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Abstract

Minsky (1965) has presented the Job Guarantee program as a recommendation in the war against unemployment and poverty. Kalecki (1943), on the other hand, argued that the full employment situation could be technically feasible but politically hard to implement due to the class struggle, resulting in what we will refer to as the "kaleckian dilemma". Based on this contradiction, this paper aims to extract lessons from the Rehn-Meidner Swedish plan, which successfully combined low unemployment rates and creeping inflation for over three decades, as a means to study the chances of a Job Guarantee overcoming the kaleckian dilemma. From these lessons, this piece highlights the importance of a tripartite council bargaining board at the national level to settle the Job Guarantee's wage level. In addition, we highly recommended other desirable features, such as international capital control and taxation on extraordinary profits, to raise the chances of the program successfully dealing with the kaleckian dilemma, just as Rehn-Meidner did.

JEL classification: E11, E31, H53, I30

Keywords: Kaleckian dilemma — Job Guarantee — Rehn-Meidner plan

1. Introduction

Kalecki's theory points out full employment [1] as theoretically reachable but politically hard to obtain. Kalecki (1944) suggested three alternative ways to achieve full employment and concluded that a combination of budget deficit and income redistribution policies would be able to eliminate economic cycles. However, Kalecki (1943) also suggested the existence of political aspects explaining capitalists' objection to such an outcome. Hence, the challenge lies in simultaneously achieving full employment and attenuating the distributive conflict. In a nutshell, this challenge is what we call the "kaleckian dilemma"[2].

Despite being widely known for his "Financial Instability Hypotesis", Minsky (1965) is another 20th-century intellectual to worry about unemployment elimination. In Minsky's proposal, the Government would be responsible for hiring everyone willing and able to work for a living wage. After some studies about the theme,

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[1] In our understanding, full employment means a state where job vacancies outnumber job seekers regardless of the current unemployment rate.

[2] The "kaleckian dilemma" was first addressed by Harcourt (2006), who expressed it as the difference between the political economy of achieving full employment and the political economy related to the sustainability of such level. The capitalists' opposition to full employment would rise due to workers' growing economic and bargaining power (Harcourt 2006, 147). However, according to Kalecki (1943), reaching full employment as well as keeping the economy at full employment are both challenging because of such a rise in workers' bargaining power. In this paper, we are going to use the "kaleckian dilemma" in a broader sense than Harcourt (2006) - and more faithful to Kalecki - once it captures the idea that pushing the economy to full employment and keeping it at this level are two challenges of the same dilemma which Governments have to deal with.

Tcherneva (2018, 2020) refer to this proposal as Job Guarantee and defends this program as a weapon in the war against poverty and also as a tool to promote the welfare state, where not only income and jobs would be provided but also goods and services for those most needed.

The Job Guarantee political aspects have been getting a great deal of public attention since Wray (1997).[3] For instance, Kriesler et al. (2020) argue that Job Guarantee would eliminate any risk of unemployment. Because of this, this policy would find it particularly hard to deal with the political aspects compared to other policies of unemployment elimination. However, at the same time that Kriesler et al. (2020) point out that a Job Guarantee would reduce unemployment costs, they highlight that a change in the social bargain index could balance this fact. According to the authors, this index measures the degree of workers' participation in the terms and conditions of employment (Kriesler et al. 2020, p.18). Tymoigne (2013) and Tcherneva (2018) also examined the political aspects of a Job Guarantee scheme and provided insights from historical cases that offer valuable lessons. Tymoigne (2013) recognizes the challenge of implementing a Job Guarantee in a context that underestimates the importance of government interventions. However, he also points out the American work programs of the New Deal (in the 1930s) to conclude that such challenges are not insurmountable. Tcherneva (2018, p.62) dives deeper into the historical examples of how to deal with the kaleckian dilemma and mentions the Scandinavian model as a case of success in conciliating full employment and price stability for a long period of time.

Following the research agenda set forth by Kriesler et al. (2020) and Tcherneva (2018), this paper revisits the leading institutions of an economic plan that successfully addressed the kaleckian dilemma to identify possible factors that influenced the social bargain index. The Rehn-Meidner plan (developed in the 1950s and 1960s) reconciled full employment with price stability for over two decades in post-World War II Sweden. Thus, this article aims to draw lessons from the success of the Rehn-Meidner plan in addressing the Kaleckian dilemma in the second half of the 20th century and apply them to successfully implement a Job Guarantee program in contemporary times.

This paper identifies three institutional features that, despite cultural and geopolitical Swedish idiosyncrasies, have played a crucial role in addressing the kaleckian dilemma, namely: 1) a universal welfare state model, 2) a wage cooperation policy, and 3) reduction in the degree of external vulnerability. We actually trace the roots of the Kaleckian dilemma to the antagonism between classes, making any attempt to overcome it once and for all unattainable. Building upon the analytical approach presented by Kriesler et al. (2020), we argue that the Job Guarantee, unlike other full employment policies, has the potential to be an economic tool to replicate these institutions and, thus, to effectively deal with the Kaleckian dilemma. Doing so improves the chances that the distributive conflict does not become unruly.

The paper has four more sections besides this introduction. The following section introduces the kaleckian dilemma. The third section explores the factors that allowed Sweden to be a historical case of an economy that was able to deal with the kaleckian dilemma over decades. In the fourth section, the paper presents the Job Guarantee scheme as a way to full employment not mentioned by Kalecki (1944) and which can replicate some lessons taken from Rehn-Meidner plan in order to ease the conflict claims. Finally, the fifth section brings the final remarks of the authors.

2. The ways to full employment and the Kaleckian Dilemma

Skeptical about the business cycle control in the absence of the help of an "external factor", Kalecki (1944) list three ways to push the economy into full employment: 1) government spending, 2) stimulating private spending, and; 3) redistribution of income from higher- to lower-income classes. Unconvinced about the effectiveness of promoting full employment through private spending, the author argues in favor of a mix of policies that combine government deficits with up-bottom income redistribution. Hence, to make his point, Kalecki (1944) developed an argument that issues such as the public deficit, the rise in the interest rate, or inflation could not pose a theoretical limit to the government's capacity of pursuing full employment.

To overcome the false argument that Government would run out of money to pursue such a goal, Kalecki

[3] After a long time of ostracism, it was due to the Wray (1997) review that Minsky's proposal is back in the limelight.

