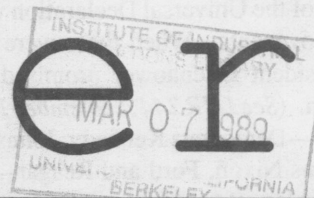


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THE RISE AND FALL OF FULL EMPLOYMENT

Part XI: Economic Rights— Rhetoric and Reality

by Bertram Gross

Editor's Note: This is the concluding article in Professor Gross's series, which began with LCR 239 in July 1988. The articles are condensed from the author's forthcoming book on the subject. Professor Gross welcomes comments, criticisms and suggestions from LCR readers, especially on the impact of our employment and unemployment policies on unions and their members.

When the original Full Employment Bill was proposed in 1944, a business journal writer used the term "fool employment." The writer may have thought that it would fool people to suggest there could ever be an end to the age-old capitalist business cycle. But he may also have referred to the employment of fools, in which case I confess that I was the first person employed by the Council of Economic Advisers under the Employment Act of 1946. And I helped to employ the rest of the staff. Together, we fooled ourselves into thinking that we could interpret the Act in a progressive manner, even though all traces of economic rights had been stricken from the legislation.

Foolishly, many of us also retreated from the Atlantic Charter's idea of freedom from want and freedom from fear. And we retreated from the U.N. Charter's idea of full employment planning based on "the inherent dignity and the equal and inalienable rights of all members of the human family." We

foolishly neglected Franklin Roosevelt's 1944 Economic Bill of Rights, which was to be implemented by flexible budgeting for the healthy growth of the entire economy. We ignored the historic 1948 Universal Declaration of Human Rights. In more recent Councils of Economic Advisers, others followed our foolish example by ignoring the U.N. Covenant of Economic, Social and Cultural Rights.

In the 1950s, "Full Employment" became an economic justification for the cold war, and an argument against reducing paid working time per day, week, month, or year. The maximum mobilization theory that "we need all the output we can get" sidetracked one of the greatest of the great ideals in human history: the expansion of voluntary leisure for everyone, not merely for the idle rich. Liberal full employment economists argued for rapid growth in GNP without reference to its composition or distribution, and ignored the inflationary dangers inherent in the combination of military spending and rapid growth. Conservatives began to refer to a "natural" rate of unemployment, below which inflation would inevitably result.

In real life, full employment has come to mean the highest level of unemployment that is politically tolerable. Under attack from left, middle and right, planning for a full employment society based on economic rights has now disappeared. Even full employment budgeting barely survives in formal budget documents. The high ground of moral vision has been yielded to technocratic disputation.

Three key terms—and the substance behind them—have tended to vanish from the vocabulary of American liberals and radicals alike. First, the idea of an individual's "right" is now used mainly by rightwingers, who have pre-empted the "right to work" as a slogan for use against labor-management contracts requiring employees to be union members, and the "right to life" as a slogan in campaigns against abortion. Second, the term "planning" has been relegated to college courses in corporate management or city planning for land use. Third, the word "full" in front of the word "employment" has become one of those four letter "F" words not tolerated in polite society. Using any of these terms may open one to the charge of softheadedness or extremism.

"We have accepted, so to speak . . . a second Bill of Rights, under which a new basis of security and prosperity can be established for all . . ."

—Franklin D. Roosevelt, 1944

FDR's planners combined economic with political rights, and Eleanor Roosevelt succeeded in preserving this approach in the U.N.'s Universal Declaration of Human Rights in 1948. But the

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substance of the Universal Declaration was later divided into two separate covenants. When these were presented to the U.S. in 1956, President Eisenhower promised not to push for Senate ratification. (See *LCR 244, September 1988*) Since then, all U.S. Presidents—Democrats Kennedy, Johnson, and Carter, as well as Republicans Nixon, Ford and Reagan—have kept this promise. They have also refrained from mobilizing support for ratification of other human rights agreements which have brought economic and political rights together—like those on discrimination against women, racial discrimination, and the American Convention on Human Rights.

This has been a sad retreat toward a nationalistic effort to restore U.S. supremacy in a multi-polar world. Even the forward-looking members of the House of Representatives who have been trying to resurrect and update FDR's Economic Bill of Rights (see *LCR 257, February 1989*) have not linked economic rights with civil and political rights, and have not even advocated ratification of the pending U.N. covenants. Truly global economic approaches seem to have been left to transnational corporations, whose executives can scarcely be expected to fight for economic and political rights other than their own.

