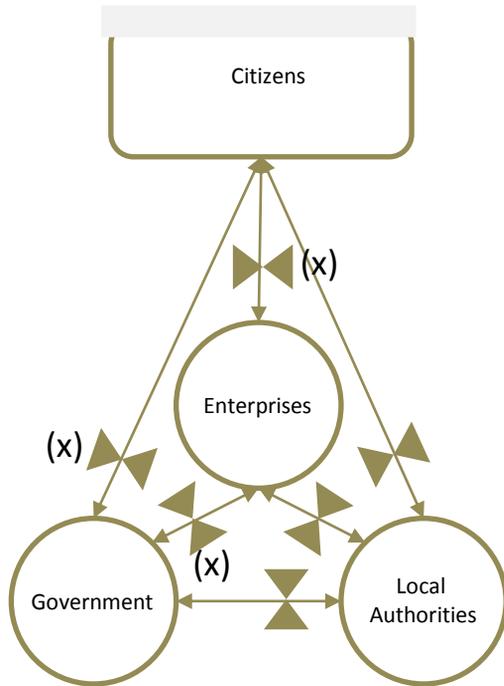


Overview



FULL EMPLOYMENT MECHANISM

Point of control:

- VAT taxation, employers' tax, personal taxes.

Purpose:

- Increases spending power of citizens

Effects:

- Increased spending increases employment

Mechanism:

- Increased spending power announced and adjusted until changes achieved.

Psychological effects:

- More money to spend gives security.

Existence of mechanism and its transparent use

Works with:

- Pollutant fees, stimulus to invest in sustainable infrastructure

Full Employment Mechanism

Citizens are the source of all wealth in the economy (all organizations are owned in one way or another by individuals). Money flows can create prosperity. The more money that flows into the economy from citizens, and then back, the more jobs are created and the more prosperous society can become.

Prosperity, though, needs to be achieved within limits of nature and within other constraints like equity and food security. Some kind of control regulation is needed. Thanks to modern digital information technology, governments and their agencies, the elected and employed representatives of citizens, can exert control over the economy so that it fulfills its objectives.

The model on the left represents aggregated citizens' liquid funds as accumulated in a bath tub. Money flows (for example as monthly bill payments) to enterprises and government and local authorities. In healthy economy money flows back to citizens again in sufficient amounts for them to be able to purchase at food and a roof over their head. From here, the cycle repeats.

The triangular symbols represent points for taxation and subsidy. At these points, control on the whole economy can be exerted by controlling the behavior of the actors. Behavior controls regulate things like resource extraction from nature, emission of pollutants and levels of employment.

For authorities to gain a clear view of the way the economy is functioning, measurement points for each of the actors in the system show performance on key indicators like unemployment rates, homelessness, levels of malnutrition, etc.

At points (x) discounts/surcharges on existing instruments work to increase or decrease the relative spending power of citizens.

Consider times of austerity: a temporary increase in spending power during value added tax reduction (VAT holiday), for example, would encourage citizens to spend more, resulting in higher demand for labor. The VAT holiday could be relaxed as employment reached its maximum. At this point, prosperity would be increased so more money can be directed to government.

Regular adjustment

These kinds of controls are not “implement and forget” types of instrument. On the contrary, they need fine tuning regularly, as often as citizens pay their bills. For example, the VAT holiday can have discounts deepened and the period extended until purchasing levels increased. Thanks to modern information technology the information is available at these time intervals.

Who makes the decision?

The monitoring of economic performance and decisions to alter the rates can be performed by a government body overseen by central government.

Transparency drives a functioning market. For the market to function, transparency of economic performance figures and the levels of rates are essential. If citizens see that a deep VAT discount is planned for three months, then they will plan their budgets accordingly. If they see employment is rising they will also feel more comfortable spending their money.

Key points

Modern Information technology allows dynamic control of the economy

The engine of a healthy economy is citizen spending

Control mechanisms include discounts and surcharges on existing taxes

Several mechanisms need to work together holistically to ensure proper functioning.

Holistic management. The employment discount is just one instrument in place. Others work in synergy to, for example, reduce levels of natural resource depletion, or to decrease pollution.

For more information, see the TSSEF website. You can download more briefing papers on the other instruments like pollutant surcharges and housing interest rate controls.

Simulation. One way to understand the dynamic, synergistic effects of various mechanisms is to follow a simulation. For more information see our website.

For Information:
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