(1944) highlights that Government's budget deficits always finance themselves. Following the principle of effective demand, the author establishes that every volume of government spending not covered by taxes will compose the private gross savings. In Kalecki's (1944, p.360) words:

> [..]net savings are always equal to budget deficit plus net investment: whatever the general economic situation, whatever the level of prices, wages, or the rate of interest, any level of private investment and budget deficit will always produce an equal amount of saving to finance these two items. Thus the question of how it is possible to increase government expenditure if expenditure on private investment and personal consumption is cut is answered by the fact that there will always be such an increase in incomes as to create an increase in savings equal to the increase in the budget deficit.

In addition, Kalecki (1944) also dismisses the possibility of the interest rate and inflation eroding the Government's capacity to maintain full employment. Instead, Kalecki treated interest rates as completely exogenous and settled by the Government[4]. Finally, regarding demand-led inflation, Kalecki (1944) argues that higher demand will induce firms to invest and push the production's limits further. So, Kalecki suggests that public demand should be carefully handled to match the aggregate demand with the production capacity, which we could consider to be disinflationary spending.

Nevertheless, Kalecki (1944) draws attention to the risk of cost-push inflation when the economy approaches full employment. Conflict claims might become more intense in the immediacy of full employment in the labor market. In this context, if wages increase faster than productivity, firms will be induced to readjust prices and foster a new round of wage increases, causing an inflation spiral. According to Kalecki (1944, p.362):

> If, however, wage rates increase more than the productivity of labour, arrangements must be made to prevent prices running away. If no such steps are taken, the workers as a whole do not benefit; for the increase in money wage rates will be offset by the consequent rise in prices. In addition, a quick upward movement of prices will be a disturbing feature in an economy of full employment.

Even though budget deficits consist of a feasible way to full employment, Kalecki (1944) introduces the possibility of promoting full employment by income redistribution. Given the higher propensity to consume from the worse-off households, a distributive policy that transfers income from capitalists to workers could increase the society's average marginal propensity to consume. Such an outcome would be associated with a higher fiscal multiplier, making the income closer to full employment for a given level of autonomous expenditure. Kalecki (1944) also mentions the capital taxes and the incentives on mass consumption as policies that could support the total taxes level for a given tax rate, thus, not affecting the multiplier.

Hence, in a few words, the full employment situation is technically feasible and leads to increasing mass wages and profits and, under the right circumstances, increasing even the firms' profit rate (depending on the productivity growth). Nonetheless, capitalists would still oppose such a situation due to political reasons. Kalecki (1943) list three reasons: capitalists' dislike of government interference, their dislike of the direction of government spending, and their dislike of the social changes due to full employment maintenance.

Economic liberalism amplifies the dependence of the employment level upon the so-called entrepreneurs' state of confidence. In a liberal context[5], any economic policy that goes against the market interests might reduce the market's confidence and, thus, private investment and employment level. Hence, Kalecki (1943, p.350) suggests that capitalists dislike government interference in the economy in order to keep the highest level of influence on the business cycles.

Alexander (1948), for instance, has studied the full employment bill of 1945[6] that aimed to ensure the Government's duty to promote full employment. The author identified that the opponents of this project used to argue

[4] In defense of his argument, Kalecki (1944) mentions that the English Central Bank during wartime ensured enough demand for public bonds in order to keep interest rates down despite the higher level of the budget deficit. According to the author, there is nothing preventing the Government from doing this policy during peacetime.

[5] We understand the liberal context as minimal government intervention in business affairs.

[6] Which became the Employment Act of 1946 after some changes.

that they were not willing to finance spending that would foster *social disorder*. Despite its lack of theoretical support, the argument brings the notion that private agents wished to keep control of the Government's spending destination. Sotiropoulos (2011) highlights that regardless of the individual entrepreneurial activity, the *laissez-faire* can coalesce all interests against the same goal: ending the budget deficit. According to Kalecki (1943), this opposition might easily be explained by the fact that the *laissez-faire* amplifies the economic dependence on entrepreneurs' state of confidence.

The second reason capitalists oppose full employment is also a kind of opposition to the budget deficit, but Kalecki (1943) emphasizes that business leaders resist even harder when the deficit comes from public investment and subsidies to mass consumption. Unlike deficits that result from capital subsidies, business leaders defy deficits that arise from job-creating policies. Beyond any technical issue, the reason behind the opposition is moral: It relies upon the fact that this kind of public intervention attacks the primary capitalist ethic that notably "you shall earn your bread in sweat" (Kalecki 1943, p.351). In the entrepreneurs' eyes, it was like the Government would take away from them the power to decide who and when to hire.

Both reasons mentioned above draw attention to the challenge of reaching full employment, from now on, we will discuss the challenge of staying at a full employment level. Kalecki (1943) argues that unemployment gives discipline to workers, something business leaders would appreciate even more than the eventual rise in profits. Moreover, when the unemployment rate keeps low for a long time, there is a reaction in the costs of unemployment for workers. This might induce them to bargain for better labor conditions by means of strikes, for instance.

According to Kriesler et al. (2020, p.13) the unemployment cost described above could be expressed as:

$$c = (P_D + P_R)n(w - \sigma) \tag{1}$$

Where P_D denotes the probability of job destruction (exogenously given), P_R is the probability of replacing a worker inside the labor market with another worker out of the labor market, n is the unemployment duration, w is the real wage paid by private firms, and σ represents the income that workers receive once unemployed, such as unemployment insurance or some equivalent. If the low unemployment rate situation persists, the average unemployment duration (n) drops and the distributive conflict rises due to the fall in unemployment cost (c).

The equation 2 is the Kriesler et al. (2020, p.18) representation of the kaleckian dilemma, wherein Z denotes the intensity of the distributive conflict, and is negatively related to the unemployment cost (c) and with the social bargain index (B):

$$Z = Z(c, B) \tag{2}$$

$$Z_c, Z_B < 0$$

The lower the cost of workers losing their jobs (c), the higher the degree of distributive conflict (Z). The lower cost implies less financial risk associated with unemployment and induces workers to adopt a more conflictive behavior. On the other hand, the workforce's participation in employment terms and conditions will affect B, and hence, Z (Kriesler et al. 2020, p.18). The increase in B fostering a fall in Z represents the idea that workers would avoid intensifying conflict with capital owners if they agreed with the bargained terms, even if their unemployment cost has fallen.

