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THE RISE AND FALL OF FULL EMPLOYMENT.

Part IV: Planners' Battle Cry: Full Employment,

by *Bertram Gross*

Promptly after Roosevelt and Truman were elected in November 1944, a small group of federal agency officials met at my invitation in the Senate Office Building. None of us felt that the campaign promises of jobs-for-all would be automatically translated into action by the legislature. But we suspected that a democratic planning system might permit all the single-issue panaceas then floating around to be brought together, so that planners could do two things: meet changing conditions, and adjust the plans from year to year. Thus, we concluded that we needed to replace centralized war-time planning with a democratic planning system established under law, so that the planners would be in a stronger position than the old National Resources Planning Board had ever been in. We also took seriously the 1880 advice of Chicago architect Daniel Burnham: "Make no little plans, they have no magic to stir men's blood and probably themselves will not be realized. Make big plans . . . Remember that our sons and grandsons are going to do things that would stagger us."

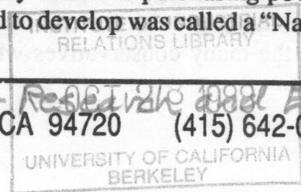
A Plan to Stir Men's Blood

But how could we avoid irresponsible charges that we were communist agents, or even routine dismissal as "pointy-headed bureaucrats?" And how could we get attention, with an enormous number of competing proposals then in the air?

One thing we knew: any plan for planning called "The National Planning Bill" would be DOA (dead on arrival). So we started with a title indicating substance rather than mere structure or process: "The Full Employment Bill of 1945." We followed up this rather stirring "handle" with a policy declaration using the exact words from Roosevelt's last State of the Union message: "Every American able to work and willing to work has the right to a useful and remunerative job in the industries, or shops, or offices, or farms, of mines of the Nation." Then we backed up this statement with the declaration that "It is the responsibility of the Government to guarantee that right by assuring continuing full employment."

Thus we sought to transcend confusing details and to capture the high ground of moral vision. We made no mention, however, of the other seven rights in Roosevelt's Economic "Bill of Rights." We simply took it for granted that any serious full employment program would include them. Besides, we felt that the bill would get more attention if it used the single full employment handle rather than trying to cover all the aims of our new national planning proposal.

Departing from the technocratic ideas then in the air, the bill first put the initial responsibility for economic planning squarely on the President, rather than on some body of experts. He was required to send a "National Production and Employment Budget" to Congress at the beginning of every session. This was the nation's budget, based on the economic activities of all businesses and consumers, and all levels of government, state and local as well as federal. It was intended to put the federal government's much more limited budget approach into the context of "a full employment level of the Gross National Product." We wanted to replace the traditional idea of a balanced federal budget with a new idea of looking at the nation's budget, namely, the GNP, so we could see what was required to attain economic balance by avoiding any deficit in purchasing power. What the President was required to develop was called a "National Produc-



tion and Employment Budget” in order to emphasize that the goal was jobs for the sake of useful output, and not for the sake of income alone.

Secondly, there was no new planning agency in the bill. The Bureau of the Budget played a major role in formulating the new concept of the nation’s budget. Long regarded as a bastion of conservatism, the Bureau was assigned the task of helping the President to carry out his new responsibilities. Thus were conservative symbols used to clothe the grandeur of a new-style coordination and planning process. And thus was strong Bureau support for the bill initially assured.

Third, to balance off the President’s new responsibility, the bill gave Congress a new agency to strengthen its role in economic policy. A Joint Committee would receive the President’s Budget, hold public hearings, and review it carefully. The Committee would then set forth its own conclusions, publicly, in a joint resolution, to be debated and voted upon in each house of Congress, and then sent to the President for his signature or veto. Finally, the Joint Committee would make its recommendations to the legislative committees in each house. Diverse economic interests could thus be represented in the political process as it operates in both branches of government. And the connection between the President and Congress would be through a continuing process, rather than through another agency, which Keyserling had suggested earlier, trying to represent both branches of government.

“The uncertainties of reconversion to a peacetime economy created an interest in economic planning among groups who would have thought the word synonymous with socialism, and perhaps treason, five years earlier.”

—Otis L. Graham, *Toward a Planned Society*

Fourth and finally, the bill provided for “last-resort” spending. The concept was that government must first encourage the highest feasible levels of employment by private enterprise without federal spending. But then, if those levels were not enough, the federal government would be committed to providing whatever volume of federal spending may be needed to assure continuing full employment.

