Political Aspects of Full Employment\(^1\)\([1]\)

(1943)

I

1. A solid majority of economists is now of the opinion that, even in a capitalist system, full employment may be secured by a government spending programme, provided there is in existence adequate plan to employ all existing labour power, and provided adequate supplies of necessary foreign raw-materials may be obtained in exchange for exports.

If the government undertakes public investment (e.g. builds schools, hospitals, and highways) or subsidizes mass consumption (by family allowances, reduction of indirect taxation, or subsidies to keep down the prices of necessities), and if, moreover, this expenditure is financed by borrowing and not by taxation (which could affect adversely private investment and consumption), the effective demand for goods and services may be increased up to a point where full employment is achieved. Such government expenditure increases employment, be it noted, not only directly but indirectly as well, since the higher incomes caused by it result in a secondary increase in demand for consumer and investment goods.

2. It may be asked where the public will get the money to lend to the government if they do not curtail their investment and consumption. To understand this process it is best, I think, to imagine for a moment that the government pays its suppliers in government securities. The suppliers will, in general, not retain these securities but put them into circulation while buying other goods and services, and so on, until finally these securities will reach persons or firms which retain them as interest-yielding assets. In any period of time the total increase in government securities in the possession (transitory or final) of persons and firms will be equal to the goods and services sold to the government. Thus what the economy lends to the government are goods and services whose production is ‘financed’ by government

\(^1\) This article corresponds roughly to a lecture given to the Marshall Society in Cambridge in the spring of 1942.
II

POLITICAL ASPECTS OF FULL EMPLOYMENT

The above is a very crude and incomplete statement of the

I. THE ABSENCE OF FULL EMPLOYMENT

II. THE CONCEPT OF FULL EMPLOYMENT

III. THE POLITICAL ASPECTS OF FULL EMPLOYMENT

IV. THE ROLE OF THE GOVERNMENT IN FULL EMPLOYMENT

V. THE CHALLENGES AND ISSUES IN FULL EMPLOYMENT

VI. THE FUTURE OF FULL EMPLOYMENT
3. The dislike of business leaders for government spending policy grows even more acute when they come to consider the objects on which the money would be spent; public investment and subsidizing mass consumption.

The economic principles of government intervention require that public investment of this type be rather narrow in scope and hence there is a danger that the government, in pursuing this policy, may eventually be

4. We have considered the political reasons for the opposition to public investment. It is hard to exaggerate the strength of the opposition, which would make any government, even under a regime of full employment, the social position of which would make any government, even under a regime of full employment, the social position of which would be much lower than profit and public interest is unsound from the point of view of the capitalist system.

5. The dislike of business leaders for government spending policy grows even more acute when they come to consider the objects on which the money would be spent; public investment and subsidizing mass consumption.

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political aspects of full employment

IV

III

I. One of the important functions of Fascism as upheld by the Nazi

The anti-communist orientation of Fascism, and ends in the

III

FULL EMPLOYMENT

2. The fact that unemployment is the backbone of the policy of Fascism

unemployment

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The test of government spending necessity to maintain full employment by stimulating the private economy in order to provide pressure of mass on economic outcomes without inducing inflation is governed by the government investment necessity in order to provide pressure. The government investment requirement is not only a measure of the impact of government spending on the private economy, but also a measure of the impact of the private economy on government spending. The level of government investment required to maintain full employment is determined by the necessity of government investment to provide pressure on economic outcomes.

There are two different views on the necessity of government investment. One view is that government investment is necessary to maintain full employment, while the other view is that government investment is not necessary to maintain full employment.

The former view is supported by the argument that government investment is necessary to maintain full employment, while the latter view is supported by the argument that government investment is not necessary to maintain full employment.

Full Employment: The two different views on the necessity of government investment are discussed in this section.
tain full employment should be used to subsidize consumption (through family allowances, old-age pensions, reduction in indirect taxation, and subsidizing necessities). Opponents of such government spending say that the government will then have nothing to show for their money. The reply is that the counterpart of this spending will be the higher standard of living of the masses. Is not this the purpose of all economic activity?

2. ‘Full employment capitalism’ will, of course, have to develop new social and political institutions which will reflect the increased power of the working class. If capitalism can adjust itself to full employment, a fundamental reform will have been incorporated in it. If not, it will show itself an outmoded system which must be scrapped.

But perhaps the fight for full employment may lead to fascism? Perhaps capitalism will adjust itself to full employment in this way? This seems extremely unlikely. Fascism sprang up in Germany against a background of tremendous unemployment, and maintained itself in power through securing full employment while capitalist democracy failed to do so. The fight of the progressive forces for all employment is at the same time a way of preventing the recurrence of fascism.
PART 6
Full Employment

Political Aspects of Full Employment


In the present volume the original edition is followed, while the abbreviations introduced by Kalecki in 1961 are accounted for in subsequent editorial notes. The publishers’ permission to reprint this paper is gratefully acknowledged.

At the turn of 1940 Kalecki moved to Oxford to join the staff of the Oxford University Institute of Statistics. With the outbreak of war, the institute gave shelter to a number of economists who were in various degrees refugees from German fascism (including among others F. Burchardt, T. Balogh, J. Goldman, J. Steindl, and K. Mandelbaum). Among the English members of the staff were G. D. N. Worswick and J. N. Nicholson. The institute was directed by a distinguished English statistician, Prof. Arthur L. Bowley. In the next few
ceases corresponding. We now have those predictions that the other
means correspondents. As long as these predictions...
In his capacity as the president of the American economy in the 1970s, Ronald Reagan, amidst the backdrop of stagflation, implemented a series of policies aimed at stimulating economic growth and reducing inflation. His administration (1981-1989) is often characterized by supply-side economics, particularly the implementation of tax cuts, deregulation, and a focus on reducing government spending, which was believed to shift the economic paradigm away from heavy intervention and towards a more market-oriented approach. This era was marked by rapid technological advancements, particularly in the context of computing and the internet, which laid the groundwork for the digital economy of the subsequent decades.

Reagan's economic policies were controversial, with some observers arguing that they contributed to increased income inequality. However, his administration is also credited with fostering a period of economic growth, which continued to the 1990s, often referred to as the "Reaganomics" period. The policies set in place during the 1980s had a lasting impact on the economic landscape, influencing both domestic and international economic policies in the following years.
NOTES TO POLITICAL ASPECTS