The RM plan in post-war Sweden is a historical example of success in dealing with the kaleckian dilemma. Unsurprisingly, the literature[7] often mentions the RM plan as the ideal type of institution that was able to handle distributive conflict at full employment, meaning the ability to expand B to compensate for the fall in c. In other words, Sweden compensated for the low unemployment cost with a high social bargaining index. The following section will list what we understand to be the three main factors that sustained the high social bargain index during the RM plan.

[7] see for instance Crouch (1985) and Tcherneva (2018).

3. The Rehn-Meidner Model and the Kaleckian Dilemma

Although stability in distributive conflict was a widely spread characteristic of the post-war era in global north nations, Sweden excelled in this aspect. Between 1950 and 1955, the average unemployment and inflation rates in Sweden were 1.8% and 5.4%, respectively. While the unemployment rate average was the same for the 1955-1960 period, the inflation fell to 3.7%. Afterward, the first half of the 1960s data showed a 1.5% unemployment rate and 3.7% inflation rate on average against 1.8% (unemployment) and 4.4% (inflation) in the second half. Due to the oil shocks, the 1970s was one of the most challenging periods for inflation control, especially for small open economies such as Sweden. As a result, the average unemployment and inflation rate rose respectively to 2.1% and 8% in the first half and to 1.9% and 10.5% in the second half (Bohlin 2014, p.123). After comparing the data for eighteen countries, Crouch (1985) identifies the Swedish exceptionality in combining low unemployment rates with price stability, something only comparable to Norwegian and Austrian results.

Gosta Rehn and Rudolf Meidner were intellectually responsible for formulating a plan in Sweden 1951 that guided the economic policies for the next three decades (the RM plan). However, despite the relative success of the plan, according to Meidner (1993), the rise in neoliberal ideology shifted the primary economic goal from full employment to price stability alone. Hence, since the 1970s, low inflation has grown increasingly important as a goal of public policies. After the balance of payment crisis in 1992 and 1993, the unemployment rate went above 5% and never returned.

From Meidner's (1969) perspective, economic stability should be beyond price stability, even though a sound domestic economic environment might suffer from external shocks affecting the price index regardless of any change in the national policy. The resilience to price shocks depends on the international competitiveness of national exports and the impact of such shocks on domestic distributive conflict. Therefore, even in an inflationary period, if foreign competitiveness of domestic products and income distribution are under control, Meidner (1969) would consider this situation as a stable economic scenario. Understanding this approach is essential to comprehend the main goals of the RM plan (competitiveness and distribution), which changed after the 1970s when economic stability became only price stability.

Meidner (1969) did not follow any of Kalecki's three ways to full employment. He considered that effective demand spurs should stop just before the productive capacity boundaries and active workforce policies should end the reminiscent labor force unemployment. Meidner (1993) referred to this strategy as the "third-way" between the US *laissez-faire* and Soviet central planning. In Meidner's (1993, p.220) words:" The Swedish system [...] with an economy that had managed to reconcile market principles with socialist values such as full employment, equality and solidarity, was hailed as the prototype of a 'Third-Way' Society."

Meidner (1986, 1993, 1997) suggests that the RM construction began just after the end of the war. In the 1960s, it was already possible to notice the first impacts of the plan that stood until the 1990s, despite the fact that some features of the plan have been disappearing since the 1970s. Cultural and geopolitical features were indeed crucial for the plan's success. However, as previously noted, the kaleckian literature suggests some institutional aspects that can theoretically reduce distributive conflict. The following section draws attention to a specific plan characteristic that could explain the favorable social bargain index behavior in the case study.

3.1. The welfare state of the Rehn-Meidner plan

The Swedish welfare model possesses a crucial characteristic that sets it apart from other contemporary models: universality. In the post-war period, Esping-Andersen (1990) identified three types of welfare models. The first type, implemented in Canada and the United States, often stigmatizes its beneficiaries, creating an environment of charity rather than providing necessary assistance. The second category of welfare state models is found in Western Europe, particularly in countries such as France and Germany. These models tie eligibility for social benefits to participation in the labor market, thus exacerbating pre-existing inequalities. Finally, the RM welfare model belongs to a third group in which social benefits are regarded as a fundamental human right that the state must guarantee for the benefit of all members of society.

According to Hilson (2008), the pursuit of equality in society was based on the notion that economic growth and the welfare state should be interdependent. Economic growth was deemed necessary for achieving social harmony and providing the foundation for a generous and universal welfare system. Simultaneously, the welfare system was an essential component of growth policies. Consequently, the Swedish welfare system has consistently aimed at increasing labor productivity since its inception. By combining demand spurs with productivity growth, the system effectively integrated economic growth with social harmony, as noted by Hilson (2008, p.57). However, other elements compose this system.

The Swedish Government initiated the ”Million Homes Programme” as a key element of its urbanization strategy and welfare system. In collaboration with regional authorities, the program aimed to construct one million homes between 1960 and 1974 (Hall and Vidén 2005). The primary objective was to eliminate the housing deficit, something it achieved within a decade, resulting in a housing surplus. The program was not limited to the construction of new housing but also included renovation of existing residences, subsidized credit for financing homes, subsidies for private construction, and government-funded construction of houses. The residences were incorporated into regional urbanization plans and were designed to meet similar quality standards but with unique sizes and styles based on regional needs and preferences.

According to Ahnland (2020, p.233), regional entities played a crucial role in executing the welfare plan:

> In a modernistic leap, SAP thus realized the visionary ideas of social engineering that had emerged in previous decades. The party launched an ambitious welfare program where the municipalities had a central role in providing facilities such as daycare centers, schools, retirement homes – and housing for the general public.

This social engineering required a great Government labor demand to provide public welfare services. Ahnland (2020) highlights that the creation of employment by the Government kept the wage share attached to the housing public investment variation (Ahnland 2020, p.235). This paper provides pieces of evidence that full employment in Sweden increased wage share with the workers' bargaining power, which was accommodated by Government interference in the bargaining level instead of rising distributive conflict.

Rather than the distributive conflict mentioned by Kalecki (1944), some institutional features of the RM plan draw attention to the importance of a welfare state model with widely popular participation and decentralized decisions. In a nutshell, we can list some features we deem as crucial to understanding the RM welfare plan: universality, union participation, municipality, and harmony between growth and welfare.

