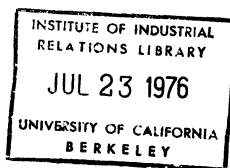


GOALS FOR FULL EMPLOYMENT ;

THE FULL EMPLOYMENT AND

BALANCED GROWTH ACT OF 1976 :

A DISCUSSION .



Edited by Paul Bullock . //

Institute of Industrial Relations (Los Angeles)

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## FOREWORD

Most of the content of this Institute publication emerges from a public conference held in Los Angeles on June 6, 1975, focusing on full-employment legislation primarily sponsored by Congressman Augustus Hawkins of California. This was the second major conference that has been arranged by the Institute of Industrial Relations on the subject of full-employment policy, the first having been held in October of 1973 (edited proceedings of the earlier conference have been published under the title A Full Employment Policy for America). At that time, the participants based their discussion upon a preliminary draft of the original Hawkins bill, which had not yet been introduced. As Congressman Hawkins points out in his remarks published here, that early conference represented the initial public presentation and analysis of the essential provisions of the legislation, and therefore had a measurable influence upon its substance.

The second conference brought together some of the key experts on full-employment measures, from all parts of the country, and focused mainly on the then-pending "Equal Opportunity and Full Employment Act" sponsored in the House by Congressman Hawkins (with about a hundred cosponsors at that time) and by Senator Hubert H. Humphrey of Minnesota in the Senate. Since then, the bill has again been revised, with conference speaker Leon H. Keyserling playing an important role in the redrafting; at some points in the text I have added footnotes explaining differences between the earlier bill and the now-pending "Full Employment and Balanced Growth Act of 1976," also sponsored by Congressman Hawkins and Senator Humphrey. In no cases were these differences of sufficient magnitude or importance to require the altering or reconsideration of any of the major points made by the speakers.

In addition to the edited versions of the presentations by Congressman Hawkins, Mr. Keyserling, Professor Robert Lekachman of the City University of New York, and Professor Arthur Pearl of the University of California at Santa Cruz, this publication includes a summary of arguments made both in the formal speeches and in the panel discussions, an introduction in which I outline the basic provisions of the new bill and trace its origins, a fact sheet on unemployment prepared by the National Committee for Full Employment, and appendices which encompass a paper by Professor Ross Azevedo on the specific impacts of full-employment legislation in the State of California, a statistical study by Dr. Robert Gordon on relationships between full employment and certain other variables such as "welfare" and government deficits, and the official summary and the full text of the revised Hawkins-Humphrey bill.



Professor Azevedo's work alludes frequently to one provision of the earlier bill which has been eliminated in the current revised version: the previous bill gave very concrete responsibilities to local CETA manpower planning councils. Despite the deletion of that specific provision, Dr. Azevedo's comments remain entirely relevant and valid because the new bill generally emphasizes the possible role of state and local governments and because labor markets are inherently localized and regionalized. Therefore, I have not altered the text of his paper in any significant way.

As an aid to the reader who wants to pursue this subject more deeply, I have also included a short bibliography. The previous Institute publication in this series--A Full Employment Policy for America--contains discussions by Professor Peter Doeringer of Harvard, Professor Bennett Harrison of M.I.T., Professor Alan Sweezy of California Institute of Technology, Dr. Charles Holt, Fred H. Schmidt, Vernon E. Jordan, Jr., of the National Urban League, and other experts, and may be obtained from the Institute's Publications Office (UCLA, Los Angeles 90024).

I am indebted to those Institute staff members who assisted with the preparation of this publication: notably, Bonnie Hernandez and Linda Reitman, who typed most of it, and Felicitas Hinman, who helped with the final processing. Of course, all views expressed herein are solely those of the presenter.

Paul Bullock  
Research Economist  
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Relations  
March, 1976

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## INTRODUCTION

Paul Bullock

The "Full Employment and Balanced Growth Act of 1976," introduced by Congressman Hawkins and Senator Humphrey, represents the most recent step in the development of legislative solutions to the persistent problem of chronic unemployment and underemployment in the United States. The existing act -- the Employment Act of 1946 -- resulted from the pervasive national fear, in the period immediately after World War II, that depression and large-scale unemployment might accompany the transition to a peacetime economy. The original legislation at that time, called the "Full Employment Bill," had been formulated in 1945 primarily by Senator James Murray of Montana (among its House cosponsors were Wright Patman of Texas, Mike Mansfield of Montana, Henry M. Jackson of Washington, and Andrew Biemiller of Wisconsin, now the chief legislative representative for the AFL-CIO).

The 1945 bill provided for an annual National Production and Employment Budget for the maintenance of full employment through both private and public activity, to be transmitted by the President to Congress at the beginning of each regular session, and for the establishment of a Joint Committee on the Budget in the Senate and House. The bill as finally enacted was considerably weaker, eliminating all references to full employment (the phrase "maximum employment" was substituted) and providing merely for the creation of the President's Council of Economic Advisers and the Joint Economic

Committee of the House and Senate. The Council issues an annual report, but it has no significant planning or budgetary function.

The pending Hawkins-Humphrey bill, as submitted in March of 1976, is similar in many respects to the original Murray legislation of 1945. This new bill amends the Employment Act of 1946 to declare that "all adult Americans able, willing, and seeking to work have the right to useful paid employment at fair rates of compensation," and requires the President in every annual Economic Report to recommend numerical goals for employment, production, and purchasing power. Long-range economic planning is to be accomplished through a "Full Employment and Balanced Growth Plan," with a reduction in the adult unemployment rate to 3 per cent to be achieved within a four-year period after passage of the act.

The bill mandates fiscal and monetary policies which are consistent with the goals of full employment and balanced growth, and requires the Federal Reserve Board to submit a regular report, in conjunction with the annual Economic Report, detailing how its projected monetary measures reinforce the proposed full-employment objectives. If there are conflicts, the President must make recommendations to the Board and to Congress to insure "closer conformity with the purposes of this act."

The Hawkins-Humphrey bill gives considerable attention to anti-inflation measures designed to supplement fiscal and monetary policies, including actions to expand the supply of products and factors of production in tight markets, possible export-licensing, increases

in productivity, antitrust activities, analysis of inflationary tendencies in particular sectors, and "recommendations for administrative and legislative actions to promote reasonable price stability if situations develop that seriously threaten national price stability." The bill does not specifically mention the possibility of price and/or wage controls.

Title II of the bill provides for countercyclical, structural, and youth employment policies designed to offer supplementary employment, in both the public and private sectors, whenever there is a gap between the levels of total employment attainable through fiscal and monetary policies and the goals outlined in other sections of this measure. A newly-established Full Employment Office within the U. S. Department of Labor will be responsible for assisting in the development of training and employment opportunities for all those unable to find work at fair compensation. It also calls for coordination with state and local governments and with the private sector in countercyclical employment-generating programs, with special attention to those areas and groups which suffer unusually high unemployment. Section 205 requires the President, within 90 days of enactment, to submit a comprehensive plan for the employment of youth, emphasizing policies to ease the transition of young people from school to the labor market. Section 207 calls for the integration of full employment and income maintenance policies.

Title III of the new legislation sets up procedures for congressional review of the Full Employment and Balanced Growth Plan and the other reports and executive recommendations provided for elsewhere in the bill, and defines roles for standing congressional committees and for the Joint Economic Committee. A Division of Full Employment and Balanced Growth is created within the Congressional Budget Office.

Title IV spells out nondiscrimination requirements under the legislation, labor standards, and similar issues. There are stipulations that equal pay be paid for equal work, that policies create a net increase in employment through work that would not otherwise be performed, that federal or state minimum wages (whichever are higher) be paid to all persons as the income floor, that those employed in government or nonprofit organizations receive prevailing wages for comparable occupations, and that Davis-Bacon Act standards apply to those jobs covered by that act. Section 403 authorizes appropriations to carry out the purposes of the act, but specifies no amounts.

The "Full Employment and Balanced Growth Act of 1976" thus mandates a permanent national policy of full employment (with allowance for some frictional or transitional unemployment as persons move between jobs or into and out of the labor market), and establishes overall planning procedures at the federal level to achieve this goal. Where aggregate macroeconomic measures are insufficient to guarantee full employment over the planning period, specific structural programs are called for to fill any gap. The President is required to

move quickly toward the solution of pressing unemployment problems, such as those affecting young people, and to develop proposals which will reduce national unemployment to no more than 3 per cent within four years.

This is, unquestionably, a far-reaching and innovative measure, and the UCLA conferences constitute the first systematic analyses of its major principles, by academicians and policymakers alike. As Congressman Hawkins suggests, this may indicate how a university can exert a meaningful and useful influence on the lawmaking process.

## Facts about unemployment

### 1) How many people are unemployed.

In June, 1975, officially recorded unemployment was 8.6%, the true level was about 11.6%; approximately 10.5 million Americans were jobless. (Keyserling, July 30, 1975)

In a recent Harris Poll, 52% of the American public was directly affected by rising unemployment:

30% family member or self laid off; 9% lost overtime; 13% had work week cut.  
("Full Employment & the Role of the Government" by Carson Briggs & Frank Riessman)

At 9% unemployment, the percentage of the labor force participants who suffer a period of unemployment during the year is not 9%, but 25-30%. (Dr. Barbara Bergman, Professor of Economics, University of Md., to Joint Econ. Comm., July)

The concentration of unemployment in the large cities shows different figures. In May, 1975, the rate of unemployment was 9.2%, but in the cities—

Detroit 20.9%; Providence 18.3%; Newark 16.6%; Boston 13.4%; Cleveland 13%; Atlanta 12.3%. (Humphrey's speech at the Full Employment Action Council Conference, June 24, 1975)

### 2) Who are the unemployed?

Unemployment hits the lower end of the occupation scale most severely. In 1974 the unemployment rate for blue collar workers was 6.7%, service workers 6.3%, and 3.3% in white collar workers. (Unemployment, Subemployment, and Public Policy, by Helen Ginsburg, p. 76)

Due to historic discrimination, "last hired, first fired", the prevalence of blacks, youths, and women at the bottom of the occupation scale these groups have experienced the highest unemployment rates. The June figures indicate:

Adult women, 8.1%; Blacks, 13%; Youths (16-19), 19.2%; Black Youths (16-19), 33.2%.

As Dr. Bergman points out, "These groups are not small or marginal. Women, blacks, and minorities add up to 46% of the labor force . . ."

(Notes from the Joint Economic Committee, August 1, 1975)

Subemployment adds to the problem. Workers with incomes below the poverty line are four times more likely to be unemployed than are their counterparts above the poverty line. Also significant, from 50-73% of the workers in the intercities earn less than \$6,960 for a family of four. 50% of the male family heads earn less than \$3.18 per hour; 50% of the female heads earn less than \$2.30 per hour.

(Unemployment, Subemployment . . . Helen Ginsburg, p. 100)

### 3) What are the costs of unemployment.

#### Social Costs

Psychologists (Liebow, Kenneth Clark, Furstenberg) have researched the effects of unemployment and subemployment on families. "Economic uncertainties brought on by unemployment and marginal employment is a principal reason why family relationships deteriorate." Male subemployment is a big cause of fatherless families. The psychological damage and sense of failure which the male family head feels causes him to desert his family. AFDC figures show that a little less than 1/2 of the children are nonwhite. (Unemployment, Subemployment . . . p. 106-107)

The National Advisory Commission on Civil Disorders found unemployment to be part of the problems which caused riots. But more than unemployment was

involved. The undesirable nature of the jobs open to blacks and minorities was also important.

The children suffer psychologically from seeing their parents in a powerless status, often in menial labor. They seek other ways to attain status than in socially accepted goals.

(Helen Ginsburg . . . p. 106-106) (More and better jobs needed)

Careful studies have indicated a significant positive correlation between juvenile delinquency and unemployment. A recent study links high crime rates and low labor participation of 18-19 year old males in urban areas.

(Ginsburg, p. 71) Studies referred to: The 20th Century Fund Task Force on Employment Problems of Black Youth, with a background paper by Sar A. Levitan & Robert Taggart III (NY, Praeger, 1971) . . . The Job Crisis for Black Youth, and Liad Phillips, Harold L. Voley, and Donald Maxwell "Crime, Youth and the Labor Market," *Journal of Political Economy*, Vol 80, No. 3, Pt. 1 (May, June 1972)

#### Monetary Costs

By tolerating less than full employment:

During 1953-74 measured in '74 dollars we forfeited more than 2.6 trillion dollars of total national production. Correspondingly, we suffered more than 54 million man-years of unemployment in excessive unemployment.

Between 1975 and 1980 the difference between optimum economic performance and the likely performance without drastic changes in national economic policies and programs comes to more than 1.2 trillion dollars of total national production, and 16.5 man-years of excessive unemployment.

(The Costs of the Humphrey-Hawkins Bill by Leon Keyserling, 5/23/75, p. 2)

Each extra 1% of unemployment costs at least 900,000 jobs, \$50 billion of unproduced GNP, and 14 billion in uncollected taxes.

("Full Employment Without Inflation," by Bob Lekachman, p. 4)

For every 1% increase in unemployment in today's economy, there is a corresponding \$14 billion loss in federal tax revenues (contributing to a larger deficit in the federal budget) and an additional \$2 billion for regular unemployment compensation.

(These figures are quoted often. Meany's speech, Keyserling, & others)

State and local governments are expected to lose between 20 and 25 billion in fiscal year 1976.

(Keyserling, Members of Congress letter, p. 4)

According to a Senate report the people of the US are paying for the recession at an annual rate of more than \$200 billion in lost national production.

(Ginsburg, p. 127)

The largest increase in the federal budget this year was for unemployment insurance (now estimated at \$20 billion per year). The tax cuts cost the government \$22 billion. This total (\$42 billion) could have provided 5 million jobs in needed areas of work such as health, transportation, education, and environmental conservation . . .

("Unemployment: To Keep Labor Disunited," letters to the ed., July 11, 1975 by Frank Riessman)

If we could reduce unemployment levels to what they were in 1973, we could eliminate \$56 billion of the budgetary deficit, and save \$8 billion dollars in unemployment compensation payments.

(Leon Keyserling in Budget letter to Congress, p. 2)

## Facts about unemployment

—FROM NATIONAL COMMITTEE  
FOR FULL EMPLOYMENT



AUGUSTUS F. HAWKINS

I am very pleased to be addressing this conference and to be able to personally applaud the work that you have done in the past and are doing presently. I wish to especially commend both the Urban League and the Institute of Industrial Relations at UCLA which began with me, in the fall of 1973, a consideration of the program now embodied in H.R. 50 -- "The Equal Opportunity and Full Employment Act." We have sought a solution to the great economic problem of the decade -- unemployment -- and after early opposition, we have brought much of the Congress in line with our beliefs. It is time for our government to respond to the most urgent needs of the people. Full employment, which guarantees a job to all willing and able to work and also guarantees a living wage to those who seek employment, is now seen as a viable concept gaining acceptance in Washington and around the country.

Therefore, I would like to briefly review the events, since the 1973 UCLA conference, that formulated and refined the idea of full employment. Since that first conference, we have engaged in a number of discussions and hearings in many educational institutions throughout the country. We have had several forums in Washington, one sponsored by the Congressional Black Caucus, and one upcoming to be sponsored by the "Committee of 100" led by Mr. Howard Samuels of the Amalgamated Clothing Workers and by Mrs. Coretta King. Further, we are conducting ongoing hearings in my Subcommittee on Equal Opportunities within the Education and Labor Committee. These hearings began in Washington and then traveled to Detroit, New York, Los Angeles

and most recently, New Mexico. We have heard a great amount of testimony and will continue to do so, in order to assure that the voice of the people, to which this bill is addressed, is heard.

Although we did not discuss a specific piece of legislation at the original UCLA conference, a bill was drafted from the debates that occurred there. That bill was entitled the "Full Employment and Equal Opportunity Act of 1976". We soon discontinued the 1976 reference because the economic condition in the country had worsened so much that we did not want to even indicate indirectly that we would wait until 1976 for the passage of this necessary legislation. Therefore the "1976" portion of the title was deleted.

The fact that that first conference was so influential in forming the basis of the present full employment legislation indicates that conferences, similar to this one, do not have to end merely with a theoretical resolution or ideological position. The possibilities for positive legislation for social and political reform coming out of these conferences are great. Local community groups should be encouraged to voice their opinions in these meetings so they too may be heard in Washington. The truth of this statement is seen in the fact that that small UCLA conference has led the way to the probable passage of H.R. 50. However, I must admit that the road has been long and difficult in getting this bill to its present state.

In 1974 we had trouble getting as many as 35 cosponsors. I was informed by my office this morning that we are now up to 96 and expect to exceed 100 before the end of the day. Now that simply means that we have at least reached 20% of the membership of the Congress. Reaching 20% of the membership on any single issue in the Congress is a remarkable feat. We feel very strongly that if the cosponsors continue to increase at this rate, this bill will be passed early next year.

Let me just add a word of caution, however. I have noticed in the last month a trend on the part of many individuals to believe that the economy is now recovering on its own and that it isn't necessary to vigorously pursue the passage of this full employment bill. I strongly urge all of you not to adopt this viewpoint. I have been in politics more than 40 years and I have heard arguments like this one many times before. The idea that the unemployment picture has "bottomed-out" does not insure full employment in the near future or ever! Those who ask, "Why get into the problem of supplying jobs and spending billions of public dollars when the private sector will generate jobs before the end of next year?", have missed the point. Our program will insure jobs to all who wish to work and provide an impetus to the private sector to generate jobs faster than it would if Congress did not address the issue. We will have unemployment down to 3% within 18 months after passage.\* We will guarantee a living wage to all those willing and able to work. It is extremely important that we all continue to work for the early passage of the bill.

We have no indication presently of how long the legislation process will take; it could be months, a year, and certainly could be after the upcoming elections next year. The problem of long delays and the fallacy of the argument that the "problem will go away by itself" is summed up in Steven Bailey's book entitled Congress Makes A Law. Mr. Bailey describes the situation in 1929 when President Herbert Hoover in his acceptance speech of that year said that we in America were nearer the final triumph over poverty than ever before in the history of any land, that we had not reached the goal but given a chance to go forward with the policies of the last 8 years, we would soon be in sight of the day when poverty would be

\* The revised bill, submitted in March of 1976, calls for reduction to a rate of 3% within four years.

banished from the nation. Those of us who lived during those days know that just eight months later, we had the worst depression in our history.

Today, we see the same policies being continued year after year. We have had 5 recessions since 1953. Although the definitions of terms such as "recession" and "recovery", etc. have changed, it is possible to conclude that since the early sixties we have been fighting recessionary trends, despite a temporary election-year revival in 1972, in time to reelect Richard Nixon. It is time to change those recessionary policies. The "wait and see" attitude has been proven obsolete and inefficient. We need action now.

We are not suggesting a radical new policy. We seek only to supply jobs to all who wish to work. What is sought is basically a refinement of the effort which led to the Employment Act of 1946. In effect, all we are doing in H.R. 50 is simply trying to make that Act work; work as it did during President Truman's administration when our friend Dr. Leon Keyserling was Chairman of the Economic Council. During his term, unemployment was down below 3% without inflation, with a reasonable growth rate, and surprisingly, contrary to what is now expected, a surplus rather than a deficit budget.

The point of my giving you this historical background is simply to stress the fact that full employment can be reached during peacetime. The American people need not tolerate the slums, discrimination, high unemployment, and crime, that pervade our cities. The manpower is there to end these problems. The psychological stigma attached to persons who cannot find jobs and support themselves and their families can be efficiently removed by implementation of the Full Employment bill. With apologies to those economists who may be of a differing school, I think we have been

troubled too long by too many economists of the wrong persuasion - the old school of thought, avoiding public service jobs and federal involvement at all costs, is just not going to remedy the problem as we see it. This is not merely an economic issue; it is an issue which goes to the very heart of the political structure of America. Representative government must represent the people - the people want and need jobs and they should have them. We should not be so willing to cast aside the strength, the ambition, and the talent that is lying unused in this country. We can ill afford to allow this social injustice and inefficient use of this nation's manpower.

I would like to project for a few moments what I think needs to be done now. We need a solid commitment to the concept of full employment. We have not, as yet, aroused the people to rally around this goal. Most of us who have been involved in the heat of debate have been talking to each other. I know that in Washington, in my own office, I constantly caution my own staff against only discussing the issue amongst themselves. The refinement of the bill should, for the most part, come from the people whom the bill will affect the most. The debate must be centered on the needs and desires of people - the working and non-working, the unemployed but employable, and the underemployed. This is where the support for this legislation must come.

Support for full employment thus far has not been actual support for our bill. The AFL-CIO, for example, has categorically stated the necessity of full employment but as yet the union leadership has not recognized H.R. 50, or any other specific full employment bill, as the means to that end. \* Although many groups have discussed the concept and may have debated the idea's merit, few have actually sought to legislate a Full Employment

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\* The AFL-CIO endorsed the revised Hawkins-Humphrey full employment bill in March of 1976.

Act. We need a law so we can hold our public officials accountable in order to achieve full employment. A socially conscious President, such as President Truman, could, without a strong law, personally act to assure full employment in America in a reasonable period of time. But, without such a socially minded leader, we have little hope, without a strong specifically programmed law, of assuring our people their rights to employment and a living wage. We have too many who are forecasters, who sit on the sidelines trying to predict the outcome of the game rather than trying to affect the result.

Therefore, we believe that the important point in stressing the need for H.R. 50 is not that it again tries to redefine what full employment is but that it mandates the executive to provide for full employment. The bill will make employment the right of every citizen and will attach administrative and judicial powers to enforce it.\*

The commitment that our people must make to assure the passage of H.R. 50 is to become more politically active. My hope is that the "Committee of 100," which I referred to earlier, will become a national committee engaged in committing officials and various interest groups to support the legislation. Next year, when candidates will be seeking our support, we will have the opportunity to gain their acceptance and ratification of a specific program for employment. Hopefully, they will commit themselves to H.R. 50. In 1944 when Thomas Dewey and Franklin Delano Roosevelt were campaigning, the Republican nominee, Mr. Dewey, made a strong plea in support of the concept of "jobs for all." He began his effort in Seattle and continued it in San Francisco. As a result, President Roosevelt was forced to make an even stronger statement. At his speech at Soldiers' Field, the President took

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\* The revised bill eliminates any reference to judicial enforcement powers.

an even more positive stance than he had previously taken before in support of the concept. As a result, those commitments forced the introduction of a bill in 1945 and passage of the now well-known Employment Act of 1946.

Thus, I raise the issue to encourage those of us of various organizations to implore the non-believers and non-supporters into positive action. If we make this type of commitment, we will line up the support needed to pass this bill. We may be gaining strength in the House or Senate but we must insure that we can override any veto attempt. People must stress the importance of talking about the bill and letting their representatives know their feelings.

I think there is also another hope we have in this connection. That is the role of minorities. I know that it has been charged that the "jobs for all" full employment concept is a minority issue. This is best indicated by the testimony of former Secretary of the Treasury Connally in 1972 before the Joint Economic Committee, when he stated, "let's not be concerned about 6% unemployment because this only reflects extensive unemployment among minorities, teenagers and women." He claimed that unemployment among males and heads of households is much lower than 6% (around 2.9% was thought to be accurate). Connally said, "as long as that is so, we don't have to worry too much." I think that all too often that characterizes the present attitude. Therefore, it is the minorities, the women, and the teenagers, who must play a role in mobilizing the type of support I have indicated, encouraging the concept of full employment and H.R. 50 within their localities and in the national conventions next year.

Unfortunately, while we have 96 sponsors, I think we have only two or three Congressmen from the deep South and we don't have a single Republican sponsor from the entire membership of the House of Representatives. This

indicates that there still is a job to do. The question with which I will confront you is whether or not the minority groups will rise in the effort to gain full national support. These groups must expand their scope of influence and see to it that the uncommitted public leaders are made supporters of full employment.

So while the present situation may be pessimistic in terms of domestic economic problems and a lack of responsiveness from the White House, the tide is changing. We began this adventure searching in troubled waters for a solution to unemployment. Today, not only have we discovered the solution, but its realization and implementation is about to take place. With your commitment to the needs of all people, and your support of programs designed to alleviate the economic hardship and poverty that plague this country, we shall not only become a fully employed nation, but we will become a better nation.



ROBERT LEKACHMAN

I am very pleased to be here. I bring you news from New York; with understandable local pride, I think our news is worse than the California news. I would simply note as a representative symptom of life in New York, that the city is so near bankruptcy that the First National City Bank is soon going to bear the same relationship to New York City as it did to the Dominican Republic during the grand old days of gunboat diplomacy, when it was collecting the customs tolls as payment against the loans that it was making. At the same time that the national unemployment rate has risen to 9.2 percent, our beleaguered Mayor has announced job cuts of 38,000 public employees, something like 20 percent of the municipal labor force. And just to indicate one more horrible episode, up at the branch of the city university where I teach in our combined Economics and Business department, 55 of our graduates this year were accounting majors. They selected accounting because in an open admissions situation, it looked like a good vocational option. Six of the 55 have jobs as of last week in what seems like a dull profession but at least one in which you get a regular paycheck at the end of each pay period.