By showing that the government “meant business” instead of indulging in empty promises, this provision warmed the blood in the veins of the Keynesian economists who had helped draft it. They felt uncomfortable with “rights,” a subject far removed from their professional training. Of course, the bill’s last-resort government spending provision was bound to evoke strong opposition from the many conservatives who saw John Maynard

Keynes as a later-day Satan, and lost no opportunity to castigate deficit spending.

Leon Keyserling opposed both the spending provision and the statement of the right to a job. Neither of these had appeared in his Pabst essay, in which he emphasized loan guarantees and annual interest subsidies instead of deficit spending. I disagreed, regarding the statement of right as vital, and the deficit spending guarantee as a lightning rod to attract the fire of conservatives and force them into acceptance of other provisions. As “legislative ballast,” the spending provision could then be thrown overboard when the bill reached stormy seas. This would help to save what I thought were the three most vital elements in the bill’s cargo: a strong policy commitment based on the right to a job, the requirement of a broad presidential program aimed at implementing that policy, and a joint Congressional committee to provide leadership for Congress to act on the President’s program.

In December 1944, Senators James Murray and Harry Truman (then Vice President-elect) offered “The Full Employment Act of 1945” for public discussion. They argued that the goal of 60 million civilian jobs required a broad program of post-war legislation on three levels: (1) fiscal and monetary policy aimed at a “full employment level of the Gross National Product”; (2) many focused programs going beyond fiscal and monetary policies and dealing with the subject matter of the other seven rights in FDR’s economic Bill of Rights message, and (3) last-resort spending. Without this economic program as a substitute for war contracts, they asserted that victory in war would mean a return to tragedy of mass unemployment.

The Murray-Truman report entitled “Legislation for Reconversion and Full Employment” (December 18, 1944) had all the magic needed to stir the blood of newspaper editors. *The New York Times*, *The Wall Street Journal*, and the *Journal of Commerce* condemned the bill, not yet even introduced, as a deficit financing measure, and as leading toward the type of gradual collectivism which Mr. Hayek had challenged in his book *The Road to Serfdom*. A few days later Vice President Henry Wallace (who had not yet yielded his office to Truman) gave the proposal a ringing endorsement, and this enraged the editorial writers even more. The opposition was so intense that the sponsors had reason to fear that the bill would die when it was committed to the tender mercies of Congressional committees.

Press reaction to the Full Employment Bill of 1945 was reported in an unusual book: *Congress Makes A Law*, by Stephen Bailey (published by Vintage Press in 1950). After the full employment bill was introduced, Bailey appeared in the office of Senator Murray’s staff and announced that he planned to write his doctoral dissertation on the bill’s fate, with the approval of his political science advisers at Harvard. His dissertation/book was a landmark study that won the Woodrow Wilson prize for the best book on American government. It also set an example for many subsequent case studies on how laws are made. In addition,

to my recollections, this book is a source for much of what follows concerning the conflicts involved in the passage of the act.

Preparing for Bloody Battles

To prevent the bill from being killed in committee, Senator Murray negotiated co-sponsorship by two liberal Senators, Robert Wagner and Elbert D. Thomas, who were also chairpersons of the only two committees to whom the bill might be referred. He then went to one of the Senate's most prominent middle-of-the-roaders, Jeremiah O'Mahoney, of Wyoming, former TNEC head and a Senator reputed to know more about economics than anyone else on Capitol Hill. As the price for his support, Senator O'Mahoney insisted on changes that would make the bill more acceptable to moderates. The most important of these (1) declared that "It is the policy of the United States to foster free competitive enterprise"; (2) changed the right of a job for every American to apply to those "able to work and seeking work," instead of those "able and willing to work"; (3) changed the responsibility of government to "assure" that right, instead of to "guarantee" it; and (4) limited that assurance to "those Americans who have finished their schooling and do not have full-time housekeeping responsibilities."

By the time the revised bill was introduced, the opposition set out to kill it in the committee. The National Association of Manufacturers, the U.S. Chamber of Commerce, the National Industrial Conference Board, the Committee for Constitutional Government, and the American Farm Bureau Federation had long been active in attacking the idea of full employment, which they regarded as "sentimental humanitarianism." Working in close contact with each other, each of these groups prepared for the battle to come by contacting every trade association and local business organization.

"As a rule, a bill committed is a bill doomed . . . it crosses a parliamentary bridge of sighs to dim dungeons of silence whence it will never return.