Shifting the focus from wage-earners to profit-earners, we can also observe significant public interference in the form of taxing extraordinary profits to compensate for the deficit spending required by the welfare system. This system would work as a rights-ensuring component of a comprehensive scheme that also moderates wage demands. The following section will provide more details about the fund created for taxing extraordinary profits.

3.2. Wage Cooperation policy

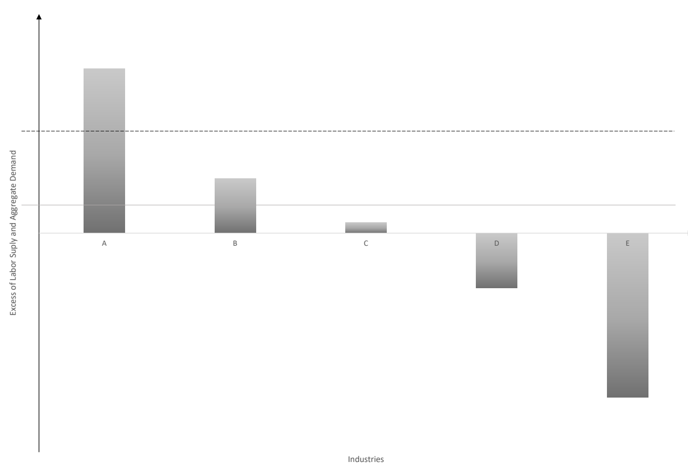
Meidner (1997) suggests that the RM plan has two main concerns: full employment and equality. As noted by Meidner (1969), wage readjustments required by unions tend to be higher as the labor market approaches full employment, given that these entities must represent the workers' interests (Meidner 1989). An economy aiming to approach full employment must count on the Government to avoid wage bargains skyrocketing, and conflict claims out of control.

Perraton (2018) corroborates Meidner's (1969, 1989) perception by emphasizing the role of the Government as an intermediary in conflict claims. Moreover, Perraton (2018) points out that the competitive logic does not hold in Sweden, meaning the prevalence of the cooperative bargaining process. After a bilateral agreement, there are incentives for both parties to break the terms, as mentioned by the author. If firms break the deal first, they will enjoy real extraordinary profits until workers raise wages again. Conversely, if workers move first and break the agreement by increasing wages more than agreed, the real wages will be higher until all industries correct their prices. This competition could foster higher inflation rate. Therefore, Sweden relies on the Government to mediate this arrangement, providing more credibility to such a contract. The Government has instruments to ensure that those deviating from the terms bear the burden, such as taxing extraordinary profits or imposing penalties on unions that attempt to break the deal.

In 1950, the first wage negotiation occurred at the national level between the Swedish Employers' Confederation (SAF) and the Labor Organization (LO). The rise in wages gained by one group of workers may affect other workers and their real wages, thus mitigating the aggregate real wage gain[8]. Hence, Perraton (2018) suggests that a centralized negotiation may include the negative externalities of one group on another and, therefore, moderate partial wage demands to ensure gains at the aggregate level (Calmfors 1993; Calmfors and Driffill 1988). In this context, firms and workers would avoid intensifying the distributive conflict, shifting the "market invisible hand" to what Storm and Naastepad (2012) call the "visible handshake", meaning a mediated agreement between firms and workers in the wage settlement[9].

Together with the "visible handshake," the Rehn-Meidner plan has implemented an active workforce policy to address sectoral imbalances that may arise in the labor market (Meidner 1969). Graph 1 depicts the labor supply in five sectors of an economy, where each bar represents a sector. Assuming that the horizontal axis indicates the current level of effective demand, an economic policy seeking to increase demand towards the dashed black line would fail to eliminate unemployment in sector A and exert pressure on all other sectors. Hence, Meidner's (1969, 1993) recommendation was to stimulate aggregate demand below full employment in the labor market, represented by the continuous gray line, and tackle unemployment through active workforce policies. At this juncture, surplus labor in sectors A and B should be redirected to other industries through training programs.

Figure 1. Unemployment by production's sector.



Source: Meidner (1969, p.173)

Assuming that the sectors are arranged in ascending order of technological complexity, from the lowest (A) to the highest (E), the reallocation of the labor force will necessitate the creation of job positions and training capacity. In addition to spurring demand, the RM plan also included a labor force training program designed to shift workers to strategic sectors, particularly those with higher technological sophistication, to mitigate import and inflationary pressures (Meidner 1969). The reallocation of labor across sectors enjoyed the support of the entire society, including workers, even if some local job positions were eliminated. Workers viewed these policies as essential for enhancing productivity and, in turn, increasing real wages. Meidner (1986) observes that workers' backing was part of an implicit pact that guaranteed that the Government would ensure full employment and a welfare state as long as industrial competitiveness was maintained.

8 There is a theoretical issue of whether the centralization in the wage negotiation is indeed able to moderate wage demand. However, we are focusing on the Swedish case, wherein the literature converges that centralization works (for more details about this issue, see, for instance, Calmfors (1993); Crouch (1985); Wallerstein (1990)).

9 The cooperation would avoid what Lavoie (2014, chap.8) refers as wage-wage inflation.

In addition to the visible handshake and active workforce policy, the third noteworthy factor in this section is the ”wage policy of solidarity,” which can be described as the principle of ”equal pay for equal work” (Meidner 1989, p.17). The concept of wage policy of solidarity is based on the notion that firms should not settle wages based on their profitability or market conditions but on the value of the work to be done, taking into account specific skills or time spent working for the company. This policy of equality aims to reduce wage disparities across various firms.

The wage policy of solidarity had differing impacts on firms with higher and lower productivity levels. The latter group typically paid lower wages, and as a result of the reduction in the wage gap, they had to increase their productivity to raise the wage bill and maintain profitability. When productivity growth did not keep pace with the average wage increase, these firms went bankrupt, creating opportunities for new entrants to pay fair wages. In contrast, firms with high productivity rates were already conditioned to paying wages above the average, and moderation allowed them to pay less than before, leading to extraordinary profits resulting from the wage policy (Meidner 1969). All extraordinary profits not reinvested in productive investments were subject to taxation, with the collected funds going to a financial fund managed by the LO (Meidner 1989).