I don't want to linger on the evidence of the full desperation of our situation. It is unnecessary, I know. Many or all of you are familiar, perhaps more familiar than I am, with the complete details. I want to talk about what strikes me as one of the major obstacles to the passage of the sort of bill that Congressman Hawkins has pioneered in this Congress and in an earlier Congress--this is the hangup about inflation. A recent poll indicated that, with unemployment at its present rate, 70 percent of the population think that inflation is a more serious problem than unemployment. As

long as that is a general view, the administration is likely to get away with its policy of quiescence.

You have to give the Ford Administration a certain amount of credit for candor. The projections made by Chairman of the Economic Council Alan Greenspan indicate that in the absence of a shift in policy, unemployment is going to be above 8 percent all of next year. It is still rising, as this morning's announcement from the Bureau of Labor Statistics suggests. There are, obviously, several reasons why it's possible for a politician to expect to run and win next year, as President Ford does, with unemployment that high. I think that one of the reasons was alluded to by Congressman Hawkins earlier. This is the quiet feeling on the part of many people that the unemployed are second-class people in some sense--blacks, females, and the young, three traditionally disfavored groups in our society. If these were not disfavored groups, it's hard to imagine that we would be tolerating measured unemployment among black teenagers above 40 percent. It's far worse than this because the black teenage labor participation rate has been dropping since 1960, with 58.4 percent in 1960 and 47.4 percent in 1973. If you add these dropouts from the labor force to the unemployed, as it is entirely reasonable to do, you probably end up with a true black unemployment rate among teenagers about 60 percent or something of this order.

Well, I want to devote the rest of my remarks today to a suggestion that a drastic misinterpretation of our own economic history and the economic record of other advanced industrial nations is being allowed to persist, a misinterpretation which suggests that there is an inevitable trade-off between inflation and unemployment--the Phillips curve trade-off in the jargon of the profession. The suggestion is that we have a bad Phillips curve, something like a bad bite in dentistry. And because we have this bad Phillips curve, we

have to choose either a high rate of inflation and a low rate of unemployment or a high rate of unemployment and a low rate of inflation. Herbert Stein, who used to be Chairman of the Economic Council in the grand old Nixon days, recently said that the media exaggerate unemployment, because when unemployment rises to 7 percent (this was six or eight months ago), television doesn't show you pictures of the employed happily going to their jobs. What television shows you instead are the unemployment lines and, Stein says, this misrepresents the fact that most people are still working. That, of course, is part of the problem--that so long as most people are working and feel reasonably confident that they will continue to work, inflation is likely to seem to them, in the absence of sufficient sympathy, a more pressing problem than the difficulties of the unemployed, many of whom belong, as I say, to groups not in high esteem among the white majority.

What about recent economic history, our own economic history? Congressman Hawkins reminded us that during both the Second World War and the peacetime Truman years, we had a good record of combined price stability and high employment. I might add that during the 1960's, from 1961 to the middle of 1965, we had steadily declining unemployment. As for price behavior--well, think of the time when prices were rising between  $1\frac{1}{2}$  and 2 percent a year. That was the record of 1961-1965. Now that ended for a particular reason which had nothing to do with full employment. It stopped because Lyndon Johnson escalated the Vietnam war in the middle of 1965 and did it quietly. He did not ask Congress or the public for the taxes needed to finance the war in an uninflationary way; he didn't, as both President Roosevelt and President Truman did in their wars, ask for the controls that were required to supplement the fiscal measures. As a result, inflation well and truly took off.

It is not very hard in fact to find the reasons why our inflation in the last two years or so has been so widespread. None of these reasons has

anything much to do with full employment. In fact, we haven't had any full employment, so there has been no problem associated with it in recent years. But if one were doing a quick list of what is causing inflation, one prime offender of course has been the successful cartel pricing practices of the oil producing nations, the OPEC cartel, which have been emulated in a 6 percent increase in the price of bauxite, for example, in recent years. There are no signs that OPEC is reducing its prices as our unemployment rates rise; that's a kind of "Phillips trade-off" that has not been assimilated by the finance ministers of the oil producing companies. Food prices have gone up and they are going to stay up, in all likelihood. They went up very sharply as a result of politics, the politics of detente with the massive sale of most of our grain reserves (as it turned out) to the Soviet Union in 1972. Food prices will stay up and continue to rise in all likelihood because the race between birth rates and food productions is not going very well, with a rising world demand for American food, and we are becoming the world's residual grocer. This is going to mean that domestic food prices will stay high.

In addition, we had some bad luck. There were various crop failures around the world. The anchovies mutinied off the Peruvian coast and instead of presenting themselves to be picked up in nets and converted into fish meal and used as fertilizer, they swam out elsewhere--presumably an attack of intelligence among the anchovies. We also have had two dollar devaluations, and as those of you who have suffered through any course in international trade will recall, the effect of any devaluation is inflationary; it makes the products of the devaluing countries relatively cheap and therefore increases the demand for them, pushing their domestic prices up.

And then, of course, we have had the behavior of the Federal Reserve in 1972. Board Chairman Arthur F. Burns (who, I must in the new post-Watergate

policy of full disclosure admit to you, was a teacher of mine but I have endeavored to separate myself), friend and counselor of Nixon's, whether deliberately or coincidentally fed enough money and credit into the economy in the spring and summer and early fall of 1972 to give a powerful inflationary thrust at a time when his friend was running for re-election and needed, so it seemed, all the help that he could get. He got some help from the Fed that particular summer and fall. In other words the inflation which has been pestering the country has had literally nothing to do with any presence of full employment, if for no other reason that it has been so rare that we have had anything that could reasonably be called full employment.

The experience of other countries is also suggestive. German rates of unemployment are far below our present rates; so is the German rate of price inflation. There are countries in which there is an association of high inflation and low unemployment; England, I suppose, is the leading example. But the British economy is something special and not, I think, a model for us.

Now, there is something (I come really to the difficulty) however, in the behavior of some of our institutions which does make full employment inflationary, and this is the major point that I want to make this morning. If in some more enlightened Congress than this one, we finally do pass H.R. 50 and we do move, as that measure mandates, toward an unemployment rate of 3 percent within 18 months and if, as the measure mandates, the Federal Reserve policies must be consistent with the full employment objectives of the statute, there is little doubt that some institutional practices in our society would stimulate inflation.\* They are located, not entirely but mostly, in the pricing policies of our concentrated industries. Ever since the early work of Gardner Means (to which he has added a just published book

\* The revised bill, submitted in March of 1976, calls for reduction to a rate of 3% within four years.

I would recommend to you -- The Roots of Inflation) and Mr. Keyserling's work as well, there has been a demonstration that the pricing policies of large corporations are semi-autonomous, not totally uninfluenced by the market but very largely determined by the corporate managers of these enterprises. These policies have effects which are observable around us. The automobile companies played around with rebates a little bit, withdrew them after a month or two, having in effect chosen to sell smaller numbers of their chariots at very high prices in preference to selling more at lower prices, which is what should happen in competitive markets. The markets, of course, are not competitive. Neither are they competitive in large ranges of other manufacturing, nor are they conspicuously competitive in some of the service areas, notably medical care and legal services. This is to say that if we pass H.R. 50 and the economy is stimulated towards full employment, there is a serious danger that the lords and masters of our economy will take the opportunity to push their prices up very rapidly. This in turn will set off on the part of unions an effort to catch up with the price inflation and the price-wage-price spiral will be well and truly off. That is a real danger. But observe that this is related to the politics and the ownership of large corporations. It is not related to the inevitabilities of a full employment-pricing relationship. Therefore, it seems to me that if we are going to get anywhere with this problem publicly, we have to address this issue of inflation very directly, suggest where the inflationary problems are located and propose to do something to remedy the tendencies, institutionally built into our corporate arrangements, to take advantage of all opportunities to raise prices.

It so happens that I brought with me a five-point program, for I would not want to leave you without the truth as this is revealed to me on this topic.

My first point is this: that full employment is not likely to be cheap in terms of public revenues. That's to say that both because we need a great deal more public services than our rather rickety economy provides and because we cannot depend upon the private sector to generate an adequate number of jobs, the path to unemployment is going to involve an expansion of publicly created jobs. A responsible attitude on our part then requires that we confide in public our plans to finance these jobs and the answer, it seems to me, is that we have to finance them out of essentially redistributive taxation. Let me offer you a number here: the people at Brookings Institution have calculated that if we went back to the 1961 tax code at the Federal level, we would be collecting 70 billion dollars extra each year. There was a tax cut in 1961, the investment tax credit; there was a larger tax cut in 1964; there was a cut in excises in 1965; there was another tax cut in 1969; still another in 1971 and of course Congress has in this session cut taxes once again. If we restored the revenue base to 1961 (and let me say it was not a notably egalitarian revenue system in 1961, but it's worse now), we could collect an added 70 billion dollars or so if we moved in such directions, as I favor, as taxing inheritances at modest rates, say 100 percent. This would have socially desirable consequences as well as raising the funds to enlarge the public sector. That is my first point.

Secondly, I think that Congress ought to re-read the Constitution, which gives Congress the power to regulate the issuance of money and credit. This is to say, the Federal Reserve ought to be put under political control (I'm putting it in as inflammatory a way as possible when I say it should be placed under political control). I would rather entrust the Federal Reserve to the tender mercies of even conservative politicians than to the mercies of bankers and conservative economists, for I would expect the politicians

to be somewhat more responsive to what is going on in the world than the bankers and the economists will be. As somebody who is persecuting Arthur Burns observed, if he completes his present term, the year will be 1984 and he will no longer be a young man; in fact he will be 79 at that point and although I know remarkable things are being done in geriatrics, it still would be, I expect, undesirable to confide the control of money and credit to a near octogenarian, which will be Dr. Burns' situation. The Fed ought to be put under control. I won't enter into the techniques--there are various ways of doing it -- but will just state a general principle.

Now, thirdly, what are we going to do with the large corporations? Here is a choice of strategies. You can say, in the great tradition of "anti-trust" in the country (the tradition which the late Richard Hofstadter called "the faded passion of American reform"): "all right, break up the bastards and make them compete." I don't have much confidence in that politically. We broke up Standard Oil in 1911, if you recall, and things don't seem to be all that competitive in the oil industry as far as anyone can observe. If you don't break them up, then obviously you have to control them. And I think that the indispensable corollary of a measure like H.R. 50 is a new, permanent price control agency. I don't envision such agencies controlling everything. There will be no need to control retail trade, which is usually reasonably competitive. Where there is competition -- no need. But where there is oligopoly, concentrated pricing, shared monopoly, whatever you like in the way of technical description, then it would seem essential that such industries be regulated. Regulate the prices; regulate the profit margins; regulate, possibly, it has been suggested, the profit targets that the large corporations tend to set internally and to price accordingly. This is a requisite.



Well, what next? I think we should stop being frightened about something. This is a fourth point. Senator Russell Long, the well-known congressional radical, pointed out when the Nixon family assistance program was being debated that if benefits at the Nixon level were given to his constituents down in Louisiana, there would be nobody available to wash his shirts. I don't know what rate he pays to his laundresses, but evidently \$1,600 a year (which was the Nixon level) would have been substantially in excess of his payment. However, it points to a real problem. There is an awful lot of unpleasant, unsafe, dirty work that gets done somehow or other in our society. I think we have to grapple with the fact that as we go into a genuine guaranteed full employment economy, something is going to have to be done to make those jobs more attractive, to raise the status of the people who work in them, to pay them better. I think this is an opportunity to be grappled with, to be invited, rather than a penalty of full employment. But there is no question that one of the benign consequences of full employment, to me, would be a restructuring of labor markets generally. Employers will have to become more ingenious about the job designs that they offer. Work itself will have to become more pleasant and more rewarding to individuals. Well, that's great, I should think, but, of course, it does involve a considerable departure from our habitual ways of thought about jobs.

Now, finally, in my five-point program, it will be said by any conservative economist who would listen to me this long that one of the effects of my program would be to dampen the incentive to save, accumulate and invest. This is, it is suggested, powered entirely by avarice. Tax the rich more heavily, which I would of course favor, and put controls on the discretion of corporate managers, as again I favor -- if all these things happen, the rich will become gloomy. The springs of enterprise upon which our growth depends

will run dry; capital accumulation will slow. Well, I don't believe much of this but if it were to happen, there is an appropriate answer, which is my final point. It's partly a Swedish answer. The Swedes provide a good deal of their investment capital from the public sector, from the taxes that they collect to finance social welfare benefits. Their funds are running at a surplus. This surplus is made available for a variety of industrial investment purposes. If this has the effect, as it must in Sweden, of increasing the degree of public influence over the priorities of the economy, so much the better from our standpoint.

In other words, I would conclude in this way: that full employment and price stability are perfectly compatible goals, but they require a considerable readjustment in American habits of thought. They require, it appears to me, a rethinking of the degree of autonomy that large corporations are to be permitted. They involve a rethinking of the traditional independence of the Federal Reserve System. They require also a willingness to try running an economy at persistently high levels of employment, something we simply have not really done except for isolated periods, frequently as a corollary of involvement in a major war. We can enjoy the efficiencies of full employment. There is obviously something nonsensical about running our factories at 65 percent of capacity and not producing something between 150 and 200 billion dollars of gross national product each year, which is what we are wasting in material resources. Of course, the human wastes are far more important, when we are wasting the talents and blighting the hopes, particularly, of young people just entering the labor force. If we don't approach some such program as this, I think that we are going to continue, in the words of the Kerner report, to be two nations. We are going to be a nation of the largely white middle-class employed, who in various ways are "all right, Jack," and a second nation of the

almost permanently unemployed -- disaffected, angry people whose lives are essentially wasted because they are excluded from any part in the American celebration. I don't think H.R. 50 and full employment are luxuries. I think they are necessities for the kind of society that we ought to be moving towards.

LEON H. KEYSERLING

First of all, I want to pay tribute to Congressman Hawkins, who is a great ornament to the State of California and the Congress of the United States. I've been around Washington 42 years, and I've had a great deal of experience with members of the Congress. My own view is that they are an unusually intelligent group of people, unusually well informed, dedicated to the public good, and you can get them alone in the room and talk to them and most of them will understand what you say, genuinely agree with it and want to do it. But there's one rare quality, and that is courage; because most of the things that have to be done at most times require stepping out from the multitude and proposing something that at the moment the country isn't willing to accept, because if the country was willing to accept it, it wouldn't be a problem. And although he has the other qualities also, this is what distinguishes Gus Hawkins in my mind from so many, if not most, of the others. In this great bill which he is forwarding, he has had the guts to step out and say what needs to be done, what happens to be correct, and to say it at a time when everybody is not ready to accept it.

Some Comments On Progressive Legislation

Now, this leads some people to the conclusion, "Well, that's noble and we ought to applaud, but why follow him? Why not get down to the nitty gritty of doing what can be done now and what is urgent and leave these long-range plans, of what ought to be done some time, to a time when we're not in such great danger?" The trouble with this is that if we had taken this position uniformly in the past, we never would have gotten anything much done. I've lived through the experience of the enactment

of the great landmarks of our economic and social progress - The Tennessee Valley Authority, the Social Security Act, the Labor Relations Act providing for collective bargaining, the Wage and Hour laws, the Housing laws, the Employment Act of 1946, and all of them required somebody who had the courage to stand for them, propose them, take them to the people - long before they were popular and long before everybody was for them. I can regale you all day by telling you how even in the heyday of the New Deal, while we now read in new books that everybody was for everything because the country was in such great, great trouble, I'd like to get a search light and take you through my files and see the tremendous volume of opposition that there was to every one of these great measures. Opposition, yes even in the Roosevelt Administration. Opposition, in almost the entirety of the press and radio, which were the two media of that time----opposition or lukewarmness or lack of interest even on the part of certain of the major organized labor groups to some of the measures which were most in their interests. So this business of courage, of leadership (which it really is) is the most precious of all of the practical ingredients of democratic statesmanship with a small "d". And we all owe a great debt to Gus Hawkins for exhibiting this now.

This brings me to another point, that the whole thing really turns on public understanding, public education, which the Congressman emphasized this morning. The Hawkins Bill is so inevitable, so right, so necessary that some day it is going to be enacted. The only question is whether it will be enacted 10 years from now, through a series of steps when we will have paid for delay with millions of additional years of unwanted unemployment, scores of billions of dollars in lost production, continued neglect

of the great priorities of our domestic needs: education, health, mass transportation, income supports and all the others; or whether it will be enacted soon, pending a more favorable national administration. Whether or not we will get the benefit of it in one year or two years or three years, or have to wait 10 years, will depend upon how many people understand it, how hard they roll up their sleeves and get to work in educating the others about it, and, particularly, bringing the force of an aroused public conscience and an aroused public understanding to bear upon the members of the Congress. That's why meetings, like the one here today, are so very important.

#### Short-Range And Long-Range Action Are One Problem

One of the other things that stands in the way of this kind of legislation (and there was some reference made to it this morning and I've already made some reference to it) is the feeling that "we're now in an emergency and we've got to get out of the emergency first; that matters are bottoming out and we're going to get out anyway and then we'll have time to indulge in the luxury of other things, including H.R. 50." Now this is a fundamental misconception of what kind of economic and social situation we are in. We are in an emergency in a sense that we are at the climax, or perhaps not yet at the climax, of the severest economic downturn with the severest economic and human consequences, since the Great Depression. In that sense we are in an emergency.

But that has nothing to do with analysis, or diagnosis, or cure. In a more basic sense, we are not in an emergency, because where we are now is in conformity with, similar to, characteristic of, a gradually declining

position representing a uniform set of unfavorable factors since 1953. And if we treat this as an emergency, as something different requiring special improvised cures of the kind we are getting now, we'll bottom out. We bottomed out of four previous recessions and we'll come back to a degree. But we will come back, as we've come back out of these four previous recessions, with an inadequate recovery leaving us with more unemployed person power, more unemployed plant, more neglected public needs, than when we were at the peak of the previous euphemistically-titled recovery. And furthermore, we will make this "recovery" more unsuccessful than ever, with more seeds planted for another and bigger stagnation and another and bigger recession than the one we had before. We cannot possibly get from where we are now to anything approximating where we ought to be, and we cannot possibly avert things getting worse and worse in the long run, unless we get the full picture of the past twenty-odd years which have represented what might be called a long-term retreat from full employment and full production. We've never been anywhere near full employment and full production since 1953. With minor undulations, the record has gotten worse and worse.

#### The Costs Of The Long-Term Economic Malaise

Our first step towards dealing with the problem as a whole, which is what we might call intelligent planning (and I'll come back to that in a minute), is to examine how much we have lost through this long-term retreat from full employment and full production and how much we are certain to lose again unless we better our ways. I'll measure it in uniform 1974 dollars: if we take the whole period from 1953 to the end of 1974, we have had 2.6 trillion - not billion - 2.6 trillion dollars less of total

national production than if we had maintained reasonably full employment and full production. And this has had a tremendous effect upon our public, social, and human needs, because through this loss in production we have, at existing tax rates, lost more than 75 billion dollars in public revenues, at all levels of government, which if we had had them could have given us the means (instead of screaming that we are the nation of what we cannot afford) at existing tax rates to do just that 75 billion dollars more of what we need to do to meet our public needs. We have lost, over this same period of time, more than 54 million man-years of employment opportunity, which means that we have had more than 54 million man-years of unemployment in excess of the unemployment consistent with full employment (which I define for the time being as less than 3% full-time officially unemployed).

And if we go on the way we've been going, and I see no chance of doing any better without drastic changes in our thinking and our national policies, we will, in a much shorter period between 1975 and 1980 inclusive, lose another 1.2 trillion dollars in national production, lose another 300 billion dollars of opportunity for necessary public services, and suffer another 16-20 million man-years of excessive unemployment. And in an economy of rising expectations, legitimate in nature, and considering that 8% unemployment in a fourth year is worse than 9% unemployment in a third year, measuring the increasing strains of the prolongation of the deficiencies, nobody is wise enough to say that the brittle and sensitive American economy couldn't get into an economic disaster of major magnitude or at least into calamitous civil, social, and political unrest, if these prospects become actuality.



Full Employment Requires A Working Majority

What I've said brings me immediately to the question of the problem of private enjoyments. I do not believe that the enactment of necessary legislation for full employment, full production and meeting our social needs will be furthered at this stage by trying to deal with all the problems of the economy. I share with everybody the desirability of dealing with the problem of corporate size; I think it is an enormous problem, I think we need to move on it. I share with everybody the insistent need for tax reform and I think that we need to move on that, and I have been one of the most ardent protestants against the economic programs in the past which have distributed taxes regressively. But I don't think it necessary, or desirable, to try to encompass these programs as the first steps towards a successful program of full employment, full production, and meeting our social needs, because I don't think these are the essential barriers.

Second, in the nature of how I have described the long-term retreat since 1953 and where we are going if we don't do better, this is not in my view the time to exacerbate or further divide the country into distinctions between the middle groups, the affluent groups, the poor groups, the unemployed groups, the employed groups, and even the well-to-do. Because the very nature of the difficulties we have suffered has, of course, inflicted the greatest losses upon the unemployed and the poor, but immense losses have been inflicted upon almost everybody. We've

got to convince the middle groups, we've got to convince the business communities, we've got to convince even the influential well-to-do, that what has been happening is not good for them. A 2.6 trillion dollar loss in national production, 54 million man-years of unnecessary unemployment, is not good for business, it's not good for anybody. It's not good for blacks, it's not good for whites, even though it has hurt the blacks proportionally more than the whites.

#### Less Unemployment Brings Less Inflation

And the very essence of economic and social leadership, and getting a working majority toward bringing people where they ought to go in these United States, depend fundamentally upon emphasizing the commonalities of interests and educating people so that they will see them. I do not believe that we can get a working majority for a forward economic and social program solely by marshalling the people who have been hurt worst by not having one. I sympathize with them the most, I care about them the most, but they are not an effective working majority. And a simple example of this is the civil rights program, which was enacted, (it hasn't fully accomplished its purposes), because those who rallied to its support in the conscience of America were larger in number than the groups who were hurt worse by not having that program. I didn't rally to the civil rights program because I was denied the right to vote, or because I couldn't stay at any hotel in America. I still can't get into some of the clubs in Washington, but that's not too important. I rallied to it because I was convinced it was good for me to have it, and because I cared about the people who didn't. Now this is the same kind of support that needs to be developed for an economic and social program.

Let us examine, as a condition for looking at what needs to be done, the main reasons why we're not doing it, which are exactly the same as the main errors in economic and social policy which need to be corrected by legislation. The first one has been mentioned many times already this morning and I want to say just a little more about it. The argument that we should not try to reduce unemployment much, should not try to increase production much, should not try to enlarge the meeting of social needs much because this would be more inflationary. This is the central argument, not only of the President and his administration, but also of those "wonderful people" who are the new budget committees of the Senate and the House, from whom we expected so much, who because of their fear of inflation are themselves deliberately projecting, in consequence of the kinds of budgets they are proposing, 7 or 8% unemployment for another year or two, and 5% or higher even by 1980. Now Professor Lekachman has reviewed the history, and I'm not going to repeat the absolute falsity of this trade-off idea. Even in purely economic terms it "just ain't so." And if you want a detailed and refined review you can find it in the little booklet called Full Employment Without Inflation, which I think you have in your packets. It just "ain't true." It wasn't true during the Truman Administration or during the Eisenhower Administration or the Kennedy/Johnson Administration, or the Nixon Administration or the Ford Administration. And it is one of the wonders of economic stubbornness and the obtuseness of economists in general that when we, for six years, have had an economic growth rate of only 2.4% and an inflation rate averaging about 6% and rising to two digits towards the latter part of last year and an unemployment rate averaging 5 or 6%, and rising now to 9.2%, they can persist, just as if

it had never happened, in saying that the cure for inflation is unemployment. And they don't stop when they should have learned the lesson--we now have inflation of 8% instead of 13%. So they say, "Look how right we were; because we have clung to the idea of higher and higher unemployment we have inflation down from 13 to 8. Just give us another 45 years and we might get inflation down to 6% by having 43% unemployed." Well, the inflation didn't come down from 13 to 8 percent because we've had more and higher unemployment. It came down because the 13% inflation was due to extraordinary and non-recurrent factors which have waned, temporarily anyhow. Some of the crop failures have temporarily waned, some of the impact of the Arab actions upon oil prices have waned, temporarily, so we have 8 instead of 13. But we would have never had 8, much less 13, if we had maintained a policy of reasonably full employment and full production. So let's put that argument aside.