—Woodrow Wilson, *Congressional Government*

The full employment bill, they asserted, was "un-American." One early pamphlet said that "This Russian spawn entered the womb of the National Resources Planning Board . . . Then Henry Agard Wallace, four Senators, President Truman, and Sidney Hillman (the labor leader) ordered long pants for the child and we find sonny-boy playing around in the halls of Congress." It was even suggested that "the uncles of this child" were Adolf Hitler and Benito Mussolini. The whole idea of a right to a job, they argued, was taken from the Soviet constitution. Government could guarantee full employment "only if it is prepared to set up a totalitarian government," and "while a socialist state gives

everyone a job, it does so, first, at a much lower standard of living, and second, at a complete sacrifice of personal liberty." Full employment, therefore, cannot be guaranteed under capitalism.

The power of this argument can be appreciated only by recalling that the struggle over full employment policy took place in the context of "cold war" foreign policy. While the full employment bill was being readied for introduction, so-called "loyalty checks" were already in full swing. The bill was introduced in the Senate at the same time that Representative John Rankin of Mississippi, a notorious racist and anti-semitic, was setting up the House Un-American Activities Committee as a standing committee, rather than a mere special committee. Its resumption of activities that had started before the war endangered the jobs of all those it attacked as "un-American." In the climate that was developing, we had even more good reason to believe that the full employment bill was a lost cause.

The Union for Democratic Action offered to support the bill. UDA, an anti-communist liberal organization headed by the theologian Reinhold Niebuhr, even helped to staff a Washington office to work with the Congressional sponsors and staff members. A "Continuations Group" of "Lib-Lab Lobbyists" (in Stephen Bailey's words) was set up to complement the work of the "Drafting Committee." In due course, support was won from all those liberals and radicals accustomed to fighting on behalf of lost causes. This included each branch of the divided labor movement (AFL and CIO), the conservative railroad brotherhoods, and other unions that had worked for post-war planning proposals contained in earlier reconversion legislation. The only "Yes, buts" came from those who were skeptical about full employment and gave more priority to higher unemployment compensation and minimum wages. Groups representing mayors, Christian and Jewish denominations, women, blacks (then called "colored people"), consumers, social workers, and teachers were also for the bill. Against opposition from the largest organizations speaking for business, farmers, and veterans, smaller organizations of these same groups joined to support what they regarded as an important but a losing cause.

Mobilizing Government Support

In the Senate, the bill was referred to the Banking and Currency Committee, chaired by co-sponsor Senator Wagner. The committee membership was predominantly conservative, and its leading member was Mr. Republican himself, Senator Robert Taft of Ohio. In the House, the bill lay dormant before a committee dominated by Southern Democrats and Republicans far more conservative than Taft. More bad news came from a working group on the United Nations charter: two leading foreign policy senators threatened that if the charter contained the words "full employment," the Senate would refuse to ratify it. At this point the sponsors felt that if the House Committee never held hearings, they would go down fighting by forcing record votes in the Senate committee and on the Senate floor.

We created a coordinating triumvirate of Edward Pritchard at

the White House staff, Leon Keyserling (who had long been close to Senator Robert Wagner), and myself. Our major task was to mobilize sophisticated statements from government agencies. Thoughtful statements were prepared not only by such traditional departments as Labor, Commerce, State, Agriculture, and Justice, but also by the Office of War Mobilization and Reconversion, the Federal Reserve Board and the Veterans Administration. The Federal Trade Commission, the Security and Exchange Commission and the Tariff Commission—all of whom were involved with structural economic policy more than with fiscal policy—gave their erudite blessings. Both the State and Labor department reports dealt extensively with the need for sustained high employment at home, to provide the markets for imports from developing countries, and to sidetrack pressures for high import barriers.

By focusing on a full employment level of the GNP (the sum of both investment and consumption expenditures), the reports helped to unify the investment and consumption wings of Keynesianism. They also brought into the full employment coalition the “anti-trusters” dedicated to strengthening genuine competition and avoiding undue concentration of economic power.

Thurman Arnold, head of the Justice Department’s Anti-Trust Division, consolidated this coalition by assigning one of his most promising lawyers, Kurt Borchardt, to work with the Senate committee staff. Many reports developed at length the importance of business people of confidence in the mass purchasing power that sustained full employment would provide. These views were sharply distinguished from the traditional emphasis on confidence in higher profit rates, lower taxes, and less government regulation. None of the reports, however, dealt openly with the other side of this coin—namely, that higher wages and stronger labor unions would flow from sustained full employment, which might squeeze profits and limit the right of corporate managers to do as they pleased.

The sponsors of the full employment bill took one last strategic step to prepare for the legislative battle: cultivating some of the business leaders who might agree with the coordinating provisions of the measure even while disagreeing with other provisions. This could create a situation in which the bill in one form or another might be regarded as viable; and then the only issue would be what amendments would be made. Our coordinating group got busy on this strategy.

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