Environmentally Economic Development with Dignity: A Theoretical Plan for Full Employment in Ethiopia

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High unemployment accompanied by rampant inflation which persists in Ethiopia cannot be solved without appropriate adjustments in real income and factors of production. Because of insufficient and ineffective demand, according to the Keynesian monetary and fiscal demand model, it is assumed that unemployment would be countered and the economy stimulated by an increase in money supply, a reduction in taxes, or an increase in government spending. As the Keynesian demand policies failed to show remarkable results, policy makers attempted to use a combination of Keynesian and Neo-classical models to tackle the problems of stagnating economies. However, a number of countries didn't realize any significant results in their economies as a result of using this new approach. Nevertheless, based on the economic thinking initiated for developed countries by heterodox economists (that draw from radical, post-Keynesian, and institutional economic theories), in the last few years this method has been adapted by a number of developing countries to eliminate unemployment and provide price stability (See for example, Kregel, 1991, Kaboub, 2007, and Wary, 1997).

The "Employer of Last Resort" (ELR) - led model of development is inconsistent with the interests of *laissez-faire* capitalism, therefore it is not yet fully conceptualized as a cutting-edge model for mainstream development economics. In solving cyclical types of unemployment, the policy of the Employer of Last Resort (ELR) focuses on the guarantee of full employment by governments to those who are ready and willing to work for a basic wage (Wary (2007). This is not an emergency program or a substitute for private employment. The ELR is a permanent, government-initiated program for full employment and is complemented by private sector employment. By increasing economic incentives for investment and substantially reducing costs of production, the ELR stimulates productivity, lowering unemployment and inflation. The ELR also plays a vital role in stabilizing the economy by minimizing the occurrence of business cycles (economic fluctuations) and is supposed to achieve sustainable development in the long run (Becker (1993). Realizing that productivity and full employment must respect fundamental rights at work as it strives to achieve sustainable development, the United Nations World Summit of 2005 and the Economic and Social Council (ECOSOC) of 2006 encouraged placing productive employment and decent work regulations into economic policy and to utilize the ELR economic model in strategizing their development plans (Wary, 2007).

Adherents of the "Employer of Last Resort" strongly believe that ELR is an "automatic stabilizer" because its perfectly "elastic supply" of ELR jobs can accept the demand of ELR vacancies, with government spending stimulating private sector demand, thereby expanding private sector employment trends. If public investments don't interfere or compete to crowd out the private sectors, workers from the public sector would be drawn off automatically from the ELR rolls and reduce government spending. As narrated by Kaboub (May 2007), though undermined by the rise of neo-liberal political economic models of the 1980s,

> *…ELR literature began to blossom in the 1960s with the work of Hyman Minsky who argued that the government should act as employer of last resort to ensure an infinitely elastic demand for labor, thus creating an automatic stabilizer mechanism through which the size of public sector employment would expand during recessions to absorb unemployment labor, and conversely it would shrink during economic expansion to allow the private sector access to labor power at the a premium above the ELR-wage.*

However, it needs to be noted at this juncture that full re-employment of all those who are affected by increased mechanization and technological changes can not be fully sustained (see for example, Palley, 2001). To counteract these circumstances Murray suggests that since the unemployed suffer the dual disadvantage of having previously acquired but inadequate skills and also the lack of new skills, the ELR program can tackle this problem by offering continuing on-the-job training programs because of the government's financial capacity (creates or supplies fiat money) to pay for these programs. Also, public sector employment can forgo automation and remain labor intensive, a luxury not practical for the private sector in capitalist economies (Murray 2010). Kalecki (1943) also argues that government stimulants can actively pursue full employment to provide for the welfare of its citizens if it undertakes public investments (i.e., building schools, hospitals, and highways, or subsidizing mass consumption by providing family allowances, reduction of indirect taxes, or providing subsidies to keep down prices of necessities). Such government expenditures increase employment and stimulate demand for goods and services from the private sector resulting in aggregate output and employment in the private sector with a resulting fall in output and employment of the government ELR sector. For example, it was estimated that the cost of financing the ELR program ranged from less than 1% of GDP for the Unites States to about 3.5% of Australia's GDP (Mitchell, W. Watts, M. (1997), but had if it had taken the multiplier effects of income earned by ELR workers it would have been insignificant. Since the ELR is a national program, its implementation has to be evaluated at the local level. Employees in the ELR program purchase goods and services from other businesses in the region and increase the multiplier effect of the ELR program. (See for example, Murray, 2010).

As succinctly argued by Murray (2010), the Employer of Last Resort approach can achieve both macro goals of full employment and environmental sustainability. Estimating the structural, technological, and population growth rates is very challenging, and taking Ethiopia as an example, where agriculture is the backbone of its economy, about 80% of the population depends on agriculture. Therefore, the excess labor that arises as a result structural and technological changes could easily be dealt with if the government would concentrate on labor intensive types of activities. Given that Ethiopia is endowed with abundant natural resources, utilizing The Employer of Last Resort program for full employment would present the greatest potential for development of domestic resources and for resolving the types of unemployment problems that might arise because of structural and technological changes. Therefore, public sector jobs generated in Ethiopia under the ELR program should be designed to promote not only economic development but also to solve ecological problems (see for example Lieuw-Kie-Song, 2009). The central question of the remaining section of this paper is: can decentralized community-based employment dynamics, funded by Ethiopia’s national government, be strategized to achieve a dignified and environmentally sustainable development?