Now I think that Professor Lekachman and I are entirely in agreement, but I just want to say a word about what he said, to make sure that we are. I agree with his statement that the speedy restoration of full employment would bring inflationary problems. But I took it that he meant, from what he earlier said, that it would bring inflationary problems but they would be problems that we would have anyway, and maybe in aggravated form if we continued high unemployment. In other words, the monopolistic trend towards price increases exists in varying degrees no matter what kind of employment we have, and I think the evidence shows that monopolists tend to increase their prices faster to compensate for inadequate volume when we have high unemployment and low demand. So that while we need to move upon the problem of monopolistic prices, and wrestle really with the

problems of direct controls, I don't think this is a necessary precondition to deciding that we should move on the main elements in a full employment program first and foremost, even if from the political point of view it is thought to be too difficult to deal with all of these other problems at the same time.

### Price Inflation is not the Dominant Problem

The first reason, then, why we haven't had full employment is this criminal nonsense that it's inflationary. Second, there are very few who had the courage to tell the people, and you're going to be shocked to hear this until I explain it, that inflation isn't the most important problem. The most important problem is loss of production, loss of jobs, and loss of services. What do we really mean when we say, as I think was said this morning, that the average working man and woman, white collar and blue, have no higher real incomes, or in some respects less real income, than they had a number of years ago. We say that's due to "inflation" at work. But it isn't really inflation that is doing this, it is the fact that the distribution of goods and services that they get is no higher than the distribution of goods and services that they got that number of years ago. And when it was said that inflation was causing them to suffer a 5% loss in real income, it simply means that they were getting 5% less real goods and services than they were getting five years ago. To put this in another way, and it is entirely conceivable as some other nations have shown (and this is not being soft on inflation), prices are merely a means of distributing income and affecting the economy, and either with a stabilizing,

falling, or rising price level, you can have full employment and full production and meet your national needs or fail egregiously to do so. So the effort to deliberately sacrifice the distribution of goods and services, deliberately sacrifice production, deliberately sacrifice employment, in the name of controlling price inflation, would be to forget what prices are all about even if it worked, and as I've already said, it doesn't work. So it's all nonsense.

### The Issue of the Federal Budget

The second thing which has stood in the way of a full employment program is the prevalent idea about the Federal budget. It is certainly tragic that 40 years after the New Deal the American people have not learned, and Congress has not yet learned, that the national economy is more important than the Federal budget. And that the Federal budget is but an instrument of the national economy. Ignoring President Ford for the moment, and repeating myself a bit for emphasis, let's get over to the Congress to show how great the need for education is. The new legislative Budget Committees set out to formulate budget limits. They don't say what any rational person would say and do: what do we want to do for employment, what do we want to do for production, what do we want to do for public services, what do we want to do for the real functioning of the economy and the real well-being of the economy and what kind of budget and what kind of deficit will do this? They don't do that. They turn it absolutely upside down. They say because politically we don't want to be too far apart from President Ford, because someone will accuse us of being wild-eyed, we're only going for a deficit that is inconsequentially different from his, and a budget that is

inconsequentially different from his, and instead of caring what that does to the economy we accept the dismal forecasts of what it will do to the economy, namely, that it will take us a long time to bottom out, that the recovery will be very slow and that we will have 6 or 7 or 8% unemployment another 2 or 3 years ahead.

#### Only Full Employment Can Balance The Federal Budget

This is a crazy way to deal with the Federal budget. The ironical fact is that you would get less inflation if you didn't try to cripple the economy in the name of fighting inflation, and for those who care about the federal deficit, the only way to reduce the deficit, the only way to balance the budget, is to move toward full employment and full production. During my 7 years with Harry Truman, we ran a 2.3 billion dollar annual budget surplus although we averaged only 4% unemployment and had only 2.9% in the last year, and we averaged only 3% inflation and had only 8% the last year and had a real economic growth rate more than twice as high as what we've had in recent years. And we ran a budget surplus. Why? Because we didn't try to squeeze the "blood" of revenues out of the "turnip" of a starved economy.

How did this 59 billion dollar deficit that President Ford projected at the beginning of this year (which has now risen to 60 in his judgment and to 68 or 69 billion in the judgment of others) arise? It arose out of the condition of the economy. It arose out of the unemployment and the idle plants. And I will forecast with absolute certainty that the application of this philosophy to the Federal budget is going to cause

horrendous deficits as far ahead as anybody can see, "horrendous" at least in the eyes of those who care more about the Federal deficit than I do. On the other hand, I have recently projected the kind of a Federal budget that would meet the needs of all, even with a tax reduction, of economic stimulation, would bring us back to full employment by the end of 1977 (which is not too fast: we got our unemployment down from 17% in 1939 to 1% in 1944 not because of the war, war doesn't create employment, but rather because in wartime we recognized that working people are more useful to themselves and the economy and cost less than idle people).

As this was true for purposes of making the bombs of destruction, when you waste the product, why isn't it true now for making the instruments of human progress--the housing and the mass transportation, the health services and the other things we need? Why is making productive things that pay for themselves less economical, even in conventional terms, than making things and blowing them up? We didn't get full employment and full production during war because there was a war. We got it because, strangely, it is only in wartime that our economic policy is moral and sensible even though the war may not be. All we need now to do is to follow the admonition of the great biblical prophet and beat our swords into plowshares. The Federal budget that I have projected, to get us back where we ought to be and to meet our human needs, would come into balance by calendar 1977 and show a surplus of 13 billion dollars by calendar 1980. So even if you want to take the position, for political reasons or other reasons, that you want a balanced budget, this is the only way to get it. And this is one of the things that people need to be



educated on, so that they don't let these horrors of the deficit and inflation stand in the way of all of the things that we ought to do, not only to meet human needs but to get rid of inflation and to get rid of the deficit.

#### The Correct Approach To Private And Public Employment

The next point that I want to make is the distinction between "private" and "public." No sensible full employment legislation, and certainly none under discussion, takes the position, the simple position, that the problem is solved--no matter how much unemployment there is--simply by the government spending enough money to provide jobs for everybody unemployed. It does take the position, and I believe that it should take the position, that insofar as people do not have jobs anywhere else, whoever is at fault, the people who don't have jobs in private industry can't be satisfied by being told "some way you're going to get them;" government has the bedrock responsibility to remove their idleness with useful toil. But under the kind of planning that such an enterprise would involve, you don't determine the role of the public and private enterprise by talking only about jobs, because jobs should exist for a purpose. It isn't enough to employ people building bonfires or raking leaves or doing things of secondary utility. We should start by going back to the idea of Abraham Lincoln, who said it is the function of government to do for the people what they need to have done but can not do or do so well in their separate and individual capacities. As a long-range proposition, we should not determine the number of public jobs by saying we need this to make up for private unemployment--we may need more public jobs than there is private unemployment

and we may need to provide inducements for it. Fundamentally, the number of public jobs under a long-range full employment program should be determined by how many schools we need, how many hospitals we need, how much health services we need, how much mass transportation we need, how much environmental action we need, how much energy and food supply we need, and so forth and so on, that cannot be provided in any other way. And we will stimulate private enterprise to do everything that it possibly can to absorb the person power that isn't being used in meeting these essential priority public needs. Now this would necessarily result, in our kind of economy, in the preponderance of jobs being in the private sector. But not by any willy-nilly metaphysical idea or philosopher's dream that public employment is better than private employment or vice-versa. Why is private employment to build a new luxury hotel in Miami Beach or Las Vegas better than public employment to build a school or hospital? And I don't need to give more examples.

We've got to come to a mature way of examining the respective role of private and public employment in the interests of what is infinitely more important than either private or public employment--the American people. And this is part of what a full employment program would do, it would project goals for public and private employment in the manner that I've suggested. Insofar as this was not fully realized privately, the basic responsibility of government would be to take up the slack, but fundamentally the distribution would be on the basis of what private enterprise could do better and what public enterprise must do to meet the people's needs. That's the way to divide between private and public jobs in the long run. In an emergency like this, I would be the first to

recognize that you may create a lot of public service employment jobs to take up the slack more rapidly than it can be taken up otherwise. But that should all be geared to the long-range purpose of dividing between private and public jobs on the basis of an analysis of the respective needs of the nation for both. Now that is one of the challenges we've got to meet.

#### The Vital Importance of Distributive Economics

The next problem we've got to overcome in getting full employment is the misapplication of Keynesian economics in its simple form. I will say in the presence of the distinguished writer on the subject of Keynes, Dr. Lekachman, that Keynes' ideas were all right but he didn't live in the 7th decade, or 8th decade, of the 20th century and he'd turn over in his grave if he knew what the "new economists" have done in his name. They say, if the economy is slack you pour some stimulus in; if the economy is tight, which it has never really been since 1953, you take some stimulus out, and you do that generally through tax or spending policy or through changes in the money policy. Even so distinguished a Nobel prize winner as Paul Samuelson, not to speak of Walter Heller, said to me, "Well, if you've got to put stimulus in or take stimulus out, what difference does it make where you do it? Just put it in." I say it's like a fellow going to a gas station and saying "Fill her up" and the attendant says, "Do you want to pour the oil into the tires or the gasoline into the cylinders or the air into the heater?" And I say to him, "What difference does it make, haven't you ever heard of Lord Keynes? Just fill her up." And that's the way they've done it.

And in doing it that way, we have forgotten the whole distributive problem, which is at the heart of the whole problem of the American economy.

We haven't gotten into trouble because there was too little money available for spending. The money was there to spend. The gross national product always generates enough income to equal it. But some of it wasn't spent, it was saved; too much of it was saved because it wasn't distributed properly. The whole task of full employment does not depend upon this simplistic idea that you just tighten up or you loosen up. For this means that we tighten up on it for the wrong things, like schools, and we loosen up on it for the wrong things, like excess plant investment; we do it in a blunderbuss fashion. The whole task of full employment depends upon proper planning legislation to analyze the distribution problem. And then we have to tighten up or loosen up on the money policy and the fiscal policy in ways that improve the distribution of income and goods and services to get a better balance in the economy. This is the heart of the whole problem. All of the great economists recognized that distribution was at the heart of the whole problem, and the later ignoramuses have forgotten it, with rare exceptions such as those invited to this conference.

This leads to the conclusion that the war against poverty and the war against low incomes and the war against bad housing and slums and decayed cities is not something separate and apart from economics, on the assumption that you can have a pure and nice economic policy paying no attention to those things and maybe take care of them sometime later on-- these things are at the very heart of the problem. And because of the new technology, which is advancing so fast in the mass production industries, we can't even get full employment by any model unless we absorb more of the employed people in human services for people. The automobile industry, when it was producing cars at its peak a year or two ago, and

it was producing 3 or 4 million more cars than a few years earlier, was doing it with 3 or 4 hundred thousand fewer workers. The only reason the union was bigger was that it took in people who weren't in the automobile industry. With more prosperity, they will re-employ some of the people they have disemployed, but they will never again get employment to or above their peak levels of a few years ago because the technology is going too fast. Quite apart from the fact that there are some things a nation needs more than automobiles; I want to help the automobile industry, but I know what its limits are. And this is true of many other mass production industries. We didn't employ more people in industry at the last period of full employment than we employed 10 or 15 years earlier. The fill-in was from the goods and services due to the increase in public employment, so if anyone made a long-range budget for full employment, it recognized that we have to shift more of our employment to the goods and services in the human needs and the unmet needs in health care and housing and mass transportation and anti-environmental pollution efforts and energy and things of that kind.

#### Forecasts v. Purposeful Action

So those are some of the main mistakes that we have made, and we've got to correct them. Now, how? While I'm not going in detail into any legislative proposals, I think, however, that the Hawkins bill deals with each of these problems. And then we have the matter of forecasts. Every time I go up to somebody anywhere and they know I'm an economist, they say, "What is your forecast?" But the forecast is for a poor banana seller on the street trying to guess how many people are coming by on a rainy day to buy some fruit. A forecast is not for a national government: the

forecast that we are going to have high unemployment. President Truman never asked me to forecast how much unemployment there was going to be. He said, "How can we get it down lower and lower, what should we do?" The new budget committees, the President, and the economists and all the others shouldn't be guessing how much unemployment is going to be a year or two from now; they should say, "What particularistic measures are we going to take (along the lines I've indicated) to get it down to less than 3% within 18 months or 2 years?" That's national policy. If we, at the start of World War II, had called the economists in to ask them to forecast how many airplanes we needed to build or whether we were going to win the war, we'd have lost it! Roosevelt said we've got to build two hundred thousand within a given period of time. That's what economic policy is about: to set goals for where you want to go.

#### The Moral Foundation of Economic Policy

Now, these are the vast changes that we have to make in our approach to national economic policy, and this puts it all on the moral basis because there isn't any conflict between what is morally right and what is economically sound. Every single one of our deviations from sound economic policy has been a deviation from simple human morality. And everything that we ought to do to accomplish social justice and to be moral would improve our economic performance. And that is the very reason that I believe we haven't had a salable proposition with the American people--because the American people are moral people and they just have to have the story brought home to them.

Elements in the Hawkins Bill, H.R. 50

As I have said, I'm not going to discuss any legislation in detail. Broadly speaking, this legislation which Congressman Hawkins is pioneering has these basic elements in it: the setting of goals, the making of a national purposes budget, the proper attention to priorities, the examination of what the distribution of employment has to be and the adjustment of national policies to these tasks. This is no vast, gargantuan, totalitarian planning; under this legislation the government would not determine how many automobiles should be produced, nor would it necessarily even set targets for the production of automobiles. The government would merely provide a broad perspective of the balances of the economy as a guideline to industry and would help industry to reach its potentials without government interference.

The main objective of the purposes budget and the other activities would be to get the government itself to conduct its own policies rightly, to correct its own tax policy, to correct its own money policies, to stop neglecting its own social security policies, and housing policies, and environmental policies. I think that, in a practical way, public policy, which has so great an influence upon the economy, has to get its own ship in order before it seeks to branch out to larger tasks of interfering with the way other people are doing things. And the role of government in the economy is already so large and so pervasive that if the government could conduct its own policies correctly, with the proper attention to specific goals and with the proper regard for human values, the whole thing will come out pretty much all right, and if it is imperfect, we can do some of the manicuring a little bit later on when we have more time.

ARTHUR PEARL

The basic problem of our economic crisis and our political paralysis has come about because the long-term coalitions familiar in the past, that supported any kind of forward movement, have fractured and there is no way of bringing them back. We are not going to bring back the 30's and we are not going to bring back some ancient Indian civilization to help us solve our problems. We are not going to get out by "thinking small." We have too many small thinkers among us already. We are only going to get out when we sufficiently address the problems we have. And we are not addressing those problems, primarily because of our unwillingness to break with the past. I am not concerned about conservative thinkers. Conservative thinkers can be depended on. They stay 300 years behind the times. Gerald Ford is making no policy. He is responding to the absence of us. And I think that is terribly important to understand.

It really hinges on the concept of work. Both liberals and conservatives despise work. Conservatives for good reason: they have never tried it. (Understand that the issue is never large government or small government; that is always a fraud. Both conservatives and liberals want large governments. They just want to direct those large governments against different people. Conservatives want to direct large governments against most of us. And so President Ford is not asking for a small government: \$350 billion is not a small government).

Liberals have been as much against work as conservatives. The legacies of the New Deal, the social programs of the 30's, all are anti-work programs. What we really tried to do was to get people out of work because during that



period we despaired of the ability to create sufficient jobs for full employment. As Dr. Keyserling pointed out, we still had 8 million unemployed in 1939. That was after a whole series of New Deal programs. And so we despaired of it. Now all the other kinds of things got lost, but we managed to maintain our dislike for work all the way into the future. Immediately after the war, we had a new group of liberals and they did not like work either, and they talked about guaranteed annual income. They talked about ways in which we didn't have to work any more and that we could have machines do our work for us. And they became a very penetrating and pervasive force in our thinking, and since then we also have had liberals who have said that full employment was impossible, that it was inflationary (there were some exceptions to that; we heard them today). And now we've had people, some of them also liberals, who say the way to deal with work is to think small, "Zen Buddhism," (as proposed by the Governor of California.) That is not the way to deal with it. I want to submit to you that the only way we are going to be able to get out of the trap we have gotten ourselves into is to begin to recognize that only with the redefinition of work do we have any way of solving any of our problems, and that only with a full understanding of what full employment must be do we have any way of dealing with any of the pervasive problems we have.

Now, to begin with I start with the assumption that H.R. 50 is the first step. It is the necessary beginning step toward a full employment economy; it is not the last step. Many people raised questions today about what do we do after we get H.R. 50 passed. "Should the planning of work be done on the local level?" I think that is an interesting kind of academic discussion, but let's remember not only does the government print the money but it also collects the money. If you are going to talk about employment, you've got

to talk about where the money is; unless you don't want to pay people for work, you've got to have access to some money. And inasmuch as the federal government collects the money, that is where we have to get our money and I don't look upon it, in spite of its behavior, as a foreign government.

Let's talk about employment development on the local level. If we are concerned with that, then while we recognize the necessary first step is the right to a job, how do we then define what kind of jobs need to be done? That is a planning function. To define the kind of jobs that need to be done, we then have to address the problems that our society faces. What are our pervasive problems? What do we have to direct our attention to? Well, there are clearly four major problems that threaten our survival, and we had better be able to direct our human energies to deal with them. Clearly, poverty, and in the evidence of poverty our single greatest problem is just being able to stay alive. Half of the world's population needs to have resources to stay alive, and it is absolutely untrue that we are the grocer of the world. We are not the grocer of the world, we steal our food from the world--one million more tons a year are imported from countries where they have large scale-starvation, to feed us. A good hunk of that goes to pet foods. If we want to think small but think creatively small, why don't we start adopting people as pets? We continually advertise to all the world's people, the same way we now treat our poor at home, that all of us are making great sacrifices for them over there, but how do we reconcile the fact that when Mrs. Olson talks on TV about mountain grown coffee, it doesn't grow in the United States? In that same time, the rich farmer that grows coffee could be growing something useful; in the same time (talking

about a Chiquita Banana), Honduras or Guatemala could also grow food of a much wider range of nutrition, and when we look at what we feed our pets, we have to recognize where it comes from.

So food becomes a major problem. And how do we address food in terms of useful work? Probably the single greatest problem of inflation centering around food (and food being probably the single greatest long-term problem that we face) is the distance between the grower and the eater. We aren't going to be able to deal with poverty, in any real sense, unless we reduce that distance. Basically, if you take a look at a map of the United States, where is it that food should be growing? Where is the most fertile part in the United States? Cities. You look at Oregon and you will find that the most obvious place to grow food is Portland. If you look at this state, you will find that the most obvious places are either San Jose or Orange County. Now if you are going to do that, and you are going to talk about that kind of approach to food, you are going to talk essentially about establishing in the United States and elsewhere a labor-intensive agricultural food program. That is going to require us to tear up our streets. Now if you are going to tear up your streets, what are you going to do for transportation? I am going to submit to you that the way to deal with transportation is a public transportation system which in turn will also employ many, many, hundreds of thousands and millions of people, depending on how you define transportation and its use.

So I say, the question first of all for human endeavor is to try to eliminate poverty. Now I want also to submit to you that if we don't eliminate poverty, we are not going to have a stable economic system. There is no way

you are going to have segregated large-scale numbers of people in inner cities in poverty and maintain a stable economy. There is no way it can happen. If we don't make a way to redistribute our wealth, somebody will do it for us. It may not be efficient, but it will get done. There will be redistribution programs going on, "thinking small" outside government. I don't know if that is part of the Governor's plan, but there will be these things going on in the absence of another kind of plan, the kinds of things that are recorded monthly in the F.B.I. "Uniform Crime Reports." I don't consider that a logical solution to the problem of redistribution of wealth. I think we can do better, if we address the major problem that we don't distribute poverty equitably. We manage to maintain all existing biases in the distribution of poverty. Poverty is distributed along race, class, sex, and ethnic lines. And that again means that there is no way we are going to be able to maintain that kind of a system into the future, particularly when there are so few of us white people left. In the last few months we suddenly recognized there are lots of nonwhite people in Asia, in fact more of them than us, and we decided to deal with that by leaving and then after a while there may be no place to leave to and so I submit that is a problem that cannot be avoided.

Environmental devastation, depletion of finite resources, constitute key problems. And so any kind of human energy must be directed to simultaneously solving all of those. I would submit that this can be done, but in addition to that we have one other very important aspect (and that is how I got into this whole business of work planning, since I am a psychologist and concerned about quality of life). I recognize that the only way we can generate quality life in an interdependent highly technical world is through good government. And here we face probably the single greatest crisis of our

thinking and why we are paralyzed. And the paralysis comes when we find ourselves with people without much vision on both the left and the right. Clearly I think that Bob Lekachman is right and I would like to continue to elaborate on it: that there is no real prospect of solving any of these problems through the private sector. It can't be done. But, unfortunately, while business has no means of doing it, it still has credibility in the public mind. The only way we are going to solve the kinds of problems we are talking about, which are public problems, are through public activity, and that has the least credibility. That is the "Catch 22" of our political problem. The instrument that we need to solve governmental problems is a sensible, credible government and it doesn't exist. How do we make it exist? How do we define in very concrete and clear terms the notion of how such a government can exist (and this to me brings together some of the arguments that have been presented here)?

First, we have to redefine what we mean by work. We have to define work so it makes sense in economic terms, psychological terms, ecological terms, and political terms. If we don't redefine work, then we continue to set ourselves up for programs for which we not only get no political support but if we did get such support, it would not address the issues that need to be addressed. And we don't need any more super-advertised programs. We don't need any more wars against poverty for which there is no possibility for success and leave us in much more difficulty of getting anything done. Basically, the reason the Governor is paralyzed from performing his duties is because he has so much disrespect for what has been done, and no respect for what needs to be done, that he can't function. And I think the time has come that we have to start telling him and other elected officials who are paid to serve us what needs to be done and make them work for us.

Now in order for work to be defended, the first defense of work (and this has been alluded to today but I would like to specify a little more) is that the work has to produce palpable, clearly manifest, needed goods and services. You can't talk about work that produces nothing of value. And here we really face the problem, because for most of the things we have people working on, we can make no case that they contribute to quality life. We don't need one more can of deodorant. We don't need one more automobile, in fact we can't survive one. We don't need most of those kinds of things, and the only way we justify them is that they create work. In fact, we define work so that anything for which a person receives pay from an ostensible legitimate source is called work. So if you take care of somebody else's children, it's work; if you take care of your own, it's not. If you kill somebody for the United States Government or the Los Angeles Police Force, that is work; if you do it for a private entrepreneur, it is not. We must make a case for every single thing we are asking people to do (and that brings back local people, because only one group of people can determine whether work is valuable and that is the recipient of that work). And here is where we have to recognize why we fail so badly in public service: we refuse to allow the people who are supposed to be the beneficiaries of that service to participate in the negotiations. So students are not allowed to participate meaningfully in the negotiations with their teachers, because obviously they are not "fit" to evaluate a good teacher. Obviously patients cannot be concerned with the evaluation of the work of doctors-- that is why doctors up in Sacramento are asking us to become accessories to their crime of malpractice. And, clearly, welfare recipients aren't allowed

to determine what is a good welfare worker. The unemployed can't determine who is a good person in the Employment Department. And I guess none of us who are citizens of the state can be involved in discussing matters with the Governor, because there is no understanding of the need for that negotiation. We have to build it into our thinking. And the only way we can build that into our thinking is to be insisting that whenever we perform any type of function, we establish those kind of models and get that understood. Because, unless we build that into a redefinition of work, we aren't going to be able to make much more progress than we are right now.

Clearly, the issue before us is--can we now define economically, with people involved in it, the kinds of work we want to have? Now there is a second level of evaluation that absolutely has to be built in and one which we are very reluctant to do (and one of the reasons we are in such trouble is that we fail to ask not only whether the work should be done or not but how valuable is the work). We've got to start talking, for the first time in this country, about a national wage policy. Again, liberals who don't like work, like to talk about minimum wages. The only defensible thing you can talk about now is maximum wages. There is no way in the world you can defend a situation where a seven-foot basketball player is worth 300 secretaries. Well, for that matter if a Governor is worth two-and-one-half college professors and a college professor is worth 3 secretaries, because they become indefensible definitions and all we have when it ends up is a series of whipsawing conspiracies. And with that kind of whipsawing relationship, what we end up with is overpaying the top at the expense of the bottom and there is no way, in the relative finite way we deal with economics (while we can manufacture money within certain limits), we are going to be able to

deal with those who are the underclassed part of our society without also dealing with those who are the excess beneficiaries, and we have got to build that in the equation and discuss it.

And the notion that each individual fraternity can determine its own credentials without even dealing with the need is in violation of the canon of John Donne 350 years ago that we are all of the peninsula; we are all of the island and that we cannot function each person for themselves. And that is why thinking small becomes an absolute impossibility in an interdependent world. We've got to be thinking big. We may have to act small in order to get big, but we ought to be thinking big. And we ought to be thinking how we get from where we are to things that need to be done. Now that is one aspect of the defensibility of work and we have not done very much of that.

