

# The Mosler Afghan Economic Development Plan

**Warren Mosler**

AVM, L.P.  
250 South Australian Ave., suite 600  
West Palm Beach, FL 33401 U.S.A.  
Phone 561 655-4900  
Fax 561 655-3059

[warren.mosler@avmltd.com](mailto:warren.mosler@avmltd.com)

## I. Introduction

The backbone of all societies is public service. The legal system, educational facilities, transportation infrastructure, water and sewer infrastructure, and environmental standards characterize any modern economy. The Mosler Plan presents an institutional framework for implementing a paid, national service program that will both provide the essential public services and foster private-sector development and growth. It is internally stable and requires no external finance.

The Mosler Plan empowers the national government with the means to provide paid public service jobs to anyone willing and able to work. By providing a means for the government to employ all available unemployed labor in the public sector until private sector demand for labor increases, public infrastructure is developed and a peaceful and prosperous environment is promoted. Throughout history a government that can provide full employment and prosperity has always commanded the respect of both its citizens and the world at large.

## II. National Service Hours: Program Outline

1. The Afghan Government will impose a requirement that all residence owners submit receipts for 200 hours of qualifying national service per residence per year, including both single family and multi family residences. This requirement is to submit **receipts** for public service, which means that residence owners have the choice of doing public service work themselves or obtaining the receipts from someone who either earned them through public service work for the government or otherwise obtained the required receipts.

The direct effect of this requirement is the creation an immediate need for public service receipts by residence owners. This incents them to either apply for public

service work with the Afghan Government to directly earn the needed receipts, or offer for sale goods and services to other private citizens in exchange for the needed receipts.

2. The government will offer qualifying national service employment to anyone willing and able to work. The national service requirement imposed in (1) above causes residents to seek employment that pays them the receipts needed to satisfy their requirement. And, as employment is offered to anyone seeking it, those who own residences will readily be able to earn the receipts necessary to preserve ownership of their property.

3. The government will issue freely transferable (paper) receipts for the number of hours worked with the inscription: 'Receipt for national service for the nation of Afghanistan,' with denominations of 1, 5, and 10 hours. Additionally, receipts could be further subdivided, perhaps into ten '6 minute' coins.

The suggested annual liability of receipts for 200 hours of service represents about four hours per week, which is about 10% of a typical work year. (The Afghan government will, of course, determine the actual number of hours of the requirement.) ANSR's (Afghan National Service Receipts) are freely transferable and can be acquired either directly from the Afghan government through public service or from others who earned them from the government

### **III. Implications**

#### **Automatic Full Employment**

Anyone willing and able to do public service work in return for ANSRs will be given employment by the government. Residents will desire to be employed in exchange for ANSR's because they either have a requirement to submit them, or because they will see that real goods and services being offered for sale in exchange for ANSR's by others who need them.

Total ANSR Issuance of Receipts is Market Determined. The quantity of receipts issued by the government is 'market demanded' as workers can obtain as many receipts from the government that they are willing to work for.

#### **No Government Debt and No Payment of Interest**

With the Mosler Plan the Afghan government has no need for finance or borrowing, and there is no government involvement in the payment or receipt of interest. It is therefore compatible with both Shari'a and Western law.

#### **The Value of an ANSR**

The market value of a one hour ANSR will be a function of the difficulty of obtaining ANSR's from the government. Value is determined in the marketplace by what other residence owners would pay to buy ANSR's from someone else, rather than do the

public service work themselves. Therefore, the more difficult the public service tasks, the higher the market value of the ANSR.

The value of the ANSR is therefore independent of the quantity issued or received by the government, providing that the government only issues ANSR's for public service labor and does not refuse to hire anyone willing and able to work. As long as workers must work for an hour to obtain a receipt for one hours work, the value will remain equal to one hour of labor. It will be internally stable without foreign exchange reserves and independent of international trade balances.

#### **IV. Expanding the Government's Use of ANSR's**

This analysis has been limited to public service labor. However, it is likely that shortly after the program is initiated, many other goods and services will be offered by businesses and individuals in exchange for ANSR's. This will be a function of the number of ANSR's residence owners, at some rate of exchange, would rather trade something than do the actual public service themselves. These people may be fully employed at other occupations, or simply prefer other types of work than the public service positions available.

At this point the government will have the option of purchasing these other goods and services with ANSRs. As before, spending will be operationally limited only by what is offered in exchange ANSRs. However, this additional ANSR spending does reduce the need of residence owners to obtain ANSRs through public service labor. This in turn will reduce the amount of public service labor they offer to the government. Therefore, ANSR spending by the government beyond that of public service labor should be limited so as to make sure a credible number of workers must still seek public service employment.