Erixon (2008, p.374-375) highlights that in the mid-1980s, the wage policy of solidarity in Sweden was affected by labor market liberalization. Consequently, this led to greater wage discrepancies among workers of varying skills and industries during the 1990s. Despite the continuous rise in labor productivity, the profit share in Sweden has remained exceptionally high since the 1990s compared to both domestic and international historical norms. Despite functional income concentration and the currency crisis in the 1990s, Swedish wage equality still ranks high among its peers (Erixon 2008, p.375).

To sum up, this subsection has discussed the visible handshake, active workforce policy, and the combination of wage policy of solidarity with taxation on extraordinary profit as critical features of the RM model. These features, however, are not solely linked to Swedish cultural aspects and can be understood through the Kaleckian literature presented in the previous section. A Kaleckian economist may view extraordinary profit taxation destined for the LO's fund as a type of capital taxation and incentive for mass consumption, one potential way to achieve full employment, as proposed by Kalecki (1944).

In conclusion, we emphasize that Sweden has employed a combination of the visible handshake, active workforce policy, wage policy of solidarity, and profit taxation to enhance the social bargaining index (B). As these policies extend beyond wage policies, we will refer to them as the ”wage cooperation policy.”

3.3. Reduction of External vulnerability

In the RM model, the reduction of external vulnerability holds paramount importance, yet it is an aspect that is not frequently mentioned upon in the literature. Even in the mid-1970s, Sweden maintained low unemployment rates while sustaining an inflation rate that was consistent with that of other countries. This was demonstrated in table 1, which reveals that while the Swedish average unemployment rate between 1974-1983 was 2.3%, it was 8.2% in Belgium, 7.2% in Italy, and 7.3% in the Netherlands (Maddison 2007). Furthermore, the price index for the period (1974-1983) exhibited a variation of 10.2% in Sweden, below the Western Europe average computed by Maddison (2007, p.134) at 11.2%. This scenario provides concrete evidence of the significance of characterizing Sweden as a unique country resilient to external upheavals.

The Bretton Woods agreement in the 1940s led many countries to adopt capital controls to prevent exchange rate instability until the mid-1970s and 1980s. Sweden, however, took additional measures to protect itself against foreign capital flight and currency crises, which is why the country adhered to the fixed exchange rate regime until 1993 (Erixon 2008, p.374). In addition to capital controls and exchange rate management, measures also employed by other countries, Sweden's protection strategy included the implementation of RM plan policies aimed at promoting industrial structural changes to strengthen the balance of payments (Meidner 1986).

The Swedish industry during the RM plan period can be represented by dividing it into an exposed and shielded (from external competition) sectors, which is a characteristic that many peripheral countries still exhibit today. This division highlights the need for the exposed sector to increase productivity and maintain the external competitiveness of its products. Nonetheless, the shielded sector bears the burden of reduced labor demand by

Table 1. Unemployment and Consumer Price Index Variation in the period 1973-1984

Country	Unemployment	CPI Variation (%)
Sweden	2.30%	10.20%
Belgium	8.20%	8.10%
Finland	4.70%	10.50%
France	5.70%	11.20%
Germany	4.10%	4.90%
Italy	7.20%	16.70%
Netherlands	7.30%	6.50%
Norway	2.10%	9.70%
United Kingdom	7.00%	13.50%
Ireland	8.80%	15.70%
Spain	9.10%	16.40%
Western Europe Average	6.05%	11.22%
Australia	5.90%	11.30%
Canada	8.10%	9.40%
United Kingdom	7.40%	8.20%
Japan	2.10%	7.60%

Source: Maddison (2007, p.134).

the other sector. Meidner (1986, p.91) mentions the price of foods (Swedish shielded sector) increasing above the consumer price index for years, for instance. However, the unions' report of 1960 emphasized that workers' support for policies that stimulate innovation in the exporter sector was fastened to a public policy that reduces the balance in the back of workers. Furthermore, the report recommended that the public sector ensure sufficient availability of good quality food in a variety that matches the domestic consumers' preferences. In other words, the export encouragement policy was followed by other policies that aimed to ensure the domestic supply of products that matched the residents' demand, especially those worse off.

According to Esping-Andersen (1990), wage growth moderation was even more pronounced during periods of the higher balance of payment constraints aimed at increasing the external competitiveness of domestic production. However, in addition to compensatory policies for workers' sacrifices, training programs played a significant role in raising productivity and reducing firms' costs. Moreover, the active workforce policy was crucial in reallocating workers to a different function while reducing the training costs of export firms, making them even more competitive (Meidner 1986).

Swedish unions were aware of the importance of fostering the external competitiveness of the domestic industry and created an institutional structure of R&D divided into three levels: Central, Regional, and Local (Meidner 1986, p.94). At the central level, unions contacted universities and research institutes to collect proposals for structural change policies to discuss with unionists at the regional level through conferences and workshops. The discussions at the regional level became strategies to offer to firms at the local level to participate actively in the development of work and production. In a complementary manner, there was a targeted credit policy for R&D projects based on the fund composed of extraordinary profit taxation. Furthermore, in the late 1960s, the Government also began subsidizing long-term credit for export companies from underdeveloped regions through state credit companies created for this purpose(Quintas and Ianoni 2021).

Regarding external vulnerability, Sweden distinguishes itself from other countries of that era by utilizing the welfare system and wage cooperation policy as tactical tools to improve its balance of payments situation. This broader strategy allowed the country to navigate the two oil shocks in the 1970s and the 1980s at a more leisurely pace compared to most countries with a parallel framework, which had to convert before 1993 to a flexible exchange rate regime (see Crouch (1985) for instance). The delay in letting the currency fluctuate is crucial to avoid exchange rate shocks that can propagate the conflict distributive for the economy and breed an inflationary shock even higher than the immediate impact, as pointed out by Bastian and Setterfield (2020). Consequently, it is notable from the perspective outlined here that the reduction of external vulnerability is a pivotal factor for economic stability, as defined in Meidner's (1969) terms. Despite the inflationary increase in Sweden after the oil shocks, the foreign competitiveness of domestic production and income distribution remained stable.

