

Full Employment

By Byron A. Ellis - August 12, 2013



Economies operating below productive capacity waste valuable resources, they forgo the productive time of citizens.

In today's recalcitrant political environment, elected officials on both sides of the aisle appear uninterested in maximizing constituents' employment opportunities. Thus, they do not promulgate or act on the goal of full employment.

And, why should they? They do not suffer any personal cost for forgoing the productive capacity of constituents.

However, over time, the costs to constituents are insurmountable and affect their lifetime earnings and retirement incomes.

When the Federal Reserve, Congress and the President allows the banking system to restrict credit, they limit individual access to financial markets and hence consumption and employment opportunities.

In a monetary economy, credit (money) radically changes the nature of exchange and the characteristics of the production process,¹ more money in circulation leads to more demand and the employment of idle resources.

Bank credit, therefore, is essential for enhancing demand, as well as entrepreneurs and merchants' revenue expectations. High revenue expectation prompts businesses to activate existing, and invest in new, physical capital, which leads to the utilization of more labor.

For most voters, the purpose of electing government representatives is to ensure rising standards of living and the maintenance of stable prices.

Thus, rational voters on both sides of the aisle should want to revive the concept of full employment; even when both recalcitrant political parties avoid the concept.

Regardless of Party affiliation, Congress and the President are responsible for achieving full employment through fiscal and monetary demand management policies.

¹ Bertocco, G. (2005). The role of credit in a Keynesian monetary economy.

Full employment results from facilitating credit to radically expand consumption and maximize the use of existing and new physical capital.

When full employment does not materialize, it is due to the failure of public officials to manage the economy. Thus, voters should require from politicians seeking elected office unambiguous goals and timetables for attaining full employment with stable prices.

Consumer demand is a function of disposable income, which depends on the growth rate of credit. When banking system restricts credit, consumer demand is insufficient to create full employment.

Unfortunately, the Fed, Congress and the executive branch seem to conveniently ignore the fact that it is bank credit that generates consumption, revenue expectations and employment. And, that it is the potential for revenues that causes entrepreneurs, merchants, and firms to activate and expand the nation's physical capital.

For employment to improve, the public must demand from political representatives a two-year time-line for achieving the goal of full employment.