The time has come for a new breakthrough to advance the cause of economic rights by nurturing human rights in general, and by developing "real world" economic principles. A breakthrough need not mean social or political revolution. In the U.S. and Western Europe, welfare state expansion and Reagan-Thatcher privatization have resulted only in marginal changes in the power structures of modern capitalism. Both the welfare state and the "free market" state are products of forces operating ever since Bismarck established the first social security system in the late 19th century. In the Soviet Union, the *glasnost* and *perestroika* reforms of the Gorbachev administration have resulted from pressures that have been emerging since the death of Stalin in 1953.

Changes in both of these parts of the world have strengthened existing establishments by making them more responsive to the interests of more people. FDR's New Deal, Truman's Fair Deal, and partial implementation of Lyndon Johnson's Great Society all helped strengthen U.S. capitalism. Similarly, Gorbachev's reforms have been aimed at restoring the faltering legitimacy of the Soviet Communist Party.

In both countries, there is an unfinished agenda of human rights. Economic rights are possible under capitalism, and civil and political rights are possible under socialism. Human rights advocates must build a more democratic and responsible capitalism in the U.S., and a more democratic and responsible socialism in the Soviet Union.

Steps Toward Human Rights

First, we must nurture human rights. The U.S. should ratify both the Civic and Political Covenant and the Economic, Social and Cultural Covenant of the U.N.'s Universal Declaration of Human Rights. The U.S. should participate in the new U.N. Committee on Economic, Social, and Cultural Rights, and should recognize the special importance of the U.N.'s Convention on Women's Rights.

Labor has issued a strong call for the U.S. to ratify the ILO's Convention 87, on the freedom of association and the right to organize, and has called for a new U.S. foreign policy commitment "to the advancement of human rights, beginning with the basic rights of working people." Further, labor is pushing for the incorporation of a clause in the General Agreement on Tariffs and Trade to make the denial of basic workers' rights an unfair trading practice. These steps indicate the enormous importance of labor's active participation in pursuit of minimal workers' rights which have been completely ignored by transnational corporations in the international market place.

Second we must develop "real world" economics. Far from being a science, economics is still farther from being associated with the real world. This is true not only of classical and neo-classical economics but also of Keynesianism, which fails to deal with inflation under conditions of full employment. It is equally true of the various versions of "Marxist" economics. Even the market socialism of Oscar Lange fails to deal with fiscal and monetary policy. All of the many varieties of "economics" still suffer from failure thus far to deal with the real world of the *entire* world, instead of concentrating on one country or one part of the world.

Steps Toward Real World Economics

We should begin with major changes in national accounting, so that we can begin to make sense of our budget and deficit calculations, our production and growth potential and goals, and our income and wealth distribution. We need much broader understanding of the role of the credit and monetary policies of the Federal Reserve (see *LCR 240, July 1988 and 242, August 1988*), and how these policies relate to and interact with the fiscal policies of any incumbent administration. Most important, we need more micro in our macro economics: We need a new focus on supplying useful and needed goods and services—housing, repair and maintenance of the infrastructure, education, health care, resource conservation and development—which is where the bulk of our new jobs should be. We must demand *first priority* jobs based on meeting demonstrable needs, and not "last resort" job programs.

We need quantitative employment goals in our national economic policies—like George Bush's "wild" presidential campaign goal of 30 million new jobs in eight years. These are more important than goals for reducing official unemployment. Our job goals must depend on more accurate and sophisticated employment and unemployment data than we now have (see *LCR 253, December 1988*). Our job goals must also be oriented to more opportunities for leisure, through reductions in take-home pay, more work sharing, more holidays with pay, more parental and family leave time, the abolition of compulsory overtime, and more leisure for women through more men sharing in household responsibilities. Our job goals must also be more specific with respect to part time, seasonal, and temporary jobs, with respect to more equal job opportunities for minorities, with respect to more job opportunities for teenagers and older people and students and those with home responsibilities, and with respect to the elimination of the underground job economy.

If we are really interested in improving labor productivity, we

should be more concerned with the quality of paid employment. A first priority in this regard is for policies to encourage conversion from military to civilian jobs and production. We also need higher priorities for environmental protection and for the health and safety of workers. The safer path to better job security is legislative; provisions in collective bargaining agreements, important though they will always be, provide no security for new entrants, the jobless or the unorganized.