Hence, we read the reduction of external vulnerability as the third factor Sweden used to increase its social bargain index when the economy stayed at full employment. As previously mentioned, this was achieved through a combination of five elements: 1) Foreign capital controls; 2) Matching the domestic supply structure with the domestic demand; 3) training program of the labor force; 4) an institutional structure of R&D; and 5) target credit to finance the R&D projects and export sector. In addition, the wage cooperation policy was closely linked to this reduction in external vulnerability in three distinct ways. Firstly, wage moderation in the most challenging times gave the required competitiveness to the exporting industries. Secondly, profit taxation, enabled by the cooperation policy, raise the necessary fund to beneficiate strategic sectors regarding the balance of payment concerns. Finally, the training program played a crucial role in the labor force reallocation to more technologically complex sectors, reducing the costs of these firms to hire workers that have never worked in this area.

Table 2 summarizes the main RM model characteristics discussed in this section:

Table 2. Main Characteristics of Institutions

Institutions	Welfare System	Wage Cooperation Policy	External Vulnerability Reduction
Main Characteristics	Universal	"Visible handshake"	Foreign Capital Control
	Harmony between economic growth and welfare system	Active workforce policies	Supply structure and domestic demand match
	Active participation of unions	wage policy of solidarity plus extraordinary profit taxation	Training program
	Building of homes		Institutional structure for R&D
	Strong role of municipalities		Targeted credit for strategic sectors
	High participation of public jobs		

Source: Authors' elaboration

This section summarized some institutional elements responsible for the success of the RM plan in dealing with the kaleckian dilemma. The following section will investigate how the Job Guarantee program could reproduce these features.

4. Job Guarantee Program: The "fourth way" to full employment.

Hyman Minsky was an economist whose ideas were greatly influenced by Kaleckian theories [10]. His concerns about the impact of economic cycles on the underprivileged led him to develop an alternative approach to achieving full employment. Similar to Meidner (1997), who advocated for "full employment and equality," Minsky argued in his 1965 work that full employment was a weapon in the "war on poverty." Recognizing the adverse effects of economic crises on the poor, Minsky (1965, p.1) stated that only a job creation program that "accepts individuals as they are" could ultimately win this war. In sum, since the Government is the only entity that can separate the decision to hire from job profitability, it should be responsible for maintaining a constant and totally elastic labor demand.

In addition to achieving full employment, Minsky (1969a, p.53) was also concerned with regulating it. He aimed to reduce the wage gap between the highest and lowest earners in the labor market. According to Minsky (1969b), the *Employer of Last Resort* should play a regulatory role by setting a wage floor that private companies should match. The program's wage should increase above the labor productivity rate, while the highest wages

[10] For further details on the influence of Kaleckian theories on Minsky, see Minsky (2013).

in the labor market should increase compensatorily below this rate in order to maintain some form of ”social harmony” (Minsky 1969c, p.56). In other words, the creation of new jobs should not intensify conflicting claim and harm workers already in the market.

In the early 1990s, Hyman Minsky was mostly recognized for his “Financial Instability Hypothesis.” However, it was not until the mid-1990s that his proposal for an ”Employer of Last Resort” program received renewed attention in academic circles. One of Minsky’s students, Randall Wray (1997), revisited the proposal and made significant progress in exploring the financing of such a program, which Minsky himself had not investigated. Despite Wray’s contributions, the evolution of Minsky’s proposal did not cease, and in light of Tcherneva’s recent work (2018, 2020), the program is now referred to as the “Job Guarantee.” This relabeling is likely an attempt to mitigate any stigma associated with the term “last resort.”

Although Tcherneva (2018, p.62) makes reference to the Swedish case as a straightforward illustration of the coexistence between full employment and price stability, there exist a multitude of similarities between the RM model and the Job Guarantee. Wray (2007a, p.3), explaining the rationale behind the implementation of a Job Guarantee scheme, argues that it would operate as an active workforce policy bearing a striking resemblance to those expounded upon in the last section by the figure 1:

> Economic growth can raise demand and output in the leading sectors, inducing rising prices that feed through to CPI-measured inflation, even with substantial unemployment across the economy; conversely, employment can rise without raising prices if it occurs in lagging sectors that operate below capacity (Wray 2007a, p.3).

Based on these points, we contend that the Job Guarantee is a “fourth way” to full employment once it mixes the budget deficit proposal with the income distribution one, plus an active workforce policy. Unlike the three ways to full employment described by Kalecki (1944), the Job Guarantee has the particularity of not depending exclusively on traditional demand spurs. Like the RM plan, the Program could open the possibility of demand spurs ceasing just before the full capacity stage, and the Government would demand the excess labor not employed so far. Furthermore, the Program’s institutions would have to ensure workforce reallocation among sectors as previously described.

The literature that followed Minsky’s work on the Job Guarantee (Minsky 1965, 1969a,b,c, 1986) has identified several additional desirable features to achieve its expected outcomes. Of these, three stand out: the creation of local job positions, the promotion of production geared towards local consumption, and the establishment of training programs (Tcherneva 2018)[11].

The first desirable feature to highlight is the creation of local job positions with wages settled at the federal level. Despite this fact, the jobs’ destination should be a regional choice regarding the local necessities and the community’s understanding of what would be its best use (Tcherneva 2018; Wray 1997). This desirable feature echoes two of the characteristics identified in table 2: the welfare program’s universality and the role of the municipalities. The decentralization of the Program administration increases the political cost of putting an end to it, as demonstrated by the example of the one million homes program, which was ended only in the 1990s, despite the Workers’ Party leaving the Government in the 1970s. As the Job Guarantee program’s implementation requires coordination across different levels of public administration, lessons from the Swedish example suggest that this coordination could be used to align local policies with the country’s strategic interests. Firstly, job creation should meet local public service and goods production needs, and secondly, it should introduce workers to labor activities that are strategically important for the country. The supply of labor with more technological complexity, for instance, could help the labor force reallocation suggested in figure 1.

According to Tcherneva (2018, 2020), the Job Guarantee program should focus on meeting the needs of disadvantaged neighborhoods. To this end, the program should provide a range of public services, such as child and elder care, after-school activities, educational classes, artistic and recreational projects, maintenance of public spaces, community safety, production of organic food, and other services as required by the local community.

[11] In Tcherneva (2018, 2020) the reader might find a detailed list of features that program can present. Here we picked up only the features that we consider useful to deal with the kaleckian dilemma.

The provision of such services would constitute a non-monetary benefit in the form of public welfare services for those participating in the program, as well as for members of the wider community living in the areas benefiting from the program. The availability of these services would reduce the financial burden on low-income individuals who would otherwise have to pay out of their own pockets for such services.

