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WARREN MOSLER: Now, think about gold again. A bar of gold was never unemployed, you could always get a job of selling itself to the government at $35 an ounce. And the market could always buy gold from the government at $35 an ounce, so it was a fixed price, which is why we call a fixed exchange rate. In my base case for analysis, a person can always get a job at $10 an hour, whatever the numerator is, it could be anything, it doesn't matter, because everything else will reflect relative value.

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And employers could always hire somebody out of this pool at $10 an hour plus some spread to entice them to move maybe $12 or something. You had a constant two-way market in labor, 10 bid, 12 offer or something like that. That became the-- so labor was always fully employed. The point is, whatever you want your numerator to be, your buffer stock, it's called buffer stock as Benjamin Graham used to describe, your buffer stock is always fully employed.

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For my base case of analysis, I had the labor market, labor as a buffer stock, it was a labor buffer stock, so labor was always fully employed. And if you don't want that to be the case, and I can give you reasons why you would not want that to be the case, then you'd modify this base case in your actual operation.

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MIKE GREEN: Let's extend that for a second. Because you and I have talked about this ad nauseum, but most people have not had the opportunity to hear directly from your mouth, what would be a reason why you wouldn't use labor? The stated goal of the Federal Reserve is full employment and price stability.

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Full employment, to your definition, the only way we can guarantee that is effectively making sure that human beings are like a bar of gold and there is a fixed price at which they are always capable of exchanging their labor for dollars, regardless of search issues or anything else. Why would you not want that?

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WARREN MOSLER: Well, if you're an exporter, then you have no interest in the domestic market except you want your cost as low as possible. If you start the company in the country for dollars domestically, you create a race to the bottom, high unemployment. And it allows you in real terms, exchange rate adjusted terms, to have lower labor costs, you're what's called more competitive than the rest of the world.

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That works to the favor of the exporters who are large and politically powerful, because they're concentrated, and they have large numbers of money to influence politics. And you've got these export-driven models that have glorified the whole thing about whoever has the most exports wins. But if you think of real terms of trade, what you're doing is to the detriment of the macro economy. But politically, it's not seen that way.

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When President Trump wanted tariffs to get rid of our trade deficits, there was this big evil because they've got our money. And he had 95% approval, including the Democrats. And when Biden came in,

President Biden, he agreed and doubled down on them. President Trump was punishing Canada for not charging us enough for lumber with a 17% tariff. And President Biden wanted to punish them more, and he raised it to 34%.

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We've got this whole thing backwards to the benefit of the exporter. And, again, I don't think they should even have a seat at the table, the domestic agenda, because they don't have the interests of the domestic economy of the electorate at heart. It's just not what they're supposed to be doing. I'm not demonizing them for that, but that's just not what their incentives are.

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Now, the domestic manufacturers wouldn't care if everybody got a 10% raise, because everybody has 10% more money to buy their products. But they're not buying the exporters' products. He's selling them in another place. And he's being disadvantaged. Henry Ford famously said he has to pay his people enough to buy his cars. Now, it doesn't work on a micro corporate level, but across the board, it does hold true.

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We had some of our strongest years when labor and management were in cahoots, they have a big shove and gave labor an increase to match productivity, and then they all raised prices, and everybody was happy, except the exporters. We wound up getting hurt by import, that whole system was undermined subsequently by the internationalism and import. And the response to that has been to shoot ourselves in the foot or maybe the head economically by trying to play the same game.

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And President Obama made the statement that we need to consume less and export more, and it's wrong with the US because we had this trade deficit. And he puts Jeffrey Immel at the head of his economic policy, who is our largest exporter. It's insidious the way this happens, and it happens with universal support. The voters have supported this thing. They lent themselves to the slaughter, and they still do. They still support it. Anyway, I'd get off this pedestal.

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MIKE GREEN: Part of the reason, though, that they support it is because the narrative has been so corrupted under the dynamic. If I think about the exporter-driven model, and I just want to emphasize it, it's actually, yes, it is exporters, but really, what you're actually talking about is the privileged capital owning class that wants to produce in excess of what the domestic economy is creating so that they can effectively capture a higher fraction of income than would otherwise be available to them in an economy that was largely determined by domestic dynamics.

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WARREN MOSLER: Okay, there's lots of that, yeah.

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MIKE GREEN: We describe that system as America competing for investment. Are things made here? Or are they produced externally? Are they made elsewhere and then imported in? What you're actually highlighting is that narrative, that effectively the jobs are scarce, and we need to compete for those jobs is a choice rather than a factual description of the system.

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WARREN MOSLER: And it's an imperative with fixed exchange rates, like the gold standard. That's tailormade to support exporters, because your net exports are your increase in your gold supply, which they termed as national savings. Then they apply that word today, national savings, which has no applicability to floating exchange rate, it's your convertible currency that's held offshore is your loss of national savings.