquid' because the buying and selling of the 'employed commodity' is superior to that of the 'unemployment commodity'. Put simply, firms do not wish to hire the unemployed. This creates the paradoxical situation of firms complaining of labor shortages at a time when there is mass unemployment. This occurs because firms equate even a short spell of unemployment with a very significant loss of human capital and productivity (Eriksson, Rooth 2014). By contrast the JG produces useful output. It increases both aggregate demand and aggregate supply. This volume of labor, when added to the mass of labor mobilized by capitalists in private production activities, offsets the negative effects on the value of money that stem from failed commercial bets financed by private banks (Cruz-Hidalgo *et al.* 2019:11-12). Having an employment buffer stock allows the Eurozone economy to operate at higher level of non-inflationary output than with an unemployment buffer stock.

To recap, the JG moderates price fluctuations much more effectively than the pool of the unemployed. JG workers are hired by private sector firms when there are inflationary pressures and hired by government when there are deflationary pressures. As such they ensure that spending on the JG (the JG budget) is never too big or too small. It is always just enough to produce full employment with price stability. Such an employer of last resort program would effectively establish a standard for the value of labor as suggested by Mosler (1997:175). The manner in which money is introduced into the economy matters, because it has implications for the level of prices, the value of the currency, and overall employment (Tcherneva 2013a).

#### *d) Structural reform, safety net, and prevention tool*

More significantly for Europe, which has struggled with prolonged structural unemployment, the JG becomes a critical structural reform program as it targets distressed areas and combines on-the-job training and experience with other human capital investments. Not only is human capital maintained and enhanced, bringing productivity gains, but the JG also reduces the enormous social and economic direct and indirect costs of unemployment. The scarring effects, loss of lifetime income, increase in mortality and medical costs, adverse impact on children and spouses of the unemployed are well documented (Tcherneva 2017). The JG has important preventative features and reduces the large cost of unemployment society already bears. It also prevents large collapses in aggregate demand, investment and profits, while automatically reducing unemployment insurance, welfare and other aid. It prevents mass poverty and economic insecurity from joblessness, youth idleness and delinquency, while fortifying the public services that have been neglected due to the radically reduced fiscal space at the national level. JG may be directed toward public works and other infrastructure development that promotes private sector productivity growth, efficiency, and competitiveness.

As a large-scale employment program, the Job Guarantee can also become the key institutional vehicle for achieving other broad public purpose goals. For example, in the United States, the Job Guarantee has been called the most crucial component of the Green New Deal agenda (*Atlantic* 2018). Europe too is looking for ways to answer the looming global climate change. As a policy that puts unemployed resources to productive uses, the Job Guarantee, can be the coordinating mechanism for launching many needed green projects across the continent.

#### *e) Labor mobility and social and economic integration*

Today labor mobility in the Eurozone happens under duress. Workers from periphery countries seek employment opportunities in the economic core of the Eurozone. This process, in turn, places a heavy burden on the infrastructure and public services in core countries. Currently many governments in Europe struggle with large income support programs to address joblessness, and feel an acute need to create decent employment opportunities for all, especially for the young generation. Various programs experimenting with job creation exist, from the Austrian program for the long term unemployed, to the youth guarantee

program in Brussels, which is being expanded to all unemployed, to the zero unemployment schemes in France, to the short-lived but very effective Future Jobs Fund in the UK.

Yet none of these programs are able to tackle mass joblessness nationwide, much less serve as the large scale countercyclical, structural, and preventative program for the Eurozone as a whole that we describe here. And none of these efforts will be entirely successful without a dedicated source of funding and institutional commitment to stem the large costs of joblessness and replace the current policy orientation of using the unemployed for the purposes of price stability.

Finally, the artificial fiscal restrictions of the Maastricht criteria have ensured that the public sector in many nation states struggles to provide basic public services, at a time when many people go without decent employment. The Job Guarantee is the coordinating mechanism that allows the unemployed to be reemployed and serve the public purpose. To begin addressing the seemingly intractable unemployment problems in Europe, policy must take the contract to the worker, so to speak, and implement direct, targeted and deliberate labor market interventions in the form of direct employment, training, and wraparound services to allow the structurally unemployed workers to begin transitioning to sustainable employment solutions.

### **CONCLUSION. A BOTTOM-UP APPROACH TO TRANSFORM EUROPE**

The Euro turned twenty in 2019. It was to be expected that it would not work smoothly from the start, since establishing monetary systems usually takes decades or even centuries. Monetary regimes must then be adjusted constantly in order to cope with change. We propose that the Eurozone institutions be amended by a Job Guarantee in order to address the unemployment problem and a Euro Treasury in order to make sure that government spending is forthcoming on a permanent basis (without the interference of financial markets) and especially in times of economic crises. This would set the Eurozone on a path to full employment and price stability that is superior to current arrangements; with the replacement of the NAIRU with the NAIBER and, *de facto*, to promote convergence at the bottom substituting the disperse minimum wage with a Job Guarantee on equal terms for all European citizens.

The creation of monetary sovereignty in the Eurozone as a Federal level is the result of a fiscal authority supported by the ECB. Such institutional innovation is compatible with the current mandate of the ECB, and eliminates the risk that the treasury bonds could have to establish the link with the currency issuer. Not being a mere customer of the currency, as member countries are, would allow the Euro Treasury to spend and introduce money into the economy without the need to finance the European Union budget by transferring money from member countries' budget of the Eurozone.

The dysfunctionality that implied that the fiscal and monetary arms of the Eurozone were separated is corrected as well, allowing a functional Treasury liable for filling the lack of spending that creates a level of mass unemployment unevenly distributed among the countries of the Eurozone. The Job Guarantee creates jobs directly, it does not go through any strategy of flooding the top ones with easy credit and expecting the drip to come down. It can be conceptualized as a bottom-up approach, different from the traditional Keynesian trickle-down economics. The Job Guarantee financed by the Euro Treasury for managing full employment and stability allowing, besides, the design of policies that focus on the economic and human impact of the policy instead of a specific budget result. Instead of the inefficiency of pushing the workforce to unemployment and discouragement, with the enormous economic and social costs that this "epidemic" of unemployment entails, we could mobilize the citizens through Job Guarantee programs to take care of the environment and the people, and everything we can imagine doing to improve our societies and that we do not do for a bad design of the monetary system. Increasing spending without raising taxes it is possible, but above all absolutely essential.

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