The provision of goods and services under the Job Guarantee program has the potential to enhance labor productivity and promote social harmony through economic growth and welfare policies, as presented in Table 2. This program offers services such as child and elder care, which can reduce the unpaid work burden of low-income workers who lack access to paid care services, thereby positively impacting their work behavior. Furthermore, the Job Guarantee program may offer non-monetary benefits such as organic food production and artistic and recreational projects that improve the quality of life of workers (Tcherneva 2018). Another potential benefit of the program is the buffer stock of employment operated in housing construction, similar to the Swedish “one million home“ project. These benefits are part of a broader welfare system that aims to function as a counterpart to wage coordination policies that can moderate wage growth.

Thus far, we have delineated two features of the Job Guarantee program: the creation of local job positions and the provision of goods and services for the local community. These features address five characteristics presented in Table 2, namely: the programs’ universality, harmony between growth and welfare system, the strong role of municipalities, the high participation of public jobs, and the meeting between supply structure and the domestic demand.

Finally, the Job Guarantee proposal emphasizes the significance of the training program, as highlighted by Wray (2020). The workers enrolled in the program must spend an equal amount of time in both labor and training activities. The training component should prepare these workers with the necessary skills to compete with others regardless of the time spent unemployed (Kaboub 2007). In the RM plan, the training program was part of the active workforce policy that aims to increase labor productivity, reallocate labor supply, and reduce firms’ hiring costs associated with training, all of these seeking to moderate wage bargain and reduce the external vulnerability (Meidner 1969).

Therefore, table 3 summarizes the characteristics listed in table 2 and distinguishes between those intrinsic to the Job Guarantee program and those that can be replicated through three desirable features identified in the current literature. Thus, the characteristics not classified as intrinsic or listed by the desirable features constitute lessons from the RM model this piece proposes to incorporate.

Thus, according to table 3, the wage cooperation policy is one crucial lesson stemming from the RM model. As previously argued, the wage cooperation policy must come together with a central bargaining council whether the Government plays an intermediary role in the wage settling bargain between firms and unions. Although not an inherent characteristic of the Job Guarantee program, we strongly recommend the adoption of a central bargaining council based on the lessons from the RM plan. In this council, the Government could meet employer’s associations of each sector, unions, and other class entities interested in the matter to negotiate wage readjustments for each category, with the aim of achieving fair remuneration according to the job profile, similar to the wage solidarity policy of the RM plan.

In accordance with the wage cooperation policy, we see extraordinary profit taxation as another desirable feature to include. This type of policy has historically led to a wage moderation that may adversely affect firms with lower productivity rates while simultaneously benefiting those with higher productivity rates. The latter group may then register extraordinary profits that can only be achieved through public intervention in the bargaining process. Therefore, it is suggested that some level of taxation be imposed on these profits, aiming to support the program’s administrative costs. Although the Federal Government does not need taxes to finance its spending, as argued by Kalecki (1944) and Wray (2020, 1997), the budget deficit might assemble private interests against the Job Guarantee expenses. Conversely, taxing those highly productive firms will split the interests into two parts: one part of the capitalists will benefit from the taxes that aim to put them compete on equal footing with another part, which will oppose them. Hence, such taxation will break the bias of the budget deficit in assembling capitalists’ interests.

In conclusion, the third and final essential lesson that can be learned from the RM plan relates to foreign

Table 3. Rm Plan vs Job Guarantee

Main characteristics of the RM plan	Job Guarantee (JG) program's characteristics
Universality	Intrinsic to JG.
Active workforce policies	Intrinsic to JG, according to Wray (2007b).
High participation of public jobs	Intrinsic to JG.
Strong role of municipalities	Replicated by regionally defined job posts.
Meeting productive structure with domestic demand	Replicated both by production aimed at serving the local population and by the training program enabling labor reallocation.
Training of the workforce	Replicated by the training program highlighted in Wray (2020) and Tcherneva (2018)
Harmony between economic growth and the welfare system	Replicated by the institutionalization of local job posts producing services to meet local workers' needs.
Housing construction	Possible to be incorporated by the generated jobs.
Active participation of unions	Not replicated in the current literature.
"Visible handshake"	Not replicated in the current literature.
Foreign Capital Control	Not replicated in the current literature.
Wage solidarity with profit taxation	Not replicated in the current literature.
R&D institutional structure	Not replicated in the current literature.
Targeted credit to export sectors of the economy	Not replicated in the current literature.

Source: Authors' elaboration

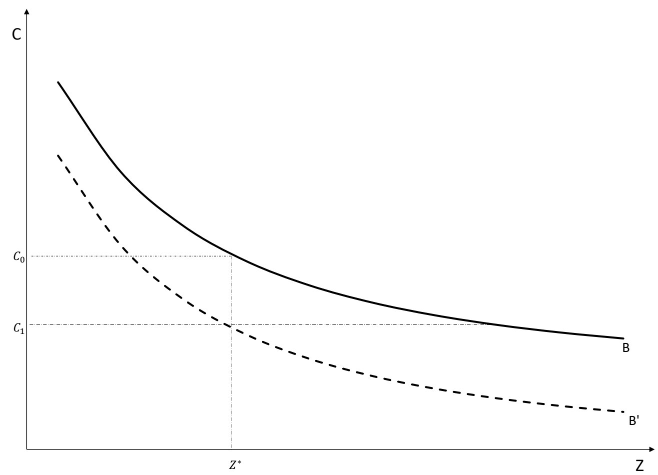
capital controls, which prioritize long-term investments rather than short-term ones. By implementing sanctions on speculative capital inflows, the risk of significant overnight currency depreciation due to the flight of foreign capital to core countries can be reduced. The low external vulnerability of Sweden during the RM era enabled the country to be better protected against abrupt changes in the social bargain index due to external shocks than its peers. Although it is acknowledged that the current may turn impossible to replicate the exact degree of external exposure present during the Bretton Woods period, a combination of policies, such as the provision of goods and services focused on domestic consumption, workforce reallocation through training programs, and capital controls, could alleviate the Balance of Payment constraints, especially in the case of peripheral countries.