It should also be anticipated that another class of government worker will be desirable. These will be individuals who have special skills (e.g., doctors, lawyers, accountants, engineers, teachers, etc.) needed by the government, but who earn more than the value of one ANSR per hour in the private sector. To attract these individuals to public service may require that they be paid "market wages" which exceed one ANSR per hour. As explained above, government spending of ANSRs on these individuals will reduce the number of hours worked by those given the stated rate of one ANSR per hour.

In summary, the government begins with the hiring of public service workers who will receive ANSRs stating their hours worked. As the program develops, the government will likely spend ANSRs on other things, with a careful eye on the degree that such other spending is reducing the volume (in hours worked) of public service labor. If the volume of public service work is considered too high, other ANSR spending can be increased and/or the residency requirement of 200 ANSR per year reduced. Conversely, if the volume of public service is considered too low, other ANSR spending can be reduced or the residency requirement can be increased.

#### **V. Automatic Stabilization**

When the program is initiated, the government should be prepared for perhaps 25% or more of the working age population to apply for public service work. It should carefully prepare a list of the types of work it wants done and set up a well-thought out system to utilize and monitor the results. Public service work could include all the usual governmental functions, including road building, water and sewage projects, staffing of the educational system, legal system, mail delivery, child care, environmental and cleanup activity, etc. Initially these are likely to be labor intensive activities that do not require extensive capital goods or energy consumption (recall that Rome was built without any 'modern technology,' and their roads are still being used today!).

With large numbers of workers being paid in ANSRs, private markets will develop. ANSRs in private hands will be used by individuals to hire workers previously employed in government public service. A drop in public-service work hours means that the government will then be issuing fewer ANSRs. This reduces the excess ANSRs in the hands of the private sector, thereby limiting private sector employment. There will always be full employment, but the mix between private sector and public sector employment will vary, as there will always be workers going from private to public employment, and vice versa.

The system works as a stabilizing force. For example, a drop in private-sector output that reduces private sector employment automatically increases public-sector employment. That puts more ANSRs in the hands of workers to spend in the private sector, which in turn raises private-sector employment. And everyone willing and able to work is working, either in the private sector or the public sector. There are never any unemployed workers.

## **VI. Enforcement**

The driving force behind the Mosler Plan is the requirement that residence owners submit ANSRs to the government. This requirement is only as good as the enforcement process. If the ANSRs are not paid, the government must have the right to sell the property and thereby attempt to collect the delinquent payments. The government need not even know who the owner is. This may seem harsh, but in practice the requirement is rather modest. Remember, public service work is always available, and any property owner need only work four hours per week for the government to receive the needed ANSRs. Anyone unwilling to do at least that much for his community should receive little sympathy.

It is also expected that the Afghan government would establish a policy for exceptions. For example, there could be exemptions for poor people that are disabled, aged, or suffering some other hardship.

## **VII. Potential Areas of Difficulty**

Many difficulties are inevitable in a modern society. These include crimes such as counterfeiting, forgery, and other types of fraud. And corruption in general can undermine any political entity.

There is one point of concern somewhat specific to this proposal. Single family residences are required to submit 200 ANSR per year, while multi-family residences have a requirement of 200 ANSR per year for each rental unit. This provides incentives for various manipulations, for example:

- (i) As many people as possible will want to be categorized as living in a single residential unit. This may lead to people taking steps to recategorize multi-unit buildings as single-unit buildings, perhaps by inserting a few doors into interior walls.
- (ii) People will want residences to be owned by an exempt person. The government will need to carefully determine the language of the ANSR requirement and be prepared to make adjustments if abuse becomes a problem.

## VIII. Conclusion

The Mosler Plan addresses many of the critical, immediate needs of the region:

1. Providing the Afghan government with the means to retain and expand its employees will allow it to build public infrastructure which will then be available for the immediate benefit of all. This includes roads, water and sewer systems, postal delivery, schools, hospitals, policemen, firemen, the legal system, etc, and administrators for all of the projects.
2. Keeping the population gainfully employed will tend to curtail political unrest.
3. As the ANSR rapidly gains recognition as a medium of exchange throughout the region private sector economic activity will immediately benefit and begin to expand.
4. The region will be financially independent as it sustains itself internally, and will never be held hostage to outside funding.
5. With economic growth comes social and political stability which then further enhances economic growth, and attracts both domestic and foreign investment. For investors, a secure, peaceful, profitable business environment is the prime attraction. Note that the US attracts the highest levels of foreign direct investment even though wages are relatively high.

The Mosler plan presents a sound, practical means of advancing as a nation. It is a plan for an internally stable system that entails no foreign interference, no foreign debt, and no external finance. With a financially independent government able to establish and maintain full employment, Afghanistan will reveal unprecedented economic power and prestige, while remaining far removed from financial burdens and instabilities that most emerging nations experience.

December 6, 2001