We have talked about three other aspects of the defensibility of work and they can be handled in very concrete terms in certain critical areas of our lives. Now we've got to talk about ecology in relationship to work. Basically, the problem before us in one sense reduces to this, that if we're going to solve our fossil fuel and other artificial energy problems, the major energy resource we have is human energy. And essentially the equation for work, in addition to being able to produce quality life, is can we do this with a minimal use of fossil fuels? And that is what I call an ecological theory. We have to calculate how much energy various work functions cost. Now clearly the most valuable and ecologically defensible work is human services. There is one thing we can say about everybody who is involved basically in human service that doesn't require a large amount of fossil fuels and any other kind of energy source: no matter how bad they are, they are biodegradable. And if they do nothing while they live, they contribute to life after



they die. Each human being when dead becomes part of the cycle of life. That doesn't happen with an automobile, or an aerosol container. And so if we had to make a judgment whether we wanted a bad schoolteacher or a bad automobile assemblyman, choose a bad teacher on ecological grounds. On political grounds we are not going to get away with that, but we have to make a definition of how much each bit of work costs us from an environmental perspective. And essentially the major thrust ahead of us if we want to be environmentally independent (which we have to be in order to reduce the threat of war) is a recognition that we don't do it by finding new energy sources-- we do it by cutting back enormously on our per capita consumption of energy. That is our solution. We can within ten years reduce our consumption of energy by at least 90% by increasing the quality of life, by merely changing where we grow our food, how we transport ourselves, how we organize our cities, and what we do with our time. Now that clearly changes the whole notion of a future but if we cannot define work in ecological terms, then we fall back in the kind of thinking or non-thinking that we find ourselves in now. "Unemployment is bad." How do we get rid of unemployment? We encourage people to buy automobiles. Now that wouldn't quite qualify to be insane. We have to invent new languages.

Another area of evaluation of work is political. And essentially in the kind of world we live in, all change is political. If we cannot define work so that the majority of people see that it is useful, then we lose-- it is just that simple. And we can get very, very smug about this in the way that we operate. Teachers no longer feel that, with the powers of their own organization, they have to defend themselves to any larger constituency. Certainly that is true of any other work group. Then it becomes very difficult

to mobilize any kind of political support arriving at something worthwhile, because they act in such an irresponsible, narrow, selfish way to preclude political alliance. Essentially that's our job from now on and I hope every single candidate running for office will be defining the kinds of activities that would make for a meaningful, logical coalition. If we define work as being useful, we provide the mechanism for bringing back the coalition between the organized worker and those persons who have been denied work. Because once we define work as being useful, they have something they need. Now no workers in our society are unaware that they do not have the services they need. Very few workers are satisfied with the education their kids receive. They certainly know they have rotten medical care. They know that when they go to a state or national park, there is not very much service for them there. They know that in every single aspect of their lives, there are things they need: the workers who live in this area are not particularly enamored with the air. They would like to wake up one day and not see the air. I don't think too many of them would feel that it had somehow disappeared. And so when there is an understanding that once we define work as being valuable and ecologically defensible, then we have a basis for a political alliance.

And there I would like to address the things that James O'Toole of U.S.C. and Studs Terkel talk about with some modest success: the psychological dissatisfactions of work. You can't talk about work as something people have to do and be unhappy about. In a free society, of course, the way of guaranteeing that people will be satisfied with their work is to give them a choice, and full employment is a first step to that. But in a free society you have to begin to organize work so that it is gratifying. And what are the gratifying

systems that one will be looking to, to change the nature of work? These are not hard to figure out. All you have to do is read any of those things in Terkel's book and you can begin to see what people generally talk about. What are the most important dissatisfactions about work? 1) Feelings of loneliness; work is a place, particularly in a technical society, where there is very little human interaction. 2) Feelings of insignificance; in fact, very few people (go back and look at Chaplin's "Modern Times," which was many years ago) identify in any real sense with what they have been involved in making. 3) The feeling of incompetence: that they are interchangeable and just cogs. 4) Feelings of insecurity, not only organized around whether or not you will have a job tomorrow but even more important (given the lack of any understanding of what a government should be doing in social security), a direct feeling that when you do retire, what you retire with will be insufficient to save your life, which will be true. Because we don't need a trust fund for social security, which is discriminatory and has to be inflationary. What we need is a guarantee, out of existing resources, for all old persons in the United States that they will have the necessary kinds of resources to enjoy life. And you don't do that with retirement plans--you do that out of day-to-day functions. You don't need a health insurance program that will only make the doctors richer and the insurance companies richer than them--what you need is a delivery of health system that will provide health services to people. You are not going to get any more health service out of a health insurance plan unless you increase by tenfold the number of people involved in delivery of health and the doctors are not going to allow you to do that unless we break their cartel (and, incidentally, that is what a Governor can do, because he appoints people to sit on all the licensing boards

and all you have to do is change the whole notion of who is involved in the practice of medicine). And if you don't change the notion of who is involved in the practice of medicine, don't think that things are going to get better, with respect to health care; they are going to get worse, and if the medical people tell you how good private medical care is in the United States, ask them why in 17 countries there is lower infant mortality and in 45 nations in the world, there are males who live longer.

We should talk about not only security and measure of comfort, but also a measure of excitement, and one of the reasons we find among young kids an involvement in many illegal activities is because anything legal is dumb and we ought to be recognizing that. We have made excitement illegal. And we can build some excitement into legitimate activities. One of the dullest things in the world is politics in the United States and that is for a very good reason. One of the best ways to be bored to death is to be involved in a political campaign, because the whole campaign is packaged.

Let me sum up as to how we handle some major issues: how to get work differently understood, how we pay for it, and how we begin to get a whole change in the mood of a people, which is what we need to do. Basically the problem is that we've got groups of people who just feel overwhelmed, who don't support what's going on but don't see how they can get out of it. Let's begin to excite people by organizing around issues of food, bringing back labor-intensive agriculture, make every city close to self-sustaining by tearing up every street. And also create 500 new cities in the United States of no larger than 250,000 people in the next 25 years. That can be done starting tomorrow; it would create an enormous number of jobs and those cities could be organized on ecologically valid concepts that would require very little

expenditure of fossile fuel. They could be organized where people could walk to work; they could be organized in ways where work and culture and schools and day care centers were all in one place rather than spun out; they could be organized in such a way that it would be possible for people to be able to use public transportation.

And secondly, we have to recognize that if we tear up every street, we have to create a public transportation system that people will want. We've got again to reorganize our thinking. Nobody wants a public transportation system that is really a 19th century concept. No one wants a lighted hallway on wheels. That's not a public transportation system. When engineers organize a public transportation system without consulting with people, then they're concerned only about safety, like BART (in the San Francisco Bay Area). The people who designed BART have a beautiful system, electronically controlled, clean and pristine, but there are no people there. Everything is automated. The whole concern of the designers was whether the trains would go from one station to another safely. But the people who ride BART aren't concerned about the trains; they are concerned about whether they will arrive safely. How can you be safe when there are no people around? Here is an alternative program that is a labor-intensive public transportation system, with different things in every car. Sly and the Family Stone in one, a string quartet in another, a bar in a third, a library in a fourth, a discussion group in another, a fully staffed nursery school or day care center in another. Now see how many people would prefer to drive a car? Make sure there is somebody there helping people with packages, serving drinks. That can be done by increasing three or fourfold the number of people working in a labor-intensive public transportation system. Now unless we begin to think in those terms, then we are wedded to the automobile; however, remember the auto didn't get

there without public collusion. If we hadn't decided to put all that tax money into building roads, how many people do you think we'd have driving cars? We made a public decision to keep public transportation so decrepit, so old-fashioned and so uncomfortable as to make sure that people would prefer to drive their private cars. There is no way in the world you can make a car as comfortable as a labor-intensive public transportation system, if you want to. Make sure there are enough people around on public transportation to take care of you, and there is no way to defend the auto. That ties together two concepts: It makes it possible to grow food in the city and makes it possible to have safe, convenient and enjoyable transportation.

A third area is health care. We can get it by a "new careers" approach to health, rather than insisting that people go through many years of irrelevant training. The reason for years of training now is that's the way to guarantee that the medical profession will be restricted to the clientele it now has; that's essentially what the credentials system is. The credentials system essentially has nothing to do with quality of service; it is a way of insuring that the fraternity will be restricted to its current demographic characteristics. Now I taught at two different medical schools and I know there are only two things you learn in a medical school: an essential part of the training that every doctor has, in every course given to him, is an understanding that an essential part of the therapeutic process is the exchange of money. The second thing they learn is that they've got to write illegibly. And everything else is a total waste. It is negatively related to what you have to know about disease states that are correlated with an urban existence. So they know nothing about alcoholism, or drug abuse, or the kinds of problems that people have. They are terrible when

it comes to dealing with pregnancy. In Santa Cruz, because doctors can't deal with it, a number of women got together and tried to offer some kind of care in a supportive, collective way and they were arrested for practicing medicine without a license.

In Washington, I did a retrospective study on a bunch of people who were unmasked as bogus psychiatrists. I asked NIMH for a grant to find out if people who went to bogus psychiatrists would be distinguishable five years later from those who went to a regular psychiatrist, and in describing their treatment, would there be any difference? NIMH chose not to fund that study. But in a pilot study I found that there is no way of telling a credentialed from an uncredentialed psychiatrist: they did the same thing and they got the same results. I am not speaking in favor of bogus ones: they are just as bad. When you take people and hold them outside of reality for that long a period of time, as Veblen pointed out, all you can get at the end is trained incapacity. The new approach has to get people involved in medical activity right from the very beginning, organized in such a way that they receive their education while they increase the responsibility of their behavior, and then we put people immediately to work in useful activity. What did we do during World War II? That's what we did when we created the medic program, and it was certainly a high quality medicine. That's what they did in China to uplift their medicine.

As for housing, we can't make cities livable until we make it possible for at least ten percent of the people to leave them, and the only way to leave them is to create better places for them to be, and that means organizing new cities. And to organize new cities means that you change the whole mood of a country and also get away from the kind of local thinking that people

have, as if the population that sits in Los Angeles today will sit there all their lives. Encourage a whole redistribution of population not by force but in the way all meaningful migrations have taken place: a guarantee that there's something worth going to. That will change the mood, the élan of a country. Everybody who's talked today has talked about the need for public education: that's essentially what I'm talking about, but each one of us has got to take on that role of public educator. We can't turn it over to somebody else. We've got to make demands and be prepared to defend those demands. We've got to be able to show in clear terms why we have a better offer. Otherwise, we will still face a group of people who are paralyzed by the fact that what they have is uncomfortable but the unknowns out there are terrifying. We can't just say "anything is better than what we've got;" we've got to give pretty clear indications as to what it is we're offering and how we're going to get it. And to sum up, the first step is H.R. 50.



SUMMARY

Paul Bullock

There was general agreement at this conference that the pressing economic needs of the 1970s cannot be met unless the nation vigorously pursues a full-employment policy. Participants unanimously rejected the notion that persistent high levels of unemployment are inevitable or desirable as an "anti-inflation" measure. Indeed, Leon Keyserling and others offer statistical evidence that a growing and highly productive economy, with significantly less unemployment than is now the case, is linked with lower rates of price rise and smaller federal deficits. The so-called "Phillips Curve" relationship between the general price level and the rate of unemployment (suggesting a trade-off between those two variables, with lower unemployment rates presumably associated with higher inflation rates), accepted by many of the conventional economists, does not necessarily apply.

Speakers such as Professor Lekachman argue that there is, unquestionably, a severe problem connected with the chronic tendency of certain prices to rise, but they add that this has nothing to do with the question of whether or not the nation experiences full employment. Some of our worst inflation in recent years, they note, has occurred in periods of record-high unemployment. In industries characterized by oligopoly and "administered pricing," price movements are only weakly related (in the classical economic sense) to changes in consumer demand. To the contrary, as Mr. Keyserling suggests, monopolists may tend to raise unit prices in response to a drop in the volume of products demanded. Thus, excessive prices in that sector are related to the structure of American industry, not

to the existence of "full employment." Indeed, the United States has never approached a situation of full employment in recent times, and the observed price inflation cannot be attributed to that source. Studies by economist Gardner Means and others demonstrate that steadily and excessively rising prices are most characteristic of those industries associated with high degrees of concentration. Thus, whatever the nation does in relation to the full-employment issue, the inflation problem must be considered in its own separate context.

Keyserling and Lekachman agree also that certain specific events or factors have contributed to the inflationary spiral: the influence on world petroleum prices exerted by the oil producers' cartel (OPEC), the grain deals with Russia, crop failures, and various product shortages. Again, none of this is in any way related to the presence of full employment or an expansionist economic policy generally.

Most of the speakers and panelists also stressed the need for reform of national monetary policies, with special emphasis upon greater congressional control over the Federal Reserve Board. The Board must be mandated to regulate the money supply so as to assist in maintaining full employment and sound economic growth, in place of the Board's customary bias which gives priority to so-called "anti-inflation" measures. Congressman Hawkins cites examples of conventional economic opinion which minimizes the importance of unemployment as a national problem, on the specious grounds that high rates of chronic unemployment

among minorities, women, and young people somehow "exaggerate" the severity of the problem, and that the only social indicator to be taken seriously at the policymaking level is the unemployment rate among adult male heads of households.

Lekachman notes the political dilemma arising out of this widely-held belief. Employed Americans, most of whom are white, male, and adult, often tend not to sympathize adequately with the plight of those others who belong in large numbers to what Professor Lekachman describes as "traditionally disfavored groups." Yet, as Keyserling indicates, unemployment hurts everyone, through massive losses of potential output, wasted human and physical resources, social demoralization resulting in crime and mental illness, slow national growth, and excessive federal deficits. Keyserling and Hawkins agree that a broad coalition of groups and individuals should be formed to support full-employment legislation, encompassing organized labor, organizations of women and minorities and young people, businessmen, community leaders, and many others.

There are, of course, some differences in emphasis and approach among the various conference participants. Professor Pearl regards full-employment legislation as a necessary part -- but only one part -- of a broader package of social and economic reforms, looking to a complete redefinition of work, while Keyserling argues that enactment of an effective bill should not await a resolution of other problems, however important they may be. Environmental and ecological action, tax reform, and similar measures are essential, but the major thrust now should be in the direction of the creation of a long-term full employment program.

Hawkins and Keyserling suggest that much, probably most, of the necessary new employment can be generated in the private sector of the economy, with the government serving as a stimulus and catalyst and as a planner of the broad economic framework within which both public and private enterprise functions. In panel discussions, Lawrence Cooper, director of the Los Angeles Area NAB-JOBS program, expressed strong agreement with this view, citing the accomplishments of this program in the private business sector. Lekachman and Pearl, on the other hand, are somewhat more inclined to think that a considerable expansion of the public sector is both necessary and desirable if a truly meaningful full-employment program is to be implemented. All speakers are in accord that some increase in public employment is essential to meet unmet needs in education, health care, environmental protection, transportation, recreation and culture, and other vital areas of American life.

The final division between public and private employment, Keyserling feels, must be made on the basis of our collective judgment as to the respective social needs. Jobs are created for a purpose, and the first step is to define precisely and logically what those purposes are, without any preconceptions about the supposed inherent superiority of either private or public employment. Conservative economists tend to believe that private "market-generated" and "market-tested" employment normally is preferable. Pearl vigorously condemns this notion, saying that the nation is in far greater need of new, innovative, labor-intensive human services than of more aerosol containers, automobiles

and other environment-polluting gadgets. He suggests some of the specifics of such innovation, based on a premise that work should have ecological as well as economic values.

In his paper published as an appendix to these edited proceedings, and during the panel discussions, Professor Azevedo has emphasized the vital role performed by state and local institutions in implementing a full-employment policy, since labor markets inherently are localized and regionalized in character. Economist Derek Shearer, in the conference discussions, also cited measures which conceivably could be taken at the state level to increase employment, including such possibilities as a state bank, local projects generating labor-intensive improvements (along the lines of Canada's "Local Initiatives Program"), action against the practice of "red-lining" in low-income communities, and state tax and financial reform. Azevedo points out that local manpower planning councils, established by "prime sponsors" under the Comprehensive Employment and Training Act (CETA) of 1973, can play a helpful role in relation to the planning and design of jobs in a full-employment economy, and that such bodies might be required to innovate by defining and helping develop new kinds of work not currently demanded (or demanded in smaller quantity) by the private competitive labor market.

All of the conference participants would reverse the national priorities which seemingly have been established by the President's Council of Economic Advisers, the Chairman of the Federal Reserve Board, and the U. S. Treasury Department. Instead of regarding inflation as the preeminent economic problem of our time, Hawkins, Keyserling, Lekachman, and

Pearl give priority to the problem of unemployment and poverty, arguing that a full-scale attack on this massive deficiency in the American economy is justifiable on both moral and economic grounds. Keyserling emphasizes that the question of income and wealth distribution is at the heart of this overall problem, and that some "latter-day Keynesians" seem to ignore this basic fact. We need economic growth as a necessary precondition for progress, but the growth should be in the right areas and should have the appropriate redistributive effects.

The conclusion suggested by these various considerations is that reasonably full employment (making allowance for some frictional or transitional unemployment as persons move from one job to another or into and out of the labor force) is compatible with comparative price stability if proper national policies are pursued, that this requires a firm and permanent commitment on the part of the federal government, that the long-run benefits will far outweigh any short-term costs, and that properly controlled and directed growth in the economy will provide the essential conditions for solution of the nation's more pressing social problems -- crime, social demoralization and alienation, the "welfare mess," mental and physical illness, urban deterioration, and even the problem of inflation itself.

For Further Reading

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- Inflation, Unemployment, and Social Justice (Columbus, Ohio: The Academy For Contemporary Problems, 1974). Proceedings of a conference held in November of 1974.
- Joint Economic Committee, United States Congress. The committee regularly publishes studies, reports, and hearings related to questions of economic policy, public service employment, and other legislative issues.

## APPENDICES



I.

IMPLEMENTING FULL EMPLOYMENT LEGISLATION--THE CALIFORNIA CASE

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## Introduction

The State of California has, as most people are aware, had a less than optimal history with regard to its unemployment rate. Both public policy makers and academicians have been concerned with the divergencies between the unemployment pattern of this state and those of the national economy. Our track record has not been a good one and several reasons can be posited for the problem.<sup>1</sup>

The unemployment rate in the State of California persistently has been higher than that for the nation. As Table 1 reveals, this pattern has existed from the mid-1960's through to the present time. The divergence has ranged from 1.7 to 2.9 percentage points while exhibiting a relative excess proportion of from 35 to 50 percent.

Recently the gap has narrowed as the U.S. unemployment rate has reached 8.7 percent in March 1975, while the California rate hit 9.3 percent, yielding a relative gap of only 6.9 percent. However, we should not look at this comparison with favor. After all, if, in an asymptotic sense, both unemployment rates are equal at 100 percent, is California any better off than with a disparity at lower rates? I seriously doubt it.

The California higher than "average" unemployment rate has been explained in a variety of ways. It has been attributed to the general influx of people to the state, the perennial problems facing the aerospace industry in Southern California, and the labor force participation patterns of our population--about which more will be said later<sup>2</sup>--to name but a few. But, regardless of the arguments used--and they tend to come and go depending upon what is happening in the world--California has a continuing interest

Table 1.      UNEMPLOYMENT RATES, UNITED STATES AND CALIFORNIA,  
1967-1974 AND MARCH 1975.

	U.S.	California
1967	3.8%	5.7%
1968	3.6%	5.4%
1969	3.5%	5.2%
1970	5.0%	7.3%
1971	5.9%	8.8%
1972	5.6%	7.6%
1973	4.8%	7.0%
1974	5.6%	7.8%
March 1975	8.7%	9.3%

Source: Bureau of Labor Statistics

in full employment. The persistent disparities between it and the nation provide more than sufficient incentive to support activities aimed at attaining optimum employment levels.

The program proposed by the Equal Opportunity and Full Employment Act is designed to guarantee the right to "useful and meaningful employment to every American adult able and willing to work." This means that any individual should be able to enter the labor market and find a position which constitutes a productive use of his or her skills and also makes a significant contribution to the output or production of the economy. The purpose of this paper is to point out certain of the economic relationships underlying this legislation and point up certain of the considerations which must be made to implement it in an individual state, with California being the model.

#### General Considerations

The potential impact of full employment legislation on the economy is substantial and may be noted in a variety of ways. One of the most important of these is in the area of labor supply. The effects here can be varied.

As currently collected, data on labor supply are calculated by asking people whether they are at work or if they are actively seeking employment. An individual who responds in the affirmative to either of these questions, whether it is a he or a she, or black, brown, yellow, or white, or young or old--with young being defined as a minimum of 16 years of age--is declared to be in the labor force. Obviously, the number of individuals in the labor force at any point in time will depend upon a number of variables, including the age, sex, and race mix of the population, seasonal factors and community

requirements for educational attainment to name but a few. Certainly a primary variable is the state of the labor market.

While people enter the labor market for a variety of reasons far too diverse to be examined in this paper, we do know that a portion of those participating do so in response to the state or condition of the labor market. That is, we can expect the number of individuals in the labor force, either employed or seeking work, to be functionally related to the level of unemployment existing. Unfortunately, however, we do not know the precise nature of this relationship between the unemployment rate and the extent of participation in the labor force. Actually, there are two conflicting reasonings or arguments, and each should be considered in turn.

Many economists have claimed that the labor market adjustments which most characterize periods of changing unemployment are those typified by "discouraged" workers. The argument runs that workers who have the status of "unemployed," either through loss of employment or through initial entry to the labor force, tend to become increasingly disenchanted the higher the level of unemployment. The contention is that these workers become "discouraged" by their inability to find a job and leave the labor force. This relationship leads these people to argue that our present unemployment statistics understate the true level of unemployment by anywhere from one to four percent--depending upon whose estimate one wishes to consider.

There is another argument proffered by economists who have studied the ebb and flow of labor market participants. These individuals claim that much of our labor market experience in periods of high or rising unemployment is characterized by "additional" workers. Their contention is that, as

primary workers--that is, males and/or heads of households--become unemployed, other members of the household enter the labor force seeking employment in an attempt to offset the income loss resulting from the unemployment of the primary workers. This generally means that greater numbers of housewives and teenagers than normally would be seeking employment are in the labor force. These entrants, the argument runs, expand the labor force and cause the overstatement of the unemployment rate as the economy turns downward in a cyclical contraction.

The sum and substance of these arguments is that there are countervailing factors over the cycle of business activity.<sup>3</sup> As the economy slows down and the unemployment rate rises, the "discouraged" workers leave the labor force and the "additional" workers enter; on the up side, the falling unemployment rate brings the "discouraged" workers back into the labor market and the "additional" workers leave as the primary workers find employment. We can conclude that these factors combine to yield an unemployment rate which is different from the "real" rate--whatever that is--and our decisions about economic policy may be incorrect because we have failed to measure the true state of the labor market.

It is not our position here to evaluate the relative strengths of the "additional" workers and "discouraged" worker hypotheses. I must admit that I lean toward the contention that the labor market is characterized by the behavior of the discouraged workers. It seems much more likely that if the primary worker in a household becomes discouraged, secondary workers will join in this posture toward the possibility of finding employment. They, too, will refrain from participating once they realize the difficulty the primary worker is having in finding a job.

In actuality, the purpose of this exercise is something quite different. Before us we have the Hawkins legislation, proposing that the Federal government guarantee the opportunity for employment to every citizen willing and able to work--including the handicapped. We note that the reality of this legislation is such that it may change the traditional behavior of the labor market-- the "discouraged" and "additional" workers may be no more. The guarantee of employment may produce a more "normal" pattern of labor market behavior, although we do not know precisely how "normal" should be defined. But, under the Hawkins legislation, it will no longer be necessary for workers to change their participation in the labor market in direct or inverse response to the rate of unemployment.

Thus, we might find a labor force which is substantially different in size from that found today. The promise of work for all may mean that substantial numbers of people enter the labor market--people who otherwise might have refrained from seeking and holding employment. At the same time, the guarantee of employment may mean that many who are currently employed secondarily to supplement the earnings of the principal wage earner will leave the labor market, preferring to perform other non-market tasks.

Moreover, all of this means that our present techniques to measure the behavior of the labor force--by age, sex, race, seasonally or on a trend basis--may be of little value. The promise of employment may change people's attitudes to such an extent that the determinants of their participation may be substantially different from those factors which induced participation before there was a guarantee of employment. We note this because any predictions we make now have to be revised in light of labor market experience under the Hawkins legislation.

These labor market effects of the Hawkins bill are likely to be pervasive, affecting every state in the country. Other effects, however, will be dependent upon those attributes which characterize the particular state and/or labor market in question. These effects can be examined by considering the State of California as a specific example. And so, throwing our earlier caveats to the wind, we can consider the alternatives.