Similarly, there is enormous potential for improving job quality through legislated benefits: nearly 40 million Americans are not insured for health care benefits through the workplace or any other place (most would have to “spend down” to poverty to qualify for Medicaid). States are moving now to meet this need (including California). We need similar development of new priorities for improving the medical care, rehabilitation and income security of the disabled workers. We could improve the quality of jobs by extending legislative requirements for paid vacations and for paid parental and family leave time, for severance pay in plant closings, and for day care and child care facilities and programs needed by working people.

Next, we should educate to rid ourselves of the common and devastating fallacies (a) that higher wages necessarily increase labor costs; this is not so if labor productivity rises; (b) that higher labor costs necessarily increase total costs; this is not so if a higher volume of output (or other factors) reduces the cost of capital (or other inputs), and thus lowers unit costs; and (c) that a squeeze on profit rates reduces total profits; this is not so, since lower profit rates per unit can lead to the sale of more units, and thus to more profits.

Wage-led growth has been an important part of the history of economic growth in the U.S. However, we can learn to live more at ease with a basic contradiction of modern capitalism: while market growth depends on rising demand and purchasing power, fed by wage income as well as by credit, the typical corporation would like to benefit from high wages paid by all other corporations, while it pays low wages.

We will need “jawboning” and incomes policies and standby authority for indirect or direct credit and price controls. In the process, we will have to replace the terrible fallacy that “If it ain’t broke, don’t fix it” with a more reliable old maxim: “Don’t wait for the fire to build the firehouse.”

Finally, we need transnational full employment policies. Building tariff protections and new barriers to the export of American capital may sometimes be justified. But it is even more important for the U.S. to adopt the official policy of promoting higher wages, better living standards, and more job opportunities in those low-income countries that are now such attractive havens for American capital and such bad markets for American exports.

This approach requires opposition to the austerity policies of the International Monetary Fund (which is now subsidized by the U.S.), restructuring of the debt burden of many Third World countries, and withdrawal of federal incentives and tax subsidies from U.S. transnationals that violate our own and international standards on labor relations, health and safety, and environmental protection. Our moral leadership is also needed to help Third

World countries fulfill their obligations under the various U.N. covenants.

“The ideal of free human beings enjoying freedom from fear and want can only be achieved if conditions are created whereby everyone may enjoy his economic, social, and cultural rights.” (U.N. Covenant on Economic, Social, and Cultural Rights, 1966)

Will our nation contribute to this U.N. ideal of “freedom from fear and want?” There are unfortunately some questions. For example, the economic and social distance has been increasing in the U.S. between the mass of poor and needy at the bottom of the structure, and the wealthy and powerful few at the apex. If this trend continues, we will need new effort and commitment just to keep top and bottom connected by common values, and to keep constraints on the aggressive tendencies of those at the top (who would otherwise deny to ordinary people their fundamental political as well as their economic rights).

If we could overcome our compulsive fixation on markets as the exclusive key to economic progress, we might begin to recognize that there are many private sectors. In addition to the mighty Profit-Seeking Enterprises, there are many non-profit private-sector organizations, including labor and minority and religious and community groups of all kinds. In U.N. language, these are NGOs or non-governmental organizations. Cooperation between government and the Profit-Seeking Enterprises (usually large corporations) can and must be extended to more inclusive partnerships. The greatest challenge to all countries in the world in the coming decades will be to determine the most appropriate combinations of market and non-market activities.

If we could revitalize local planning approaches in neighborhoods, towns, cities, counties and states, and begin to assess real needs and potentials by going beyond present fixations on the tourist trade, and convention centers, and hotels, and high-rise office buildings, and luxury housing projects, we might change the future of economic rights. We could make an important start toward this goal simply by improving our data collecting and statistical concepts—particularly with respect to employment, unemployment, and underemployment.

However, the major hurdle for economic rights to surmount in the future is best expressed in an old Italian proverb: “Between saying and doing, an ocean is in the middle.”

Conclusion

I have been focusing in this series of articles on the difficulties and conflicts associated with “welfare state rights.” These include the eight rights in FDR’s “second bill of Rights,” and other rights implied in that declaration, and the many extensions of these rights under U.N. auspices. Conflicts over these rights reflect disputes about the nature of capitalism and socialism. They lie close to the heart of diverse concepts of freedom,

democracy, justice, and equality in the so-called First, Second, and Third Worlds.