Now suppose that the above list of desirable features is fully integrated into a Job Guarantee program. In that case, it would enhance the program's capacity to manage the intensity of distributive conflict (Z) whilst simultaneously reducing the cost of unemployment (c) of equations 1 and 2. Graphically, this effect can be represented by a downward shift in the B curve from B to B', given that B has a negative impact on Z.

In this context, the convergence of a welfare state, wage cooperation policy, and a reduction in external vulnerability could potentially sustain the equivalent level of distributive conflict intensity (Z^*) while simultaneously upholding a lower unemployment cost ($c_1 < c_0$). Most likely, the specific Swedish political environment preceding the RM plan, along with the geopolitical circumstances of that era, rendered a certain degree of distributive conflict intensity feasible, a level that is currently challenging to reproduce. Nonetheless, the replication of its institutional framework may replicate its outcomes, albeit to a lesser extent[12]. Whether the new Z level can trigger an uncontrollable conflict assertion hinges on the response of capitalists. However, the Job Guarantee Program mitigates the probability of such an occurrence by curtailing the Z level. When we consider full employment as a target, the Kaleckian dilemma indicates that pushing the economy towards this target sets off forces that work against it, primarily due to political factors. Thus far, we have highlighted some factors that, when activated,

[12] This concept can be visually represented as a curve between B and B'.

Figure 2. Conflict intensity (Z).



Source: Authors' elaboration based on Kriesler et al. (2020)

might act as resistance against these political forces, preventing the economy from deviating further from the full employment target. The Job Guarantee could render the full employment level less conflict-prone than it presently is within the current labor-capital relationship. This capability could enhance the program's resilience when confronting the political barriers inherent in implementing a full employment policy in a capitalist society, as advocated by Tymoigne (2013, p.85).

It is worth noting that a possible limitation could arise in the case of a low aggregate demand level, in which only the Job Guarantee would be implemented to foster full employment. We can see this situation by a line below the x-axis in figure 1. Meidner (1969) contended that a positive growth rate at a stable level is necessary for the active workforce to deliver the desired outcome, as illustrated in Figure 2. Otherwise, the degrowth burden's distribution among society could intensify the conflict claims and decline the union coverage rate and the agents' adhesion to the agreed terms. In such circumstances, the policy could not ensure a positive effect on B. It bears mentioning that Minsky's (1986) recommendation of a Job Guarantee program was part of a broader set of economic policy proposals. Initially, Minsky (1986) proposed that the Central Bank should serve as the Lender of Last Resort (*Big-Bank*), avoiding asset deflation during a crisis and ensuring adequate liquidity for the system's healthy functioning. Second, the Government should act as the Big-Government to bolster effective demand through its fiscal policy. In this framework, the Job Guarantee program would be a practical policy suggestion within the Big-Government role. Hence, although the Job Guarantee stays in the spotlight in this paper, the traditional monetary and fiscal policies are essential features of a broader economic plan to push demand close to full employment and complement the strategy with a program like the one described here.

5. Final Remarks

Kalecki not only demonstrated the technical procedures for achieving and maintaining full employment but also identified three reasons that would dissuade capitalists from supporting this situation, though both workers and capitalists would benefit from it. This conundrum, known as the kaleckian dilemma, lies in the capitalist's class antagonism due to the level of the distributive conflict.

Nevertheless, despite the fact that class antagonism is a constant in capitalist societies, the Swedish RM plan (1951-1980) could deal with such a dilemma for over three decades. In this context, even though workers' economic and social bargaining power has risen, their wage demand was contained through government mediation, and the benefits came in the form of a welfare state. As Kriesler et al. (2020) explains, the Swedish model lowered the intensity of distributive conflict by increasing the social bargain index.

The third section of this piece outlines the main characteristics of the three institutions that enabled Sweden to handle the social bargain index to overcome the kaleckian dilemma. The first institution was the welfare system which was marked by its universality, regional structure, generation of public job positions, and working as the counterpart of the wage growth moderation that made it possible for the working class to get its demands satisfied by a mechanism out of the private labor market, enabling a harmony between economic growth and welfare system. Secondly, we introduced the wage cooperation policy as a Swedish institution that combined the policy of wage solidarity, which allowed extraordinary profit taxation, with the "visible handshake" and the active workforce policy. According to this institution, wages were settled by a council at the national level with a high coverage rate and widely accepted by workers of all sorts. Lastly, we also list the reduction of external vulnerability as an institution erected by the RM plan. Although the plan was situated in the Bretton Woods era, which was marked by capital controls and less exchange rate variability, Sweden went further and used active workforce policies, targeted credit, and R&D structure to put its exports to compete on equal footing in the global market. Each of these institutions played some role in increasing the social bargain index that enabled stabilizing the conflict claims even in a full employment situation over three decades.

In the section that followed the lessons from the RM plan, we revisited the Minsky proposal of an Employer of Last Resort as a "fourth way" to full employment. Minsky's scheme, also defended by Kaboub (2007); Tcherneva (2018); Wray (2007b) as Job Guarantee, would combine the Kaleckian policies of the budget deficit and income distribution with an active workforce policy. The Kaleckian policies (budget deficit with income distribution) would stop just before full employment to avoid overheating specific sectors. Meanwhile, an infinitely elastic public demand for jobs ends once and for all with involuntary unemployment, mitigating the impact of economic cycles on vulnerable workers. Besides working as an automatic stabilizer, which contrasts with a discretionary fiscal policy that can easily be reverted from a political viewpoint, Job Guarantee could incorporate the desired features highlighted in this work to address the Kaleckian dilemma.

Thus, the fourth section examined whether the Job Guarantee's desirable features could reproduce the RM model characteristics. Among the six desirable features listed to reproduce the RM's outcome, three of them have already been mentioned by the current literature: local jobs, training programs, and production targeted at serving local consumption. Nevertheless, seeking to reproduce all the lessons from the RM plan, this paper suggested three other desirable features: wage cooperation policy, extraordinary profit taxation, and foreign capital control.

It is important to note our recognition of the weight of the kaleckian dilemma within a capitalist monetary production system. Our objective was to provide some theoretical institutional elements that have previously enabled a country in such a system to better manage the distributive conflict arising from full employment. Therefore, this paper contributes theoretically by proposing a Minskian full employment scheme that has the potential to replicate these institutional elements. The next step would be for each country to determine whether such institutions align with their goals, and the rest, as Meidner used to say, would be a matter of "social engineering."

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