#### The California Case

The full employment legislation we are discussing prescribes a set of strategies to achieve the opportunity for employment for all persons. As part of these, the U.S. Employment Service will be changed to the "U.S. Full Employment Service" and will be charged "with developing and creating, with the assistance of local planning councils, job opportunities and private employment projects in each labor market area in the country."

It is this relationship, between the Full Employment Service and the local planning councils, which is of concern to us. These local planning councils are directed, by amendment to the Comprehensive Education and Training Act of 1973 (CETA), to work with the Full Employment Service in developing a reservoir of private and public employment projects which can be used to employ those who are seeking employment. Let us consider the task before these councils in the State of California.<sup>4</sup>

At least originally, the local planning councils must start from the given characteristics of the community in which they are functioning. Thus, they must work from the given population, given labor force, and given industrial mix. Each of these has to be considered in turn.



### Population-Labor Force

Individual planning centers will be faced with the task of relating their job projects, both public and private, to the labor force and potential labor force existing within their jurisdictions. Tables 2 and 3 provide some insight into the California situation.

Table 2, which details the percentage distribution of the United States and California populations aged 16 and above, reveals the differences which may impact on the local full employment program. It is evident that the population of California is somewhat "younger" than that of the nation as a whole. Obviously, this means that there is a greater potential relative labor force for our population than exists for the nation. This implies that possible participation in any full employment effort is greater here than the national average, indicating that the dollars of support required to achieve full employment will be greater on a relative basis in this state.

Table 3, which compares labor force participation rates between the U.S. and California, reveals several important relationships. In general, there are higher levels of labor force participation in California than exist nationally. The exception is among those aged 65 and over, where the percentage nationwide is two percentage points greater than in California.

Consideration of the sex breakdown of labor force participation explains some of the divergence between the national figures and those for this state. The male participation rate for those less than 25 years of age is higher than the national average, but it is lower for those 25 and above. The female participation rate, on the other hand, is higher than the national figures between ages 20 and 44, falling below the aggregate average in the extremes of the age distribution. The fact of higher labor force participation rates

Table 2

PERCENTAGE DISTRIBUTION OF THE POPULATION, AGED  
16 AND OVER, UNITED STATES AND CALIFORNIA, 1970

Age	U.S.	California
Total		
16 And Over	100.0%	100.0%
16-19 Years	10.6	10.3
20-24 Years	11.4	12.2
25-34 Years	17.6	19.0
35-44 Years	16.4	16.9
45-64 Years	29.6	28.7
65 And Over	14.2	12.9
Males		
16 And Over	100.0%	100.0%
16-19 Years	11.3	10.9
20-24 Years	11.5	12.6
25-34 Years	18.1	19.5
35-44 Years	16.8	17.3
45-64 Years	29.7	28.7
65 And Over	12.5	11.0
Females		
16 And Over	100.0%	100.0%
16-19 Years	10.1	9.8
20-24 Years	11.3	11.9
25-34 Years	17.2	18.5
35-44 Years	16.1	16.5
45-64 Years	29.6	28.9
65 And Over	15.8	14.6

Source: U.S. Bureau of the Census, Census of Population, 1970, vol 1:  
General Social and Economic Characteristics. United States  
Summary. PC (1)-C1, and PC (1)-C6.

Table 3

LABOR FORCE PARTICIPATION RATES  
BROKEN DOWN BY AGE AND SEX, 1970:  
UNITED STATES AND CALIFORNIA

AGE	U.S.	California
Total		
16-19 Years	41.1	42.9
20-24 Years	68.0	69.5
25-34 Years	68.9	69.9
35-44 Years	72.0	72.5
45-64 Years	66.6	66.6
65 And Over	16.2	14.2
Males		
16-19 Years	47.2	50.8
20-24 Years	80.9	81.8
25-34 Years	93.9	92.6
35-44 Years	94.8	94.6
45-64 Years	87.2	87.0
65 And Over	24.8	21.8
Females		
16-19 Years	34.9	34.5
20-24 Years	56.1	57.2
25-34 Years	44.9	47.2
35-44 Years	50.3	50.8
45-64 Years	47.8	47.5
65 And Over	10.0	8.8

Source: U.S. Bureau of the Census, Census of Population, 1970, vol 1:  
General Social and Economic Characteristics. United States  
Summary. PC (1)-C1, and PC (1)-C6.

in California also supports the contention that it will be more expensive to support a full employment program in this state.

The conclusion that we can draw at this point is that the population mix and labor force participation rates in California are different from those of the nation and the implementation of a full employment program must take these factors into consideration. Not only is the California population younger, but it also participates more intensively in the labor market. These relationships suggest a full employment program in this state might pull an even greater proportion of the state's population into the labor market, expanding the number of jobs required. If they are needed, the local planning councils would have to decide upon the appropriate mix of employment projects which can be offered these new entrants. That mix will be affected, to some extent, by the educational attainment of the population and the industrial mix of the state.

The educational attainment of the population of California compares very favorably with that of the nation as a whole. As Table 4 demonstrates, there is a slight educational advantage among Californians. The biggest advantage lies with those 25 years of age and over, where the difference is 0.3 years or 2.4 percent. The advantage, in both absolute and relative terms, is less for those 20-24 years old--0.1 years, or 0.8 percent--and those 14-19 years of age--0.2 years, or 2.0 percent. The advantage, which the economist would call a greater investment in human capital, should provide a labor force somewhat better equipped to deal with the world of work. It is to this question, the work environment of California, that we now turn.

Table 4

MEDIAN SCHOOL YEARS COMPLETED BY PERSONS  
14 YEARS OLD AND OVER BY AGE, 1970:  
UNITED STATES AND CALIFORNIA

	U.S.	California
14-19 Years Old	10.1	10.3
20-24 Years Old	12.7	12.8
25 And Over	12.1	12.4
TOTAL (ALL AGES)	<u>12.0</u>	<u>12.3</u>

Source: - U.S. Bureau of the Census, Census of the Population, 1970.  
Vol 1: Characteristics of the Population, PC (1)-D1.  
U.S. Summary. Detailed Characteristics. Table 199.

- U.S. Bureau of the Census. PC (1)-6D. California Detailed  
Characteristics. Section 1, Table 148.

### The Industrial Mix

One problem facing the local planning councils is where they will place those participants they wish to employ in their private or public projects. Obviously, there are two choices open to the councils. One technique is to try to allocate individuals in a fashion that corresponds to the industrial and occupational structure of the state. The alternative is to devise specific projects, regardless of the occupational or industrial mix, and assign workers to them as training grounds. There are arguments for each approach.

The use of a mix of projects which corresponds to the occupational-industrial mix of the state has the advantage of providing the opportunity of transferring to unsubsidized employment with little difficulty. The mix of skills developed is relatively consistent with those demanded in the economy and any distortions are minimized or eliminated. Moreover, the local planning councils are more likely to find willing workers if they can arrange projects which involve tasks of physical and/or mental activities with which the workers either are familiar or can use in subsequent employment.

The arguments in favor of local planning councils using their authority to design and implement projects which require an industry mix which is different from that existing in the state are worth noting also. Obviously, the councils can arrange for the completion of jobs which otherwise would go undone. In the same vein, the councils may be considered as pointing the way--as shaping the industrial mix of the state for the future. Additionally, there is no guarantee that the skills mix among the unemployed in the labor force is in any way related to the mix of skills desired for the work force (the unemployed) by the public and private sectors. This means that the local planning councils can play the important role of providing the initial employment opportunities for those who would otherwise be unemployed.<sup>5</sup>

But the importance of these relationships is that it is most probable that the local planning councils, which are supposed to have an economic function (i.e., pursue full employment), will end up assuming social functions. These agencies, by internal choice or external pressures, will be forced to consider and evaluate their efforts on the basis of a variety of social criteria as well as economic exigencies. This means that the pressures upon the local planning councils will be substantial--and leads to a caveat. This state, and every other, must be careful to see that the roles played by the councils is in the best interest of the population of the state-- however defined. To do any less would subvert the purposes of this legislation.

Some insight into the relative ease--or difficulty--the planning councils might have in allocating people among industries can be gained from Table 5 which details U.S. and California employment by industry for 1970. It is evident from Table 5 that there are significant differences in the industrial mix. California has relatively fewer workers in the goods-producing sector of the economy--agriculture, mining, construction, and manufacturing--and relatively more workers in the services, trade, and governmental sectors.

These differences are important because they relate to the task faced by the local planning councils. It is likely that these councils will have a somewhat easier time putting people into jobs in correspondence with the California industrial mix than with the U.S. mix. Long periods of training and/or apprenticeship characterize much of the employment in the goods-producing industries. The California councils should be able to move their participants into employment more easily than would be the case if the state's economy were more heavily dependent upon the goods-producing sector.

Table 5

PERCENTAGE DISTRIBUTION OF EMPLOYMENT  
BY INDUSTRY, 1970: UNITED STATES AND CALIFORNIA

	U.S. <sup>1</sup>	California <sup>2</sup>
Agriculture, Forestry, And Fisheries	3.7%	3.1%
Mining	0.8	0.5
Construction	5.8	5.4
Manufacturing: Durable Goods	15.3	14.8
Nondurable Goods	10.7	6.8
Transportation, Communications, Other Public Utilities	6.8	7.1
Wholesale And Retail Trade	20.1	21.1
Finance, Insurance, And Real Estate	5.0	5.9
Business And Repair Services	3.1	4.2
Personal Services	4.5	4.5
Entertainment And Recreation Services	0.8	1.4
Professional And Related Services	17.6	18.6
Public Administration	5.6	6.5

1: Age 14 Years And Over

2: Age 16 Years And Over

Note: Figures Include Industry Not Reported Which Are Assumed To Be Distributed In The Same Proportions As Are The Industry Specifications.

Source: U.S. Bureau Of The Census, Census Of Population, 1970, Vol 1: General Social And Economic Characteristics. United States Summary, PC(1)-C1, And California, PC(1)-C6.



Table 6                      PERCENTAGE DISTRIBUTION OF OCCUPATIONAL CATEGORIES,  
UNITED STATES AND CALIFORNIA, 1970

Category	U.S.	California
1. Professional, Technical And Kindred Workers	14.9	17.5
2. Managers And Administrators, Except Farm	8.3	9.4
3. Sales Workers	7.1	8.1
4. Clerical And Kindred Workers	18.0	19.8
5. Craftsmen And Kindred Workers	13.9	12.8
6. Operatives, Except Transport	13.7	10.2
7. Transport Equipment Operatives	3.8	3.3
8. Laborers, Except Farm	4.5	4.1
9. Farmers, Farm Managers, And Farm Workers	3.1	2.1
10. Service Workers, Including Private Household	12.8	12.5

Note: Totals May Not Add To 100 Percent Due To Rounding

Source: U.S. Bureau Of The Census, Census Of            Population, 1970, Special Report: Occupation By Industry, And Census Of            Population, 1970, California, Detailed Characteristics, Vols. 1 & 2.

This relationship probably holds true even within at least a portion of the goods-producing portion of the California economy. Manufacturing in California is less capital intensive than is manufacturing elsewhere in the country. For example, in 1971 the capital per employee figures for California and the U.S. were \$13,422, and \$15,920, respectively,<sup>6</sup> representing an 18.6 percent disparity. This difference is reflective of a sector in California which is typified by "light" manufacturing--small plants which produce output with a heavier labor input than average. This may mean that the workers employed there can be of lower skill levels than those required elsewhere. Obviously, these lower skill requirements, when combined with the higher education levels of Californians, could make the tasks of the local planning councils easier.

The evidence from Table 5 is both supported and challenged by the relationship indicated in Table 6. Table 6 details the percentage distribution of workers by occupational categories for the United States and California is different from that on the nation, reflecting at least in part the state's industrial mix. We have larger proportions of professional workers, managers, and sales and clerical workers in the state. On the other hand, we are particularly "short", in a relative sense, of operatives and farm owners, managers, and workers. This mix of occupational groupings is reflective of California's trend movement from a state with substantial agricultural interests to one with heavy involvement with aerospace manufacturing and finance.<sup>7</sup>

The character of the California industrial and occupational mixes must be taken into account by the local planning councils under the Hawkins legislation. There are both good and bad points about these characteristics of the California employment market. The fact that the industrial mix lends

itself to easy entry of workers is of benefit to the state; the fact that the jobs available may require educational attainment greater than that achieved by the general population may pose severe problems for the planning councils. The apparent conflict here will provide the true test for the implementation of full employment legislation in California.

The discussion thus far has concentrated primarily on the situation where the planning council, in some sense, makes its public and private projects "correspond" with the distribution of industries and/or skills in the state's economy. The planning council would be accepting the given mix of industrial activity as the appropriate one for the state and its efforts would be directed at maintaining a semblance of the status quo. We can expect something quite different if the state planning decided to engage in an array of projects which are quite different from the current output pattern.

The local planning council probably would decide that its employment program should differ from the state occupational/industrial mix on the basis of a number of different criteria. The most likely reason for a divergence would be the recognition that the skills of the unemployed are in no way -- or only in a small way -- related to the skills of the employed and/or the skill demands of the community. Another reason for such a policy might be the realization that the state's industrial mix and skill requirements are evolving and that it would be more useful to design programs which would answer future employment needs. A third justification for such a project mix would be a conscious policy decision on the part of the planning council to establish programs which would provide innovative approaches to employment. Here one might consider such efforts as programs in the arts of direct decisions by the planning council that the current employment mix was "undesirable" in some way and that

something should be done about it. Obviously, any such decision involving a "changed" occupational mix is a risky one.

In terms of day-to-day operations, it is almost a necessity that this speculative role be accepted by the local planning council. The ever-changing work environment demands such a position be taken. And it is to the ramifications of this fact that we now turn.

#### The Planning Councils -- The Keystone to Full Employment Legislation

In sum, careful analysis of the labor market in California -- and in any other state as well -- reveals that the effectiveness of this legislation will depend upon the manner in which its prescriptions are carried out at the local level. The aggregate plans at the national level can, at most, only set out the broadest outline of the full employment program. The inherent limitations of the "local" labor market mean that the true operation of the program must be more "micro" in nature than is currently described in the legislation.

In the real world, the planning councils are unlikely to find that there is any correspondence between the skills mix of the population at large and the demands of the state's economy. In almost every instance, the council will face the task of trying to integrate two groups -- the employed and the unemployed -- with somewhat different characteristics. To do so will require the wisdom of Solomon and the foresight of a psychic. It is at this juncture that the real thrust of the Hawkins legislation becomes apparent.

While the program for full employment is to be specified by the Federal government, the true resolution of the problems of unemployment will take place in the community. It is not possible for the Federal government to

specify the exact characteristics of every job that is to be created. The broad brush strokes must be filled in by the fine lines of the local community panel.

On the other hand, we must not let the need for substantial local impact to cause us to give too much control to the local agency, at least not without considerable planning and development. Here it might be instructive to consider the effects of the movement from Federal to local operations under the Comprehensive Employment and Training Act of 1973. The objective of this move was to allow a local response to the manpower needs of the community. The result, in many jurisdictions, has been massive delays with ultimately ineffective programming. All too often, the communities have not been ready to accept the responsibility for developing, operating, and evaluating manpower programs. It is possible to fear that the same type of difficulties may characterize much of the local program management under full employment legislation.

The difference in emphasis between manpower legislation and full employment legislation is crucial. Manpower programmers are taught to think in terms of providing individuals with a set of skills so that they then will be able to enter the labor market and successfully find employment. The local planning councils under the full employment legislation are really charged with the task of shaping the entire labor market structure. This is a far more difficult, and infinitely more important, task.

The challenge to the local planning councils caused by the proposed full employment legislation is a complicated one. Recall that the proposal does not call for the type of full employment which can occur through a simple pumping up of the economy to the point where aggregate demand pulls all

workers seeking employment into jobs,<sup>8</sup> Such an activity says nothing about the quality of the jobs the workers obtain -- it only provides sufficient demand to engineer an employment position. The Hawkins legislation goes beyond this, for it provides that the employment must be a meaningful experience. This means that much more must be supplied than merely a job.

The prescription for supplying a meaningful job falls directly on the shoulders of the local planning councils. This is a far cry from the provision of work skills called for in the MDTA and CETA legislation. Here we add to those skills the job itself. This assignment supersedes that of the manpower legislation and involves, in many ways, the inclusion of the CETA responsibilities together with a host of new ones.

The implications of both the old and new responsibilities for the local community, together with the difficulties which we have witnessed in the implementation of CETA, are that we must have a much higher degree of association between the local planning councils and the U.S. Full Employment Service than is presently outlined in the legislation. This, in turn implies that both cooperation and control go with this act. The Full Employment Service and the local planning councils must work together to implement the legislation. The responsibility for getting the job done lies with the Full Employment Service but the responsibility for designing many of the jobs to be filled will fall on the local planning councils. The Full Employment Service must provide the guidelines for the local planning councils to perform their jobs -- and it must insure that the unemployment rate within each of its state jurisdictions is moved down to the programmed level. But when it comes to insuring individual jobs, this is not a task which is easily done from the relative position held by the U.S. Full Employment Service within the social and economic structure.

We have to argue that, while unemployment is a "macro" problem, the solutions are "micro" in many respects. Even though the worker is unemployed in California as the result of an action in Washington, where does he or she look for work? Normally, in the local community. There is not an inclination on the part of most people to travel far and wide to obtain employment. The mobility patterns of people in the United States during time of high unemployment -- with the possible exception of the experience of the movement from this country's midsection during the 1930's -- have not demonstrated that individuals are moving out to seek employment. Today, people are looking for jobs on the home front. And the ultimate task of placing people in jobs must also be performed on that front.

The thrust of this argument is that, once the reality of unemployment is analyzed within a particular state or locality, the answer to the problem must come from taking into account the people-mix and job-mix within that jurisdiction. Any program to guarantee full employment must operate within the confines of this relationship if it is to succeed and provide meaningful employment. The Hawkins legislation provides a foundation for the arrangements which can be made to insure that useful employment does result, provided sufficient attention is paid to the local labor market.

The need for employment -- the actual jobs which need to be done in our society -- is at the local level. Any casual observer of modern society can look around and identify the existence of a multitude of jobs which need to be filled. And most of these are labor-intensive jobs. Moreover, the substantial unmet needs of our society can be resolved by putting local people to work in local labor markets.

The proposed legislation under discussion can resolve the problem of achieving full employment -- but a caveat is in order. The implementation of the legislation, while conducted as a national program, requires the specification of operational characteristics which only can be implemented at the state and municipal levels. Much more needs to be said, than is now in the legislation, in terms of describing the tasks which must be accomplished to make this Act operational. I would implore that, before this legislation reaches its ultimate passage, provision be made for the establishment and operation of a mechanism to insure that the agencies involved, including the U.S. Full Employment Service and the local planning councils, can perform the most important task under the legislation. That is the provision of meaningful employment within the confines of a particular labor market.



FOOTNOTES

1. The following section owes a heavy debt to the California Select Committee on Manpower Development, Monthly Economic Bulletin, February 1975.
2. See below, pp. 7-8.
3. For more extended discussions of "discouraged" and "additional" workers, the reader is referred to Bowen, W.G., and Finegan, T.A., The Economics of Labor Force Participation. Princeton, N.J.: Princeton University Press, 1969, Dernburg, T.F., and Strand, K.T., "Hidden Unemployment 1953-1962: A Quantitative Analysis by Age and Sex," American Economic Review, Vol. 56 (March 1966), pp. 71-95, Flaim, P.O., "Discouraged Workers and Changes in Unemployment," Monthly Labor Review, Vol. 96 (March 1973), pp. 8-16, Gallaway, L.E., "A Note on the Incidence of Hidden Unemployment in the United States," Western Economic Journal, Vol 7 (March, 1969), pp. 71-83, Gastwirth, J.L., "Estimating the Number of 'Hidden Unemployed'," Monthly Labor Review, Vol. 96 (March 1973), pp. 17-26, Mincer, J., "Determining Who Are the Hidden Unemployed," Monthly Labor Review, Vol. 96 (March 1973), pp. 27-29, Schweitzer, S.O. and Smith, R.E., "The Persistence of the Discouraged Worker Effect," Industrial and Labor Relations Review, Vol. 27 (January 1974), pp. 249-260, and Wilcock, R.C., "The Secondary Labor Force and the Measurement of Unemployment," in The Measure and Behavior of Unemployment (NBER). Princeton, N.J.: Princeton University Press, 1957.
4. Obviously, this analysis is ignoring to some extent the problems of "local" agencies by aggregation to the state level. However, it is felt that this type of analysis will be suggestive of the types of problems which might be encountered with greater disaggregation.
5. The programs operated by the local planning councils could be similar to those operated at the present time by prime sponsors under the comprehensive Education and Training Act. At the same time, the local planning councils would have to be aware of the potential for interstate migration which would complicate their assignments.
6. Figures are for 1971 and represent owned and rented capital per employee, derived from U.S. Bureau of the Census, Census of Manufactures, 1972.
7. Although it must be noted that aerospace in California has not been an expanding industry in recent years.

FOOTNOTES (Cont.)

8. Many people cite the experience of World War II and ask why the same low levels of unemployment (eg., 1.2% of the civilian labor force in 1944) cannot be achieved. Part of the answer is evident from the following table which details the distribution of the population in 1944 and 1974.

	Number (000)	As Percent Of Population	Number (000)	As Percent Of Population
Population	105,810 <sup>1</sup>	100.0%	150,827 <sup>2</sup>	100.0%
Labor Force	66,040	62.4	93,240	61.8
Civilian Labor Force	53,960	51.0	91,011	60.3
Unemployed	670	0.6	5,076	3.4
Military Personnel	12,080	11.4	2,229	1.5

1: Age 14 And Above

2: Age 16 And Above

Source: U.S. Bureau of the Census, Historical Statistics of the United States: Colonial Times to 1957, series Y 763-775 and D 1-12, and U.S. Bureau of Labor Statistics, Employment and Earnings, Vol. 21, No. 9 (March 1975), p. 19.

The differences over this thirty year period are dramatic and should be noted. While the total labor force, as a percent of the population, has decreased slightly, the civilian labor force has expanded by almost twenty percent. At the same time, military personnel as a percent of the population have decreased from eleven to one and one-half percent.

While the policy conclusions of this table are evident, they would not have any current validity for most people. To increase the numbers of military personnel to the point where all slack is taken out of the labor market, either through war or other activity, is not a viable solution to our unemployment problem. And, to compare the present to the war years, without recognizing the dramatic differences, is to divert one's attention from the possibility of solving today's problems.

II.

FULL EMPLOYMENT: A STATISTICAL ANALYSIS

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#### FULL EMPLOYMENT: A STATISTICAL ANALYSIS

It is closely keyed to reduction of welfare dependency among young adults and their children.

It will motivate better education and reduce delinquency, mental illness and crime.

It will not cause inflation -- it will reduce it.

It will not damage the environment -- it is a necessity to protect the environment.

It will not break the Government.

It will not disrupt the capital markets.

And it will not destroy character and initiative -- it will enhance them.

In this brief report we will obviously not establish all of the above propositions. We only pose them as challenges to anyone interested either in supporting them or disputing them. Obviously too, they are not absolute truths. It would be easy, and it has been done, to contrive appropriate social/economic engineering to produce the contrary of any or all of the propositions. But this very caveat implies their truth in the context of even moderately competent administration.

We report below only a few very simple results which we have obtained, which carry implications for the propositions -- and which tend to contradict some widely believed myths in the realm of economics.

##### 1. Can we afford to solve all our problems?

Indeed, at this point in our history and fortunes, what really needs to be asked is: What problems, if any, can we longer afford not to solve?

Resource-wise we assuredly can "afford" -- and we had better get on with doing it! -- to tackle most of our basic social and economic problems: unemployment, environment, waste-management, transportation, mental illness and crime, and the "welfare mess." Vast amounts both of human resources (unemployed) and of physical resources (unused productive capacity) are available to allocate to necessary tasks.

"Priorities," of which we currently hear so much, are from this viewpoint a very minor consideration compared with just starting to do something.

But this rational interpretation is clearly not what this question means to most people, including most politicians and managers. To them it means "money." Their reasoning seems to run as follows:

"Taxes are already too high.

- (1) Therefore, public revenues cannot be increased;
- (2) Therefore, public expenditures have to be held down;
- (3) Therefore, we have to decide our priorities, then go as far as revenues allow."

"Point #1" is a non-sequitur because: (a) Taxes mean tax rates; (b) for any specific tax, revenue equals tax rate times tax base. Enlarging the (unmentioned) tax base will increase revenues without increasing "taxes" (rates). Full employment, for example, will enlarge tax bases of numerous kinds of taxes.

"Point #2" is likewise a non-sequitur. There is no economic reason why public expenditures into beneficial or productive channels need to be limited by revenues -- this is a bookkeeping myth! (If true, it would apply equally to private business. It doesn't, and that is the economic justification for both the banking industry and private foundations ).