Roosevelt's second Bill of Rights was a rhetorical vision, not connected with any program of action other than winning the 1944 election and defeating the Axis. Like the Declaration of Independence, it promised far more than could be realized. Although bitterly fought and most often forgotten in the country of its origin, the idea has long echoed around the world. Winning genuine commitment as well as lip service, it has sparked similar rhetorical flourishes in scores of constitutions and treaties.

In the broader rhetoric of human rights, one finds bewildering combinations. High morality is sometimes blended with high-level hypocrisy, brave objectivity with clever propaganda, and courageous internationalism with arrogant chauvinism. But one can also sense inspiring ideals that can help to move a country forward toward a more civilized world.

One also finds a vast ocean—mysterious and turbulent—between the “saying” and the “doing” of human rights. Doing means more than voicing claims and making promises. Advocates of human rights must deal in the “doing” with power, politics, and planning; otherwise, talk about human rights is a full ocean away from “doing” anything. Hence it is necessary to try to thread our way through the labyrinthine complexities (a) of people's efforts to win, use, and keep power, (b) of political combat in organizations, governments, and the world arena, and (c) of the making and unmaking of plans and planners.

Because of the difficulty of such tasks, I have resisted the temptation to spend too much time on the details of rights, whether to education, housing, health care, social security, or welfare. I have dealt only panoramically with the rights of workers, women, minorities, younger people, older people, and other victims of economic discrimination, and with environmental rights and the right to know.

We must all agree, however, to give more attention to one right that can be seen as an umbrella over all the others: the right to useful and remunerative employment. This right relates directly to all sectors of all economies in which people work for pay or profit. This right also relates indirectly to the vital non-market parts of society in which mothers, fathers, children or volunteers work without pay or profit. Moreover, to the extent that this right can be fulfilled (even though it may not be formally recognized), the result is “full” or “fuller” employment.

The enormous implications even of fuller employment should be obvious, but must be constantly recounted. When more people work for pay, a government receives more tax revenues (without any change in tax rates) and pays less money to the jobless. More money is thus available both to the government and to the people, to help more people enjoy rights to education, housing, health services, social security, welfare, etc.

As this idea originated in the U.S. and in Western Europe, it was to be implemented with federal budgeting and with an economic bill of rights. But both the idea and its implementation have been thoroughly forgotten by older generations, and never heard of by younger people. Nor has full employment budgeting yet been adapted to the needs of people in the so-called Third World, where joblessness and underemployment, often accompanied by disastrous inflation, can approach such heights that governments cannot even measure them.

When seen as single issues, economic rights in the U.S. are still alive if not thriving (with the exception of some expanded property rights). Many people have long advocated specific economic rights for their special interests or for single sectors of the population. Also, many single rights—for social security, health care, or housing for example—are actively and separately pursued on behalf of all members of the population.

The paradox of our time is that the economic right which is most widely abandoned is the right to a job, the one right which is most essential to mobilize resources for the enjoyment of other rights. Many single rights have thus been undermined by the absence of full employment budgeting, and the proponents of many important “welfare state” rights have only prepared themselves again and again for lost battles. What was once heralded by President Truman as “the essence of American life” has all but disappeared from American life.

The paradox is not a left-right issue. There are views on human rights to respect, as well as to reject, throughout the left-right political continuum, and in many other dimensions of belief and behavior as well.

My difficulty, and perhaps that of my readers as well, is that my views on the paradox are far from precise or final. Since 1943, when I first read the “Second Bill of Rights” proclaimed by the National Resources Planning Board, I have been wandering on that large ocean between the “saying” and the “doing.” Upon entering legislative battles on economic rights, I have often faced the challenge of finding a safe path between utopian idealism and the “practical feasibility” of political negotiations. I have often wandered into blind alleys and gotten lost. Unfortunately, there is then no fixed spot—no declaration, no covenant, no law—to which a defender and advocate of human rights can return.

Without rejecting the best of past ideals, I believe that the “saying” must itself grow and mature, even if this makes the obstacles more formidable and the “doing” more perplexing. Thus I am making a new beginning here, and not an ending.

The “doing” may never—and perhaps should never—catch up with the “saying,” since the rhetorical visions will always run ahead. Yet it might be possible for all of us to do more on behalf of economic rights that offer freedom from fear and want, and buttress, rather than undermine, our civil and political rights.

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