Obviously, "Point #3" is "sequitur" (valid logically). This "sequitur" is widely enough proclaimed, but it is false because its premise is false. Limited resources would indeed require attention to priorities because resources are nature-ordained. But limited funds are man-ordained, and that is a condition easy to correct.

We have done some checking on the proposition, "Public expenditures have to be held down." Specifically, what happens if they are not held down? From an apparent majority of professional economists we hear that:

If Federal expenditures are allowed to exceed revenues, it will cause inflation.

You have guessed already: we don't believe it. Can the economists cite some experience to support this conclusion empirically?

The record of Federal annual revenues and expenditures is readily available in the Monthly Review of Current Business, published by the U.S. Department of Commerce. The annual record of the Consumer Price Index is recorded in the Handbook of Labor Statistics, published by the Bureau of Labor Statistics. From these we easily computed and compared:

(1)  $x$  = annual percent deficit of the federal budget

$$= 100 \cdot \frac{\text{Total Expenditures}}{\text{Total Revenues}} - 1$$

(2)  $y$  = annual percent change of Consumer Price Index (CPI)

$$= 100 \cdot \frac{\text{CPI (current year)}}{\text{CPI (previous year)}} - 1$$

Covering the post-war period 1948 to 1973 (26 years), we first removed from both series their respective (linear) "secular trends," then computed correlations between their deviations from these trends:

$r(t)$  = correlation of current "y" against "x"  
t years ago.

Results were the following:

$r(0) = -0.23$	$r(3) = -0.05$	$r(5) = -0.23$
$r(1) = -0.24$	$r(4) = +0.21$	$r(6) = -0.15$
$r(2) = -0.06$		

Interpretation: Deficit federal budgets tend to be followed by diminished inflation, in both current and future years -- except the fourth future year! This is the precise opposite of what the economists have been assuring us (except for that fourth year -- one election away!). (Note, at least, that the correlations are weak ones, as had to be expected.)

On the other hand, years with high inflation rates do tend -- weakly -- to be followed by future budgetary deficits. Correlations are:

$r(-1) = +0.28$ ,  $r(-2) = +0.10$ ,  $r(-3) = -0.08$

Conclusion. Moderate deficits now can save larger deficits in the future. "A stitch in time saves nine." If justified projects need funding, then fund them. Deficit spending does not cause inflation: unattended problems cause inflation.

## 2. Can we afford to have full employment?

Related to this question, we have checked out the popular adage:

You can't fight unemployment and inflation  
at the same time.

Why anybody necessarily accepts such an adage is beyond our logical comprehension. So, what has been the evidence of experience?

We compared the previous variable  $y(t)$  (see (2) above), "annual rate of inflation," against the variable

$$(3) \quad x_3 = \frac{\text{"civilian unemployed"} + \text{"civilian not-in-labor-force"}}{\text{"civilian labor force"} + \text{"civilian not-in-labor-force"}}$$

(restricted to males). We call this non-employment (rate). Computed correlations 1948-1973 (after removing trends as above) turned out as follows:

Inflation-rate against present and past non-employment:

$$\begin{array}{lll} r(0) = -0.27 & r(2) = -0.03 & r(4) = +0.06 \\ r(1) = -0.05 & r(3) = -0.04 & r(5) = -0.42 \end{array}$$

Non-employment against past inflation rates:

$$r(-1) = +0.07 \quad r(-2) = +0.10 \quad r(-3) = +0.08$$

"Push non-employment one way and inflation goes the other" -- the same year and five years later: slightly. This much agreement with the quoted adage. The other way around -- slightly not.

## 3. The welfare mess -- them or us?

Daniel Moynihan once reported that he was sure there had to be a connection between unemployment and welfare -- until he actually looked for it. It wasn't there! (See reference (4) for the full account.) Another attempt which missed the target (mostly) is noted in reference (5). Harrington wrote analytically and convincingly about the "poverty subculture" (reference (3), which a priori includes the welfare population. On purely theoretical grounds it is hard to escape the conclusion that, by now, welfare -- or at least the broader category of poverty -- comprises large and distinctive populations who have never experienced anything else and are largely incapable of escaping -- or wanting to escape -- from their subculture -- at least on their own.

The question is, how does this subculture actually behave? What social and economic roles does it actually play in relation to the dominant culture which surrounds it? We have some initial answers, applying at least to Los Angeles County. We have applied our answers to provide considerable rationality to welfare (AFDC) caseload accounting in Los Angeles County.

We compared monthly series of data, 1965 to early 1973 from two sources:

- (1) Los Angeles County welfare data, AFDC(FG) and AFDC(U)\*  
(sources: Los Angeles County Department of Public Social Services and California State Department of Social Welfare).
  - Applications Received (both categories).
  - Discontinuances (by recipients, both categories).
  - Total Caseloads (both categories).
- (2) Unemployment in Los Angeles County (source: California State Department of Human Resources Development, now the Employment Development Department).
  - Unemployment rate (proportion of labor force, "raw").
  - UIB (Unemployment Insurance Benefits) initial claims (IC).
  - UIB exhaustions (E).

Originally we observed close similarity between graphs of AFDC "applications received" (both categories) and the graph of "UIB exhaustions." Also we noted three possible reasons why others, including Moynihan, had failed to perceive these relationships:

I. We drew graphs. Also, our graphs were made on logarithmic scales, which have the property of setting proportionalities into evidence.

II. Enumerative series (like those listed, except unemployment) are not in themselves good candidates for being compared. They need to be converted to rates by dividing them by their source populations.

=====

\* AFDC stands for "Aid to Families with Dependent Children." (FG) stands for "Family Group", usually either a female-headed family or one whose male head is disabled, hence not employable. (U) stands for "Unemployed" (i.e. a male "head of household" is present but unemployed).



Surprisingly, nonetheless, it was a close similarity of shape between two enumerative graphs which first attracted our attention: AFDC(U) Applications Registered, and UIB Exhaustions. The apparent reason is that the total population of Los Angeles County has been relatively constant since 1965, which apparently has also been the case with the relevant sub-population -- in the case of AFDC(U), the labor force. Consequently, "applications registered" and "UIB exhaustions" are proxies of actual rates. We did convert both AFDC "Discontinuances" to rates by dividing by their respective caseloads. These considerations are likely to have importance in other regions than Los Angeles.

III. The graphs made it evident that the AFDC "applications registered" and "discontinuance rates" (both categories) predicted UIB exhaustions, with lead-times as high as 10 months. They also recognizably predicted unemployment rate with 5 to 6 months lead -- with considerably improved similitude following conversion to the new unemployment series early in 1974 (by Department of Human Resources Development). (Further details are not important for present purposes.) These sizeable lags of the unemployment series compared to the AFDC series were totally contrary to anybody's expectations, and other researchers simply failed to allow for such a possibility.

The important conclusion, here, is that our welfare caseloads are very closely tied to the rate of unemployment. There is also evidence that:

(a) The population which participates in welfare services, and the population which qualifies for (occasional) UIB benefits, are largely distinct populations. Applicants for welfare rarely are eligible for UIB benefits.

(b) The welfare population is very sensitive to ups and downs of the market for (unskilled) labor. Labor market conditions normally exert their effects on "applications registered" and "discontinuance rates," of the two AFDC categories, some months ahead of their impact on the fortunes of the general working population.

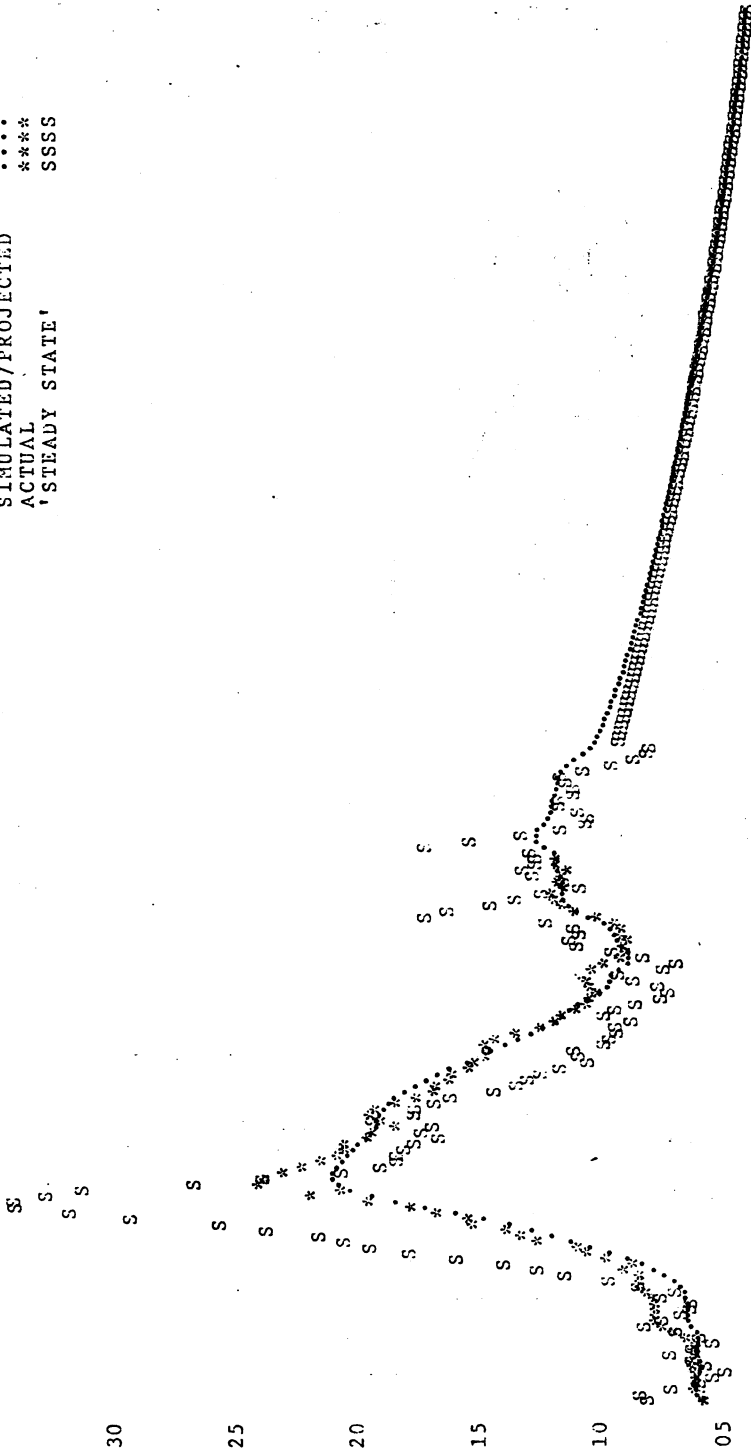
(c) Thus the courses (month by month) of the two caseloads, AFDC(FG) and AFDC(U) (in Los Angeles County), can be traced by monthly balances of the (respective) simulated "applications registered" and "discontinuance rates". The charts, on next two pages, show these respective simulations from January 1968 to January 1976, with projections based on future labor market assumptions.

The sole external basis of both of these simulations is the (new) Unemployment Series, California Department of Employment Development (for Los Angeles County). In course of the simulations several

THOUSANDS

AFDC-U CASES AIDED  
COUNTY OF LOS ANGELES  
SIMULATED/PROJECTED  
ACTUAL  
'STEADY STATE'

....  
\*\*\*\*  
SSSS



adjustments of parameters also were indicated, which were identifiable with internal operating policies of the Welfare Department itself. Basically these adjustments represented (i) changes of screening policies, and (ii) changes of rates of approval of applications. In the case of AFDC(U) "applications registered," there was also some drifting of the lag to unemployment.

4. Public policy implication: "Let nature take her course?"  
"Or act!" How?

The Biblical exhortation, "Who will not work, the same shall not eat," needs to be updated. "The Nation which uses not well its work force, the same shall become a Welfare State." That is what has happened to our own nation -- and we have just described exactly how it has come about in Los Angeles County. Our evidence (see reference (1)) also shows the same processes in the other urban areas of California. It is not likely that the rest of the nation differs markedly. The lesson?

Put the unemployed back to work. Provide the  
necessary opportunities for gainful employment, to  
reduce unemployment to the realistic "between jobs"  
level -- about 2%.

The Hawkins Full Employment Bill is designed to do just this, and is now before Congress. Congress should pass this legislation and see that the Executive Department vigorously executes it.

Will the Hawkins Bill work? Rationally this question should be re-phrased into two questions: I. Are there any useful things for the unemployed to do? II. If so, is there enough workspace to accommodate the unemployed? Obviously the answer is YES to both questions. Therefore, the Hawkins Bill will work -- if competently administered.

It follows that any rational objections to the Hawkins Bill must deal, not with its workability, but with its possible side effects. Let us review the common objections.

(1) It will cost money. So what -- so do postage stamps. The specific charge is that large federal spending of itself must cause inflation. We showed in Section 1 that this is not true -- and is contrary to post-War experience.

(2) "You can't fight unemployment and inflation at the same time." Answer (a): So don't! -- so long as commerce is healthy. Answer (b): We observed in Section 2 that, indeed, post-War II experience conforms somewhat to this assertion, but the relationship is far too weak and uncertain to justify this objection.

THOUSANDS

AFDC-FG CASES AIDED  
COUNTY OF LOS ANGELES  
SIMULATED/PROJECTED  
ACTUAL  
'STEADY STATE'

.....  
\*\*\*\*\*  
SSSS

350

300

250

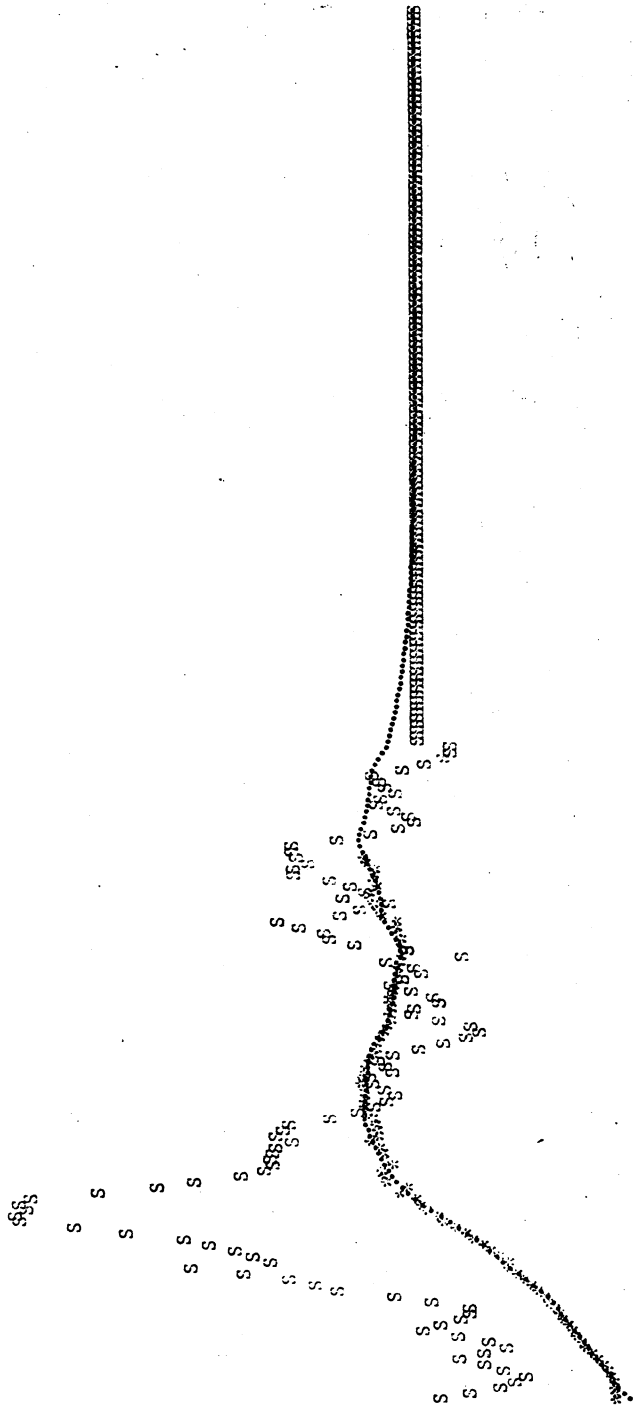
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(3) "The Hawkins Bill will fail because people just don't like to work. Look at the 'welfare mess'!" The answer to this has several aspects.

(a) The "welfare mess" exists especially in urban centers. We showed in Section 3 that, in fact, urban welfare populations are highly responsive to fluctuations of the (total) labor market (unemployment). They leave welfare for work at the drop of a hat -- when work is available.

(b) The "New Jersey study," and several other cross-sectional studies, tend to confirm our conclusion (a) (see reference 2). Particularly the New Jersey study indicated that, although increased welfare grants were associated with fewer hours-per-week worked, this was accounted for by increases in earning power, not by reduced participation in the labor force.

(c) The conclusion therefore is inescapable that even people of the deepest "welfare culture" will go to work if they find, and recognize, opportunities to work gainfully and usefully. Provision of such opportunities is precisely the substance of the Hawkins bill.

(4) It is almost predictable that critics will charge, "The Hawkins bill will be inflationary." This charge is actually answered in (2) above, but a little simple logic seems also to be in order.

First, it is no more than textbookish to recall the economic function of money. It is a medium of exchange: its "pieces" are records of stored (i.e. produced) value. Therefore it should be issued (paid) when and only when value is produced -- and issued in the amount corresponding to its current value (purchasing power). Issuance of money under this criterion will clearly not result in inflation.

The criterion has nothing whatever to do with the ink-marks in ledgers of the Federal Reserve Board or U.S. Treasury. It is violated, for instance, when money is paid for production of war materials -- including when they are exported.

Now, the Hawkins bill does not directly address this criterion. But it does largely provide for relatively low-pay jobs -- pay levels, therefore, with high "economic multipliers" (i.e., high propensities to consume). The federal deficit-inflation correlations, listed at the end of Section 1, strongly suggest that this high-multiplier quality itself has the same effect. As a peacetime example, excess federal outlays, in years of deficits, probably simply went into low-level salaries, much more than did the bulk of "built-in" budgets of leaner years.

My conclusion is that the Hawkins bill, if at all competently administered, will not lead to inflation.

(5) Finally it needs to be emphasized that the Hawkins bill will "kill two birds with one stone". Directly it will reduce unemployment. Our results, in Section 3, show that the Hawkins bill will at the same time eliminate the "welfare mess."

- REFERENCES -

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- (2) Joint Economic Committee, Congress of the United States, Subcommittee on Fiscal Policy. "How Income Supplements Can Affect Work Behavior." Studies in Public Welfare, U.S. Government Printing Office publication 25-029 (February 18, 1974).
- (3) Harrington, Michael R., The Other America: Poverty in the United States. New York, MacMillan 1962. (See also 1971 Revision, Penguin Books.)
- (4) Moynihan, Daniel P., "Income by Right." (second part) Annals of Politics, January 20, 1973.
- (5) Rydell, C. Peter; Palmerio, Thelma; Blais, Gerard; and Brown, Dan; "Welfare Caseload Dynamics in New York City." New York City Rand Institute Publication R-1441-NYC. (New York Human Resources Administration, Office of Policy Research, Publication #OPR-R-14.) (Obtainable from Rand Corporation, Santa Monica, California.)

**H.R. 50****FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1976****1609****SUMMARY AND SECTION-BY-SECTION ANALYSIS****1610****Summary****2209**

The Full Employment and Balanced Growth Act of 1976 establishes the right of all adult Americans able, willing, and seeking to work to opportunities for useful paid employment at fair rates of compensation. To support that right, the act commits the U.S. Government to fundamental reform in the management of the economy so that full employment and balanced economic growth are achieved and sustained. This includes the creation of a permanent institutional framework within which the President, the Federal Reserve Board, and the Congress are systematically encouraged to develop and establish the economic goals and policies necessary to provide productive employment for all adult Americans, as well as the mandating of specific employment programs to achieve the goal of 3 percent unemployment as promptly as possible, but within not more than 4 years after the date of the enactment of this act.

**7533****7773****S. 50****Section-by-Section Analysis**

SECTIONS 1 AND 2. These sections include the title, table of contents, and general findings. Among the most important general findings are: (1) the high social and economic costs of unemployment; (2) the need for explicit economic goals and a coordinated economic policy among the President, the Federal Reserve and Congress; (3) that inflation is often aggravated by high unemployment; and (4) that there must be direct employment and anti-inflation policies to supplement aggregate monetary and fiscal policies to achieve and maintain full employment and balanced growth.

**TITLE I—ESTABLISHMENT OF GOALS, PLANNING AND GENERAL ECONOMIC POLICIES**

SEC. 101.—STATEMENT OF PURPOSE. The purpose of this title is to declare the general policies of the act, to provide an open process under which annual economic goals are proposed, reviewed, and established; to provide for the develop of a long-range Full Employment and Balanced Growth Plan, to provide for economy in government measures, to insure that monetary, fiscal, anti-inflation and general economic policies are used to achieve the annual economic goals, to support the long-range goals and priorities of the Full Employment and Balanced Growth Plan, and generally to strengthen and supplement the purposes of the Employment Act of 1946.

SEC. 102.—DECLARATION OF POLICY. The Employment Act of 1946 is amended to declare that all adult Americans able, willing, and seeking work have the right to useful paid employment at fair rates of compensation. Moreover, the Congress further declares that the Federal Government use all practical means, including improved anti-inflation policies, to promote full employment, production and purchasing power.

SEC. 103.—ECONOMIC GOALS AND THE ECONOMIC REPORT OF THE PRESIDENT. The Employment Act of 1946 is amended to require the President in each annual Economic Report to recommend numerical goals for employment, production, and purchasing power, as well as policies to support these goals and achieve balanced growth and full employment of the Nation's human and capital resources as promptly as possible.

**SEC. 104—FULL EMPLOYMENT AND BALANCED GROWTH PLAN.** The Employment Act of 1946 is amended to establish a process of long-range economic planning, through the Council of Economic Advisers, to analyze developing economic conditions, to recommend long-term goals for full employment, production, and purchasing power, and to propose priority policies and programs to achieve such goals and to meet national needs. A long-term full employment goal is set at 3 percent adult unemployment, to be attained as promptly as possible, but within not more than 4 years after the date of the enactment of this act.

**SEC. 105—ECONOMY IN GOVERNMENT.** This section establishes policies and procedures to improve the effectiveness of the Federal Government through the comprehensive planning framework established under this act. In conjunction with the submission of each Full Employment and Balanced Growth Plan, the President shall submit proposals for improving the efficiency and economy of the Federal Government, including, but not limited to, a review of existing Government rules and regulations to determine if they still serve a purpose, and an annual evaluation of 20 percent of the dollar volume of existing Federal programs.

**SEC. 106—FISCAL AND MONETARY POLICIES.** The Employment Act of 1946 is amended to require that monetary and fiscal policies be utilized in the optimum manner necessary to achieve full employment and balanced growth, including the requirement that the President determine the extent to which fiscal policy can be relied upon to achieve our economic goals and priorities, so that it becomes possible to estimate what supplementary job creation and anti-inflation policies must be utilized to achieve the objectives of this act.

This section also requires the Federal Reserve Board to make an independent report to the President and Congress, in conjunction with each Economic Report, identifying the extent to which the Federal Reserve will support the economic goals recommended in the President's Economic Report and, if the Federal Reserve Board does not support such goals, to provide a full justification of why and to what extent its policies will differ from those recommended by the President. If the President determines that the Board's policies are inconsistent with proposed economic goals and priorities, the President shall make recommendations to the Board and Congress to insure closer conformity with the purposes of this act.

**SEC. 107—ANTI-INFLATION POLICIES.** The Employment Act of 1946 is amended to require that each Economic Report contain a comprehensive set of anti-inflation policies to supplement monetary and fiscal policy, including, but not limited to, analyzing inflationary trends in individual economic sectors; actions to increase the supply of goods, services, labor, and capital in tight markets, particularly food and energy; provision for an export-licensing mechanism for critical materials in short supply; recommendations to increase productivity in the private sector; recommendations to strengthen and enforce the antitrust laws; and recommendations for administrative and legislative actions to promote reasonable price stability if situations develop that seriously threaten national price stability.

**SEC. 108—COUNCIL OF ECONOMIC ADVISERS.** The Employment Act of 1946 is amended to require the Council of Economic Advisers to prepare the Full Employment and Balanced Growth Plan, to consult with the Advisory Committee, and to meet other requirements under this act.

**SEC. 109—ADVISORY COMMITTEE ON FULL EMPLOYMENT AND BALANCED GROWTH.** The Employment Act of 1946 is amended to establish a 12-member private Advisory Committee on Full Employment and Balanced Growth to advise and assist the Council of Economic Advisers on matters relating to the Economic Report and this act. The members of the committee shall be appointed proportionately by the President, the Speaker of the House of Representatives, and the President pro tempore of the Senate in a manner broadly representative of the Public.



## TITLE II—COUNTERCYCLICAL, STRUCTURAL AND YOUTH EMPLOYMENT POLICIES

SEC. 201—STATEMENT OF PURPOSE. This title establishes supplementary employment policies to close the employment gap, if one should exist, between the levels of employment achieved through aggregate monetary and fiscal policy and the employment goals established in sections 103 and 104. Accordingly, this title establishes a system of comprehensive and flexible employment policies to create jobs in both the private and public sectors of the economy. These supplementary employment policies shall vary according to economic conditions and the other actions taken under this act, but focus broadly upon reducing cyclical, structural, regional, youth unemployment, and unemployment due to discrimination. This title also establishes a Full Employment Office within the Department of Labor to use special means for training, assisting, and providing employment for those people who are otherwise unable to find employment. Finally, this title mandates improved integration of income-maintenance programs and full employment policies.

SEC. 202—COUNTERCYCLICAL EMPLOYMENT POLICIES. This section requires the development and submission by the President, within 90 days of the enactment of this act, of a coherent and flexible countercyclical program to reduce high unemployment arising from cyclical movements in the economy. This comprehensive program shall include, as appropriate, public service employment, standby public works, antirecession grants for State and local governments, skill training in both the public and private sectors, and other programs. Moreover, this program shall be automatically implemented during periods of high unemployment, allocate employment assistance to areas of highest unemployment, provide for a well-balanced combination of job creation and related activities in both the private and public sectors, and incorporate transitional mechanisms to aid individuals in returning to regular employment as the economy recovers.

SEC. 203—COORDINATION WITH STATE AND LOCAL GOVERNMENTS AND PRIVATE SECTOR ECONOMIC ACTIVITY. This section requires the development of policies that facilitate harmonious economic action between the Federal Government, regions, States, localities and the private sector. As a primary effort to achieve these ends, the President is required to submit legislation, within 90 days of the enactment of this act, creating a permanent, countercyclical grant program that will serve to stabilize State and local budgets during periods of recession and high unemployment. This program shall be automatically implemented when the national unemployment exceeds a specified level and distribute its funds to those areas of most serious unemployment.

SEC. 204—REGIONAL AND STRUCTURAL EMPLOYMENT POLICIES. This section requires the establishment of comprehensive employment policies designed to reduce the chronic underutilization of human and capital resources in certain areas of the country and in specific groups within the labor force. As a primary effort to reduce unemployment in chronically depressed areas, the President is required within 180 days after the date of enactment of this act to submit legislation providing an institutional means to make credit available: (1) for public and private investment in economically depressed regions, inner cities, and economic sectors; and (2) to provide an alternative source of capital funds for local and State governments to finance public facilities.

SEC. 205—YOUTH EMPLOYMENT POLICIES. This section requires the development and submission by the President, within 90 days of the enactment of this act, of a comprehensive youth employment program to: (1) foster a smoother transition from school to work; (2) prepare disadvantaged youths with employment handicaps for self-sustaining employment through education, training, medical services, counseling and other support activities; (3)

develop methods for combining training with work, including apprenticeship and on-the-job training in the private sector; and (4) provide job opportunities in a variety of tasks including conservation, public service activities, inner-city cleanup and rehabilitation and other jobs of value to States, local communities, and the Nation.

**SEC. 206—FULL EMPLOYMENT OFFICE AND JOB RESERVOIRS.** To insure that full employment is achieved under this act, the President, through the Secretary of Labor, shall develop policies and programs to provide job opportunities to adult Americans who, despite a serious effort to obtain employment, are unable to do so in the general economic environment, or through any of the other provisions of this act. There is established within the Department of Labor a Full Employment Office to assist the Secretary of Labor in providing such job opportunities through counseling, training, and referral to job opportunities in the private sector and in positions drawn from sections 202, 204, and 205 of this act. Additional job opportunities will be provided, subject to regulations on job need and eligibility, through reservoirs of federally operated or approved employment projects, to be phased in by the President in conjunction with the annual employment recommendations required under section 3 of the Employment Act of 1946, and to achieve 3 percent unemployment within 4 years of enactment of this act.

**SEC. 207—INCOME MAINTENANCE AND FULL EMPLOYMENT POLICIES.** This section requires that full employment policies: (1) provide quality jobs that strengthen income and eliminate substandard earnings; (2) integrate existing income maintenance policies with the full employment policies established by this act; and (3) substitute work for income maintenance to the maximum extent feasible.

### **TITLE III—POLICIES AND PROCEDURES FOR CONGRESSIONAL REVIEW**

**SEC. 301—STATEMENT OF PURPOSE.** This title establishes procedures for congressional review and action with respect to the annual economic goals in the Economic Report, the Full Employment and Balanced Growth Plan, the report of the Board of Governors of the Federal Reserve System, and the other policies and provisions of this act. This title also establishes a Division of Full Employment and Balanced Growth within the Congressional Budget Office to assist the Congress in meeting its responsibilities under this act.

**SEC. 302—GENERAL CONGRESSIONAL REVIEW.** This section establishes the responsibilities of the Joint Economic Committee, the Committees on the Budget, and other appropriate committees of Congress.

**SEC. 303—CONGRESSIONAL REVIEW OF ECONOMIC GOALS IN ECONOMIC REPORT.** This section requires the Joint Economic Committee to review and make recommendations to Congress on annual numerical goals for employment, production, and purchasing power proposed by the President under section 3 of the Employment Act of 1946. The Joint Economic Committee shall submit such recommendations to the Committees on the Budget of both Houses, for incorporation in the first concurrent budget resolution, subject to such modifications as necessary to fulfill the objectives of this act and to meet the requirement of section 3A of the Employment Act to achieve full employment within not more than 4 years after the date of enactment of this act.

**SEC. 304—CONGRESSIONAL REVIEW OF FULL EMPLOYMENT AND BALANCED GROWTH PLAN.** This section provides for congressional review of the Full Employment and Balanced Growth Plan, including reports to the Joint Economic Committee from the standing committees of Congress on matters that relate to the plan, public hearings before the Joint Economic Committee, and consideration of State and local views on the plan. Following the above actions, the Joint Economic Committee shall report a concurrent resolution to Congress approving, disapproving or modifying the proposed plan, with such a resolution serving as a long-term

guide to the Congress with respect to the goals, priorities, policies, and programs recommended in the plan. The President is to be notified of changes in the proposed plan, for such actions as deemed appropriate.

**SEC. 305—DIVISION OF FULL EMPLOYMENT AND BALANCED GROWTH.** This section establishes a Division of Full Employment and Balanced Growth within the Congressional Budget Office to assist the Joint Economic Committee in the discharge of its duties under this act, particularly with respect to long-term economic analysis and planning, and to assist other committees and Members of Congress in fulfilling their responsibilities under this act.

**SEC. 306—EXERCISING OF RULEMAKING POWERS.** This section provides that the provisions of this title, other than section 305, be incorporated into the rules of the House of Representatives and Senate, respectively, with full recognition of the constitutional right of either House to change such rules.

#### **TITLE IV—GENERAL PROVISIONS**

**SEC. 401—NONDISCRIMINATION.** No person in the United States shall on the ground of sex, age, color, religion, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this act. The Secretary of Labor is empowered to enforce such nondiscrimination through the Attorney General, title VI of the Civil Rights Act of 1964, and such other actions as may be provided by law.

**SEC. 402—LABOR STANDARDS.** This section provides that policies and programs implemented and mandated under this act shall provide that those employed are paid equal wages for equal work, and that the policies create a net increase in employment through work that would not otherwise be done. The section further prescribes a range of labor standards applicable to particular situations of employment.

**SEC. 403—AUTHORIZATIONS.** Being a general economic policy act, the sums authorized for appropriation are those necessary to establish long-range economic planning, the Advisory Committee on Full Employment and Balanced Growth, the establishment of the Full Employment Office and job reservoirs, and other administrative matters. The authorizations and appropriations for other programs mandated under this act are to be determined in conjunction with each separate piece of legislation.

## **[SUBCOMMITTEE PRINT]**

MARCH 10, 1976

### **PRINT OF H.R. 50 WITH AMENDMENTS**

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### **IN THE HOUSE OF REPRESENTATIVES**

JANUARY 14, 1975

Mr. HAWKINS (for himself and Mr. REUSS) introduced the following bill;  
which was referred to the Committee on Education and Labor

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## **A BILL**

To establish and translate into practical reality the right of all adult Americans able, willing, and seeking to work to full opportunity for useful paid employment at fair rates of compensation; to combine full employment, production, and purchasing power goals with proper attention to balanced growth and national priorities; to mandate such national economic policies and programs as are necessary to achieve full employment, production, and purchasing power; to restrain inflation; and to provide explicit machinery for the development and implementation of such economic policies and programs.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act and the following table of contents may be

1 cited as the “Full Employment and Balanced Growth Act  
2 of 1976”:

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Sec. 2. General findings.

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#### TITLE III—POLICIES AND PROCEDURES FOR CONGRESSIONAL REVIEW

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Sec. 306. Exercise of rulemaking powers.

#### TITLE IV—GENERAL PROVISIONS

Sec. 401. Nondiscrimination.

Sec. 402. Labor standards.

Sec. 403. Authorizations.

## GENERAL FINDINGS

1

2       SEC. 2. (a) The Congress finds that the Nation has  
3 suffered substantial and increasing unemployment and under-  
4 employment, over prolonged periods of time, imposing nu-  
5 merous economic and social costs. Such costs include the  
6 following:

7

(1) The Nation is deprived of the full supply of  
8 goods and services, the full utilization of labor and  
9 capital resources, and the related increase in individual  
10 income and well-being that would exist under conditions  
11 of genuine full employment.

12

(2) Insufficient production is available to meet  
13 pressing national priorities.

14

(3) Workers are deprived of the job security, in-  
15 come, skill development, and productivity necessary to  
16 maintain and advance their standards of living.

17

(4) Business and industry are deprived of the pro-  
18 duction, sales, capital flow, and productivity necessary  
19 to maintain adequate profits, create jobs, and contribute  
20 to meeting society's economic needs.

21

(5) The Nation is exposed to social, psychological,  
22 and physiological costs and traumas, including disruption

1 of family life, loss of individual dignity and self-respect,  
2 and the proliferation of physical and psychological ill-  
3 nesses, drug addiction, crime, and social conflict.

4 (6) Federal, State, and local government economic  
5 activity is undermined as government budget deficits oc-  
6 cur because tax revenues fall and expenditures rise for  
7 unemployment compensation, public assistance, and  
8 other recession-related services in the areas of criminal  
9 justice, drug addiction, and physical and mental health.

10 (b) The Congress further finds:

11 (1) High unemployment often increases inflation  
12 by diminishing labor training and skills, underutilizing  
13 capital resources, reducing the rate of productivity ad-  
14 vance, increasing unit labor costs, reducing the general  
15 supply of goods and services and thereby generating cost-  
16 push inflation. In addition, modern inflation has been due  
17 in large measure to errors in national economic policy,  
18 including erratic monetary policy, inadequate energy  
19 and food policies, and ineffective policies to maintain  
20 competition in the private sector.

21 (2) Although necessary for sound economic policy,  
22 aggregate monetary and fiscal policies are inadequate by  
23 themselves to achieve full employment production and to  
24 restrain inflation. Such policies must be supplemented by

1 more direct private and public measures to create em-  
2 ployment and reduce inflation.

3 (3) Genuine full employment has not been  
4 achieved, in part, because explicit short- and long-term  
5 national economic goals and priorities have not been  
6 established by the President, the Congress, and the  
7 Federal Reserve. Moreover, public and private economic  
8 policies have not been organized and coordinated to  
9 achieve national goals and priorities.

10 (4) Increasing job opportunities and full employ-  
11 ment make a major contribution to the abolition of  
12 discrimination based upon sex, age, race, color, religion,  
13 national origin, and other improper factors.

14 (c) The Congress further finds that an effective full  
15 employment and balanced growth policy should (1) be  
16 based on the development of explicit economic goals and  
17 policies involving the President, the Congress, and the Fed-  
18 eral Reserve, as well as State and local governments, with  
19 full use of the resources and ingenuity of the private  
20 sector of the economy, and (2) include programs specifically  
21 designed to reduce high unemployment due to recessions,  
22 and to reduce structural unemployment within regional  
23 areas and among particular labor force groups.

24 (d) The Congress further finds that full employment  
25 and balanced growth are important national requirements



1 that will promote the economic security and well-being of  
 2 all our citizens.

3 TITLE I—ESTABLISHMENT OF GOALS, PLAN-  
 4 NING, AND GENERAL ECONOMIC POLICIES

5 STATEMENT OF PURPOSE

6 SEC. 101. It is the purpose of this title to declare the  
 7 general policies of this Act, to provide an open process under  
 8 which annual economic goals are proposed, reviewed, and  
 9 established, to provide for the development of a long-range  
 10 Full Employment and Balanced Growth Plan, to provide  
 11 for economy in government measures, to ensure that mone-  
 12 tary, fiscal, anti-inflation, and general economic policies are  
 13 used to achieve the annual economic goals and support the  
 14 goals and priorities of the Full Employment and Balanced  
 15 Growth Plan, and generally to strengthen and supplement  
 16 the purposes and policies of the Employment Act of 1946.

17 DECLARATION OF POLICY

18 SEC. 102. (a) Section 2 of the Employment Act of  
 19 1946 (15 U.S.C. 1021) is amended to read as follows:

20 “DECLARATION OF POLICY

21 “SEC. 2. (a) The Congress hereby declares that it is  
 22 the continuing policy and responsibility of the Federal Gov-  
 23 ernment to use all practicable means, consistent with its  
 24 needs and obligations and other essential national policies,  
 25 with the assistance and cooperation of industry, agriculture,

1 labor, and State and local governments, to coordinate and  
2 utilize all its plans, functions, and resources for the purpose  
3 of creating and maintaining, in a manner calculated to foster  
4 and promote free competitive enterprise and the general  
5 welfare, conditions which promote balanced growth and use-  
6 ful employment opportunities, including self-employment, for  
7 those able, willing, and seeking to work, and to promote full  
8 employment, production, and purchasing power.

9 “(b) The Congress declares and establishes the right  
10 of all adult Americans able, willing, and seeking work to  
11 opportunities for useful paid employment at fair rates of  
12 compensation.

13 “(c) The Congress further declares that inflation is a  
14 major national problem requiring improved government poli-  
15 cies relating to food, energy, improved fiscal and monetary  
16 management, economy in government, the reform of out-  
17 moded government rules and regulations, the correction of  
18 structural defects in the economy that prevent or seriously  
19 impede competition in private markets, and other measures.”

20 ECONOMIC GOALS AND THE ECONOMIC REPORT OF THE  
21 PRESIDENT

22 SEC. 103. Section 3 (a) of the Employment Act of 1946  
23 is amended to read as follows:

24 “SEC. 3. (a) The President shall transmit to the Con-  
25 gress not later than January 20 of each year an economic

1 report (hereinafter called the 'Economic Report') setting  
2 forth for each year—

3       “(1) current and foreseeable trends in the levels of  
4 employment, production, and purchasing power and a  
5 review and analysis of economic conditions affecting these  
6 economic trends in the United States;

7       “(2) annual numerical goals for employment, pro-  
8 duction, and purchasing power that are designed to  
9 achieve balanced growth and full employment of the  
10 Nation's human and capital resources as promptly as  
11 possible;

12       “(3) a numerical long-term full employment goal  
13 which is (A) consistent with the minimum level of  
14 frictional unemployment necessary for efficient job search  
15 and mobility in the labor force, and (B) consistent with  
16 the aggregate long-term economic goals and priorities  
17 set forth in the Full Employment and Balanced Growth  
18 Plan required under section 3A; and

19       “(4) the programs and policies for carrying out the  
20 policy declared in section 2 of this Act, as well as the  
21 numerical economic goals of paragraph (2) of this  
22 subsection, together with such recommendations for leg-  
23 islation as the President deems necessary or desirable in  
24 order to achieve full employment and balanced growth  
25 as promptly as possible.”.

1        FULL EMPLOYMENT AND BALANCED GROWTH PLAN

2        SEC. 104. The Employment Act of 1946 is amended  
3 by adding after section 3 the following new section:

4        "FULL EMPLOYMENT AND BALANCED GROWTH PLAN

5        "SEC. 3A. (a) In conjunction with the first Economic  
6 Report after enactment of this section, or within ninety days  
7 after the enactment of this section, whichever may come  
8 earlier, and thereafter in conjunction with each annual  
9 Economic Report, the President shall transmit to the Con-  
10 gress a proposed Full Employment and Balanced Growth  
11 Plan, prepared with the assistance of the Council of Eco-  
12 nomic Advisers, and in consultation with the Office of  
13 Management and Budget. The Plan shall propose, in quan-  
14 titative and qualitative terms, and for the number of years  
15 feasible, long-term national goals related to full employ-  
16 ment, production, purchasing power, and other essential  
17 priority purposes, and the major policies and programs, in-  
18 cluding recommendations for legislation, to achieve such goals  
19 and priorities. In developing the goals, the President shall  
20 take into account the level and composition of each factor  
21 needed to maintain economic balance and full resource use  
22 and to meet priority needs.

23        "(b) The Full Employment and Balanced Growth Plan  
24 shall set forth the foreseeable trends in economic and social  
25 conditions, provide estimates of the unmet economic and

1 social needs of the Nation, and identify the human, capital,  
2 and national resources available and needed for the achieve-  
3 ment of the economic and related social goals and priorities  
4 established in the Full Employment and Balanced Growth  
5 Plan.

6 “(c) The Full Employment and Balanced Growth Plan  
7 shall contain long-term economic goals as follows—

8 “(1) full employment goals set at the number  
9 of jobs to be provided for adult Americans in order  
10 to reduce unemployment to the minimum level of fric-  
11 tional unemployment consistent with efficient job search  
12 and labor mobility;

13 “(2) full production goals set at the levels of  
14 output estimated to be yielded by achievement of the  
15 full employment goals as defined above, with expected  
16 improvements in productivity; and

17 “(3) full purchasing power goals set at levels  
18 estimated to be necessary for attaining and maintain-  
19 ing full employment and production while contribut-  
20 ing to an equitable distribution of purchasing power.

21 “(d) In carrying out the provision of paragraph (1)  
22 of subsection (c), the full employment goal shall be  
23 consistent with a rate of unemployment not in excess of  
24 3 per centum of the adult Americans in the civilian labor  
25 force, to be attained as promptly as possible, but within not

1 more than four years after the enactment of the Full Em-  
2 ployment and Balanced Growth Act of 1976. Within one  
3 year of the date of enactment of the Full Employment and  
4 Balanced Growth Act of 1976, the President shall review the  
5 full employment goal and timetable required by this section  
6 and report to Congress on any obstacles to its achievement  
7 and, if necessary, propose corrective economic measures to  
8 insure that the full employment goal and timetable are  
9 achieved.

10 “Priorities, policies, and programs

11 “(e) To contribute to the achievement of the general  
12 economic goals established in sections 3 (a) (2) and 3A (c)  
13 of this Act, the Full Employment and Balanced Growth Plan  
14 shall propose priority policies and programs that comprise  
15 a full employment program that provides productive non-  
16 wasteful jobs and that reorder national priorities and  
17 employ the jobless in the production of goods and services  
18 which add to the strength of the economy, the wealth of the  
19 Nation, and the well-being of the people. Such policies and  
20 programs shall not be set forth in the programmatic detail  
21 developed by specialized Federal agencies, and by others  
22 in the public and private sectors, but only sufficiently to  
23 furnish an integrated perspective of our needs and capabilities  
24 and as a long-run guide to optimum private, Federal, State,  
25 and local government action. Priority policies and programs

1 to support full employment and balanced growth shall ini-  
2 tially include—

3 “(1) development of energy, transportation, food,  
4 small business, and environmental improvement policies  
5 and programs required for full employment and balanced  
6 economic growth, and required also to combat inflation  
7 by meeting full economic levels of demand;

8 “(2) the quality and quantity of health care, educa-  
9 tion, day care, and housing, essential to a full economy  
10 and moving gradually toward adequacy for all at costs  
11 within their means;

12 “(3) Federal aid to State and local governments,  
13 especially for public investment and unemployment  
14 related costs;

15 “(4) national defense and other needed interna-  
16 tional programs; and

17 “(5) such other priority policies and programs as  
18 the President deems appropriate.

19 “(f) The President shall establish procedures to insure  
20 that members of the Cabinet, relevant regulatory agencies,  
21 other relevant officers of the executive branch, and the  
22 Chairman of the Advisory Committee on Full Employment  
23 and Balanced Growth have an opportunity to review and  
24 make recommendations to the President prior to his or her

1 submission of the Full Employment and Balanced Growth  
2 Plan to the Congress. The annual reports of departments  
3 and agencies shall include reports on any actions and studies  
4 undertaken related to the implementation of the Full Em-  
5 ployment and Balanced Growth Plan.

6 “(g) At the time of the submission of the proposed  
7 Full Employment and Balanced Growth Plan to the Con-  
8 gress, the President shall transmit copies of the Plan to the  
9 Governor of each State and to other appropriate State and  
10 local officials. Within sixty days after the submission to Con-  
11 gress of the proposed Full Employment and Balanced Growth  
12 Plan, the Governor of each State may submit to the Joint  
13 Economic Committee a report containing findings and rec-  
14 ommendations with respect to the proposed Plan. Any such  
15 report submitted by a Governor shall include the views and  
16 comments of citizens within the State, after public hearings  
17 have been held within the State.”

18 ECONOMY IN GOVERNMENT

19 SEC. 105. (a) The Congress finds and declares that  
20 widespread duplication and contradiction among Federal  
21 departments and agencies, the failure to establish long-term  
22 priorities, lack of adequate information on the impact of  
23 Federal regulations and programs, and the lack of a process  
24 for developing more efficient alternatives for achieving the



1 Nation's priorities are impeding the Federal Government in  
 2 efficiently implementing full employment and balanced  
 3 growth policies. The Congress further declares that genuine  
 4 efficiency in government requires time and planning. Ac-  
 5 cordingly, it is the purpose of this section to utilize the com-  
 6 prehensive planning framework established by section 104  
 7 to improve the efficiency and economy of the Federal  
 8 Government.

9 (b) In carrying out this section, the President shall,  
 10 in conjunction with the submission of each Full Employment  
 11 and Balanced Growth Plan, submit proposals for improving  
 12 the efficiency and economy of the Federal Government,  
 13 including, but not necessarily limited to—

14 (1) a review of existing Government rules and  
 15 regulations to determine if they still serve a public pur-  
 16 pose and are properly designed; and

17 (2) an annual evaluation of 20 per centum of the  
 18 dollar volume of existing Federal programs which are  
 19 in effect each year, and the submission to Congress of a  
 20 formal analysis of the economic and social impact and  
 21 value of each program.

## 22 FISCAL AND MONETARY POLICIES

23 SEC. 106. (a) The Employment Act of 1946 is amended  
 24 by inserting after section 3A, as added by this Act, the fol-  
 25 lowing new section:

## 1 "FISCAL AND MONETARY POLICIES

2 "SEC. 3B. (a) The President's Budget and Economic  
3 Report shall be consistent with the Full Employment and  
4 Balanced Growth Plan, and the Economic Report shall set  
5 forth for each year the following:

6 "(1) The level and composition of Federal expendi-  
7 tures, measured against estimated capabilities at full employ-  
8 ment and production, necessary to support the annual eco-  
9 nomic goals proposed in section 3 and to support the Full  
10 Employment and Balanced Growth Plan, taking into account  
11 the role of the private sector and of State and local govern-  
12 ments in supporting these purposes. The President shall also  
13 make a determination of the extent to which the use of ag-  
14 gregate fiscal and monetary policy, without the supplemen-  
15 tary employment policies provided in the Full Employment  
16 and Balanced Growth Act of 1976, will achieve the produc-  
17 tion, employment, purchasing power, and priority goals  
18 required in sections 3 and 3A. Whenever the economy is  
19 operating at full production and employment, or subjected  
20 to excessive overall strain, the general principle to be fol-  
21 lowed is that priority expenditures established in section 3A  
22 (e) shall not in general be reduced, allowing for some varia-  
23 tions for countercyclical purposes, so long as it is feasible to  
24 reduce relatively less important expenditures, or to resort to  
25 means set forth in paragraph (2) below.

1       “(2) Federal tax policy consistent with expenditure  
2 levels in paragraph (1) of this subsection necessary to (A)  
3 balance the Federal budget or create a surplus under con-  
4 ditions of full production, employment and purchasing power,  
5 (B) restrain excessive economic activity and inflation when  
6 total demand threatens to exceed the Nation’s capabilities at  
7 full employment, (C) avoid fiscal drag upon the economy  
8 during any periods of substantial economic slack, and (D)  
9 contribute to the needed level and distribution of purchasing  
10 power.

11       “(3) A monetary policy designed to assure such rate of  
12 growth in the Nation’s money supply, such interest rates,  
13 and such credit availability, including policies of credit re-  
14 form, allocation, and international capital flows as are con-  
15 ducive to achieving and maintaining the full employment,  
16 production, purchasing power and priority goals specified in  
17 sections 3 and 3A.

18       “(b) The Board of Governors of the Federal Reserve  
19 System shall transmit to the President and the Congress,  
20 within fifteen days after the transmission of the Economic  
21 Report or the Full Employment and Balanced Growth Plan,  
22 whichever may come earlier, an independent statement  
23 setting forth its intended policies for the year ahead with  
24 respect to its functions, the extent to which these policies  
25 will support the achievement of the goals in section 3 and

1 section 3A, and a full justification for any substantial vari-  
 2 ations from the President's goals and recommendations. If  
 3 the President determines that the Board's policies are incon-  
 4 sistent with the achievement of the goals and policies pro-  
 5 posed under this Act, the President shall make recommenda-  
 6 tions to the Board and to the Congress to insure closer  
 7 conformity to the purposes of this Act."

#### 8 ANTI-INFLATION POLICIES

9 SEC. 107. (a) Section 3 of the Employment Act of  
 10 1946 is amended by adding at the end thereof the following:

11 "(d) The Economic Report shall each year contain  
 12 a comprehensive set of anti-inflation policies, including, but  
 13 not necessarily limited to—

14 "(1) a comprehensive information system to moni-  
 15 tor and analyze inflationary trends in individual eco-  
 16 nomic sectors, including information on the interna-  
 17 tional sector, so that the President and Congress can be  
 18 alerted to developing inflation problems and bottlenecks;

19 "(2) the use of monetary and fiscal policy geared  
 20 to the capabilities of the economy operating at full em-  
 21 ployment as provided in section 3B;

22 "(3) programs and policies in the Full Employ-  
 23 ment and Balanced Growth Plan for increasing the  
 24 supply of goods, services, labor, and capital in struc-

1       turally tight markets, with particular emphasis on in-  
2       creasing the supply of food and energy;

3       “(4) provision for an export licensing mechanism  
4       for food and other critical materials when the national  
5       well-being is threatened because projected supplies are  
6       inadequate to meet domestic needs without drastically  
7       increasing prices, and the establishment of stockpile  
8       reserves of food and other critical materials in order  
9       to meet emergencies such as floods and famines and to  
10      maintain reasonable price stability and adequate farm  
11      income;

12      “(5) encouragement to labor and management to  
13      increase productivity within the national framework of  
14      full employment through voluntary arrangements in  
15      industries and economic sectors;

16      “(6) recommendations to strengthen and enforce  
17      the antitrust laws and such other recommendations as  
18      are necessary to increase competition in the private  
19      sector; and

20      “(7) recommendations for administrative and legis-  
21      lative actions to promote reasonable price stability if  
22      situations develop that seriously threaten national price  
23      stability.

## COUNCIL OF ECONOMIC ADVISERS

SEC. 108. (a) The second sentence of section 4 (a) of the Employment Act of 1946 is amended by inserting "full" immediately after "promote".

(b) (1) Section 4 (c) (1) of such Act is amended by inserting immediately after the semicolon a comma and the following: "and the Full Employment and Balanced Growth Plan".

(2) Section 4 (c) (4) of such Act is amended by inserting "full" immediately after "maintain".

(c) (1) Section 4 (e) (1) of such Act is amended by inserting immediately before the semicolon a comma and the following: "and shall consult with the Advisory Committee established under section 6."

(2) Section 4 (e) of such Act is amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof a semicolon, and by adding after such paragraph (2) the following:

"(3) In this connection, the Council is authorized and directed to seek and obtain the cooperation of the various executive and independent agencies in the development of specialized studies essential to its responsibilities."

1        ADVISORY COMMITTEE ON FULL EMPLOYMENT AND  
2                        BALANCED GROWTH

3        SEC. 109. The Employment Act of 1946 is amended by  
4 adding at the end thereof the following new section:

5 "ADVISORY COMMITTEE ON FULL EMPLOYMENT AND  
6 BALANCED GROWTH

7       “SEC. 6. (a) To furnish advice and assistance to the  
8 Council of Economic Advisers in the preparation and review  
9 of the Economic Report and Full Employment and Balanced  
10 Growth Plan, there is established an Advisory Committee on  
11 Full Employment and Balanced Growth, which shall con-  
12 sist of—

13           “(1) four members appointed by the President;

14           “(2) four members appointed by the Speaker of  
15           the House of Representatives; and

16.           “(3) four members appointed by the President  
17.       pro tempore of the Senate.

18       “(b) The Committee shall elect a Chairman, and shall  
19 meet at the call of the Chairman, but not less than twice a  
20 year. The members of the Advisory Committee shall be ap-  
21 pointed for terms of two years from among representatives of  
22 labor, industry, agriculture, consumers, and the public at  
23 large, who are especially competent by virtue of background  
24 and experience to furnish advice to the Council on the views

1 and opinions of broad segments of the public on matters  
2 involved in the formulation and implementation of goals and  
3 policies for full employment and balanced growth.

4 “(c) Each member of the Advisory Committee shall be  
5 entitled to be compensated at a rate equal to the per diem  
6 equivalent of the rate for an individual occupying a position  
7 at level III of the Executive Schedule under section 5314  
8 of title 5, United States Code, when engaged in the actual  
9 performance of his or her duties as such a member, and each  
10 member shall be entitled to reimbursement for travel, sub-  
11 sistence, and other necessary expenses incurred in the per-  
12 formance of his or her duties.

13 “(d) The Advisory Committee is authorized to estab-  
14 lish regional or industry advisory subcommittees to furnish  
15 advice and assistance to it. Each such subcommittee shall con-  
16 sist of at least one member of the Advisory Committee and  
17 shall be broadly representative of the particular region or  
18 industry, including business, labor, and consumer interests.

19 “(e) The Chairman of the Council of Economic Ad-  
20 visers shall furnish the Advisory Committee with such per-  
21 sonnel, facilities, and services as he or she deems necessary to  
22 enable the Advisory Committee to perform its functions  
23 under this Act.”.



1 TITLE II—COUNTERCYCLICAL, STRUCTURAL,  
2 AND YOUTH EMPLOYMENT POLICIES

3 STATEMENT OF PURPOSE

4 SEC. 201. It is the purpose of this title to establish  
5 supplementary employment policies to close the employ-  
6 ment gap, if one should exist, between the levels of em-  
7 ployment achieved through aggregate monetary and fiscal  
8 policy and the employment goals established in sections 3  
9 and 3A of the Employment Act of 1946. Accordingly, this  
10 title establishes a system of comprehensive and flexible em-  
11 ployment policies to create jobs in both the private and  
12 public sectors of the economy that encourages the optimum  
13 contribution of the private sector and State and local gov-  
14 ernments toward the achievement of the goals and purposes  
15 of this Act. These supplementary employment policies shall  
16 vary according to economic conditions and the other actions  
17 taken under this Act, but shall have the broad objective of  
18 reducing cyclical, structural, regional, and youth unemploy-  
19 ment, and unemployment due to discrimination. It is also  
20 the purpose of this title to establish a Full Employment  
21 Office within the Department of Labor to use special means  
22 for training and providing employment for those people who  
23 are otherwise unable to find employment. It is the further  
24 purpose of this title to mandate improved integration of  
25 income maintenance programs and full employment policies.

## 1 COUNTERCYCLICAL EMPLOYMENT POLICIES

2 SEC. 202. (a) (1) The Congress finds and declares  
3 that—

4 (A) the Nation has been unprepared to promptly  
5 implement employment policies during periods of eco-  
6 nomic downturn and resultant high unemployment;

7 (B) existing policies are so diffused and fragmented  
8 at all levels of government that it has been impossible  
9 to implement a comprehensive countercyclical employ-  
10 ment program in a coordinated manner; and

11 (C) the lack of a coherent, flexible, countercyclical  
12 employment policy reduces the prospects of the Nation  
13 solving economic and related social problems which  
14 threaten fundamental national interests and objectives,  
15 including those specified by this Act.

16 (2) It is the purpose of this section to require the  
17 development of a coherent and flexible countercyclical em-  
18 ployment policy, creating jobs in both the private and  
19 public sectors that are valuable to States, local communities  
20 and the Nation, and thereby reducing employment gaps  
21 that may remain despite the appropriate implementation of  
22 other provisions of this Act.

23 (b) (1) To carry out the provisions of this section, the  
24 President shall within ninety days after the date of enact-  
25 ment of this Act transmit to the Congress a comprehensive

1 proposal, together with such legislation as is necessary,  
2 which shall establish on a permanent basis the range of  
3 supplementary employment policies and programs necessary  
4 to reduce high unemployment arising from cyclical move-  
5 ments in the economy. The countercyclical action provided  
6 for in this section relates to periods of high unemployment,  
7 regardless of the stage of the business cycle.

8 (2) In establishing the component parts of such a  
9 comprehensive proposal, and making a determination of the  
10 role of each, the President should consider the following  
11 programmatic entities—

12 (A) countercyclical public service employment;

13 (B) accelerated public works, including the devel-  
14 opment of standby public works projects;

15 (C) State and local countercyclical grant programs  
16 as specified in section 203;

17 (D) the levels and duration of unemployment in-  
18 surance;

19 (E) skill training in both the private and public  
20 sectors, both as a general remedy, and as a supplement  
21 to unemployment insurance;

22 (F) youth employment programs as specified in  
23 section 205;

24 (G) a community development program to provide

1 employment in activities of value to the States, local  
2 communities, and the Nation; and

3 (H) augmentation of other employment and man-  
4 power programs that would prove helpful in meeting  
5 high levels of unemployment from cyclical causes.

6 (c) To insure that the component parts of the counter-  
7 cyclical proposal establishes an integrated and flexible pro-  
8 gram, the President shall—

9 (1) utilize existing employment and training  
10 mechanisms as appropriate;

11 (2) provide for advance planning for counter-  
12 cyclical employment programs among the Federal De-  
13 partments and agencies;

14 (3) provide for an automatic trigger or set of co-  
15 ordinated triggers that would implement the program  
16 during a period of rising unemployment, and phase out  
17 the program when unemployment is appropriately re-  
18 duced;

19 (4) insure that allocation of employment assistance  
20 takes into account the severity and geographic distribu-  
21 tion of unemployment, and the special needs of the  
22 unemployed groups within the labor force;

23 (5) provide for a well balanced combination of job

1 creation and related activities in both the private and  
2 public sectors of the economy; and

3 (6) incorporate effective transitional mechanisms  
4 to facilitate individuals assisted under programs devel-  
5 oped pursuant to this section to return promptly to  
6 regular private and public employment as the economy  
7 recovers.

8 COORDINATION WITH STATE AND LOCAL GOVERNMENT AND  
9 PRIVATE SECTOR ECONOMIC ACTIVITY

10 SEC. 203. (a) As an integral part of the comprehensive  
11 countercyclical employment policies established under section  
12 202, the President shall set forth programs and policies to  
13 facilitate harmonious economic action among the Federal  
14 Government, regions, States and localities and the private  
15 sector to promote the (1) achievement of the goals and  
16 priorities of this Act and the Employment Act of 1946,  
17 and (2) an economic environment in which State and  
18 local governments and private sector economic activity and  
19 employment will prosper and essential services will be  
20 maintained.

21 (b) As a primary effort to meet the requirements of  
22 this section, the President shall within ninety days after the  
23 date of enactment of this Act transmit to the Congress  
24 legislation creating a permanent, countercyclical grant pro-  
25 gram that will serve to stabilize State and local budgets

1 during periods of recession and high unemployment. In  
2 formulating this proposal, the President shall endeavor to  
3 meet criteria that establish a program (1) funded to take  
4 into account total State and local expenditures and the na-  
5 tional unemployment rate; and (2) automatically imple-  
6 mented when the national unemployment rate exceeds a  
7 specified rate.

8 REGIONAL AND STRUCTURAL EMPLOYMENT POLICIES

9 SEC. 204. (a) (1) The President shall within one  
10 hundred and eighty days after the date of enactment of this  
11 Act transmit to Congress a comprehensive regional and struc-  
12 tural employment proposal, including such legislation as  
13 necessary, designed to reduce the chronic underutilization of  
14 human and capital resources in certain areas of the country  
15 and in groups within the labor force. In formulating the  
16 regional components of such a proposal, the President shall  
17 encourage private sector production and employment to  
18 locate within depressed regions and inner cities. The Presi-  
19 dent's regional employment proposal shall also include an  
20 analysis of the extent to which Federal Government tax,  
21 expenditure, and employment policies have influenced the  
22 movement of people, jobs, and industry from chronic high  
23 unemployment regions and areas, and proposals designed  
24 to correct Federal policies that have an adverse economic  
25 impact upon such regions and areas.

1       (2) In formulating the structural components of such an  
2 employment program, the President shall utilize existing  
3 employment and training mechanisms and other existing  
4 programs, as appropriate, and such other measures as  
5 necessary.

6       (b) To further meet the requirements of this section, the  
7 President shall transmit to the Congress, within one hundred  
8 and eighty days after the date of enactment of this Act, leg-  
9 islation providing an institutional means designed to encour-  
10 age (1) public and private investment in economically  
11 depressed regions, inner cities, and economic sectors; and  
12 (2) provide an alternative source of capital funds for local  
13 and State governments to finance public facilities. In for-  
14 mulating the legislation required by this section, the President  
15 shall include provision for—

16           (1) long-term loans at low rates of interest no  
17 higher than the average rate of long-term Treasury  
18 borrowings plus service costs;

19           (2) capitalization through public stock and bond  
20 subscriptions, stock purchases by the State governments,  
21 local governments, and businesses that benefit from the  
22 program, and financial assistance from the Federal Gov-  
23 ernment; and

24           (3) criteria setting priorities for assistance to State  
25 and local government and businesses, with special atten-

tion to areas with unemployment rates consistently and significantly in excess of the national average, to achieve the objective of increasing employment in such areas, and increasing total employment.

#### YOUTH EMPLOYMENT POLICIES

SEC. 205. (a) The Congress finds and declares that—

(1) serious unemployment and economic disadvantage exist among youths, this group constitutes a substantial portion of the Nation's unemployment, and this significantly contributes to crime, drug addiction, and other social and economic problems;

(2) many youths have special employment needs and problems which, if not promptly addressed, will substantially contribute to more severe unemployment problems in the long run;

(3) a significant number of youths in certain areas even in the best of economic circumstances do not have adequate access to employment opportunities providing effective entry into the labor force; and

(4) existing employment programs for youth are fragmented and inadequate, and the special needs and problems of youth unemployment require the development of a permanent, comprehensive youth employment program which will meet the job needs of youth.

(b) To meet the requirements of subsection (a), the



1 President shall transmit to Congress within ninety days  
2 after the date of enactment of this Act legislation creating a  
3 comprehensive youth employment program, which—

4 (1) utilizes the resources and facilities of existing  
5 youth employment and training programs that are  
6 designed to provide job opportunities for youths,

7 (2) provides for other policies and programs neces-  
8 sary to provide employment for youths, and

9 (3) contributes to carrying out the policies of this  
10 Act and the Employment Act of 1946.

11 (c) In formulating such a program, the President shall  
12 include provisions designed to—

13 (1) fully coordinate youth employment activities  
14 with other employment and manpower programs;

15 (2) develop a smoother transition from school to  
16 work by fostering a more effective partnership between  
17 educational and employment institutions, such as busi-  
18 nesses, employer associations, and labor unions;

19 (3) prepare disadvantaged and other youths with  
20 employability handicaps for regular self-sustaining em-  
21 ployment through education, training, medical services,  
22 counseling, and other support activities;

23 (4) develop realistic methods for combining train-  
24 ing with work, including apprenticeship and on-the-job  
25 training in the private sector; and

1           (5) provide job opportunities for youths in a variety  
2       of tasks, including conservation, public service activities,  
3       inner city cleanup and rehabilitation, and other jobs of  
4       value to States, local communities, and the Nation.

5       FULL EMPLOYMENT OFFICE AND RESERVOIRS OF  
6                               EMPLOYMENT PROJECTS

7       SEC. 206. (a) In order to insure that full employment is  
8       achieved under this Act, the President, through the Secre-  
9       tary of Labor, shall develop policies, procedures, and pro-  
10      grams to provide employment opportunities to adult  
11      Americans able, willing, and seeking to work but who,  
12      despite a serious effort to obtain employment, are unable  
13      to do so in the general economic environment, or through  
14      any of the other provisions of this Act.

15      (b) There is established within the Department of Labor  
16      a Full Employment Office to assist the Secretary of Labor  
17      in providing the employment opportunities required under  
18      subsection (a). Under the supervision of the Secretary of  
19      Labor, the Office shall be phased in consistent with subsec-  
20      tion (d) of this section.

21      (c) In meeting the responsibilities to provide job oppor-  
22      tunities under subsection (a), the Secretary of Labor shall,  
23      as appropriate—

24           (1) provide counseling, training, and other support

1 activities necessary to prepare persons willing and seek-  
2 ing work for employment;

3 (2) refer persons able, willing, and seeking to work  
4 to job opportunities in the private and public sectors  
5 through the existing public employment placement facil-  
6 ities and through the United States Employment Serv-  
7 ice; and

8 (3) refer persons willing, able, and seeking to work  
9 to job opportunities in positions drawn from sections  
10 202, 204, and 205 of this Act.

11 (d) Insofar as adult Americans able, willing, and seek-  
12 ing work are not provided with job opportunities under sec-  
13 tion 206 (c) or otherwise under this Act, such opportunities  
14 shall be provided by the President through reservoirs of fed-  
15 erally operated public employment projects and private  
16 nonprofit employment projects approved by the Secretary  
17 of Labor. The number and nature of such reservoirs of em-  
18 ployment projects shall be determined in conjunction with  
19 the policies and programs of the Full Employment Office  
20 established under subsection (b) and the other job creation  
21 provisions of this Act. The provisions of this subsection shall  
22 be phased in by the President, in conjunction with the annual  
23 employment recommendations required under section 3 of  
24 the Employment Act of 1946, in order to achieve a rate of  
25 unemployment not in excess of 3 per centum as established  
by section 3A (d) of such Act.

1       (e) The Secretary, in carrying out the provisions of  
2 this section, shall establish such regulations as he or she  
3 deems necessary. Such regulations shall include provisions  
4 for—

5           (1) an initial determination by the Full Employ-  
6 ment Office of the job seekers' ability to be employed  
7 at certain types and duration of work so that he or  
8 she may be appropriately referred to jobs, training,  
9 counseling, and other supportive services;

10          (2) compliance with the nondiscrimination pro-  
11 visions of this Act in accordance with section 401;

12          (3) such priority criteria as may be appropriate to  
13 establish the order in which persons able, willing, and  
14 seeking to work are provided jobs under this section, so  
15 that such persons who most need employment are given  
16 first consideration and, in determining the priority order,  
17 the Secretary shall consider such factors as duration of  
18 unemployment, the number of employed persons in a  
19 household, number of people economically dependent  
20 upon any such person, expiration of unemployment  
21 insurance, household income, and any other factors  
22 essential to determining employment need;

23          (4) appropriate eligibility criteria to limit access  
24 to the program authorized under subsection (d), includ-  
25 ing but not limited to such criteria as household income,

1 duration of unemployment, and refusal to accept or hold  
2 a job which pays whichever is the highest of (A)  
3 the prevailing wage, as determined by the Secretary of  
4 Labor, for that type of work in the labor market in  
5 which such job occurs, or (B) fair rates of compensation  
6 as determined under section 402 of this Act; and

7 (5) such administrative appeal procedures as may  
8 be appropriate to review the initial determination of the  
9 abilities of persons willing, able, and seeking to work  
10 under clause (1) of this subsection and the employment  
11 need and eligibility under clauses (3) and (4) of this  
12 subsection.

13 Compliance with the requirements of clause (4) of this  
14 subsection relating to a person's eligibility for assistance  
15 may be satisfied by an affidavit submitted by persons seeking  
16 assistance. If such person knowingly provides false informa-  
17 tion in any such affidavit, he or she shall be ineligible for  
18 any assistance under this section and shall, in addition, be  
19 subject to prosecution under section 1001 of title 18, United  
20 States Code.

21 **INCOME MAINTENANCE AND FULL EMPLOYMENT POLICIES**

22 **SEC. 207.** (a) Congress finds and declares that to  
23 achieve the goals of full employment and balanced growth  
24 it is essential that the employment policies prescribed by this  
25 Act and the Employment Act of 1946 give adequate at-  
26 tention to (1) providing quality jobs that improve the

1 work environment, strengthen income and eliminate sub-  
2 standard earnings; (2) improving and integrating existing  
3 public and private income maintenance programs with the  
4 full employment policies of this Act and the Employment Act  
5 of 1946; and (3) substituting work for income maintenance  
6 to the maximum extent feasible, taking account of the  
7 need for adequate income maintenance among those who  
8 cannot be brought within the full employment policy.

9 (b) To meet the requirements of this section, the Presi-  
10 dent shall within ninety days after the date of the enactment  
11 of this Act transmit to Congress a proposal, together with  
12 such legislation as is necessary, analyzing the relationship  
13 of income maintenance needs, existing income maintenance  
14 programs, and the full employment policies required by this  
15 Act and the Employment Act of 1946, and make recom-  
16 mendations on how the income maintenance and employ-  
17 ment policies can be integrated to insure that employment  
18 is substituted for income maintenance to the maximum  
19 extent feasible.

## 20 TITLE III—POLICIES AND PROCEDURES FOR 21 CONGRESSIONAL REVIEW

### 22 STATEMENT OF PURPOSE

23 SEC. 301. The purposes of this title are—

24 (1) to establish procedures for congressional action  
25 and review with respect to the Economic Report, the  
26 Full Employment and Balanced Growth Plan, the re-

1 port of the Board of Governors of the Federal Reserve  
2 System, and the other policies and provisions of this  
3 Act and the Employment Act of 1946; and

4 (2) to establish a Division of Full Employment  
5 and Balanced Growth within the Congressional Budget  
6 Office.

7 GENERAL CONGRESSIONAL REVIEW

8 SEC. 302. (a) To provide for comprehensive economic  
9 and employment policies to meet the objectives of this Act  
10 and the Employment Act of 1946, and to provide Congress  
11 with guidance on these matters, the appropriate committees  
12 of the Congress shall review and revise, to the extent deemed  
13 desirable, the economic goals, priorities, policies, and pro-  
14 grams proposed under such Acts by the President and the  
15 Board of Governors of the Federal Reserve System. The Con-  
16 gress shall initiate or develop such legislation as it deems  
17 necessary to implement these proposals and objectives, after  
18 such modification in such proposals as it deems desirable.

19 (b) In addition to its responsibilities under the Em-  
20 ployment Act of 1946 with respect to the Economic Report,  
21 the Joint Economic Committee shall carry out overall review  
22 of executive branch policies under this Act, with special  
23 attention to general economic conditions, the setting of  
24 national economic goals in the Economic Report, the Full  
25 Employment and Balanced Growth Plan, and the relation-

1 ship of economic policy measures to the fulfillment of the  
 2 goals and priorities established under this Act and under  
 3 the Employment Act of 1946.

4 (c) In addition to their responsibilities under the Con-  
 5 gressional Budget Act of 1974, the Committee on the Budget  
 6 of the Senate and the Committee on the Budget of the House  
 7 of Representatives shall review, in conjunction with report-  
 8 ing concurrent resolutions on the budget under the Congres-  
 9 sional Budget Act of 1974, the fiscal policy, economy in  
 10 government policies, and Federal budget priorities recom-  
 11 mended by the President.

12 (d) The other appropriate committees of Congress shall  
 13 review and report on those policies or programs implemented  
 14 or submitted which relate to matters within the jurisdiction of  
 15 each such committee.

16 CONGRESSIONAL REVIEW OF ECONOMIC GOALS IN  
 17 ECONOMIC REPORT

18 SEC. 303. (a) In conjunction with its review of the Eco-  
 19 nomic Report, and the holding of hearings on the report, as  
 20 required under the Employment Act of 1946, the Joint Eco-  
 21 nomic Committee shall review and analyze the annual nu-  
 22 merical goals for employment, production, and purchasing  
 23 power recommended by the President in fulfillment of section  
 24 3 of the Employment Act of 1946. Subsequent to such a  
 25 review, the Joint Economic Committee shall make recom-



1 mendations to the Congress on the appropriate annual nu-  
2 merical goals for employment, production, and purchasing  
3 power, subject to the requirements of section 3A (d) of the  
4 Employment Act of 1946 relating to those periods when  
5 unemployment is to be reduced to given levels.

6 (b) Section 301 (a) of the Congressional Budget Act  
7 of 1974 is amended—

8 (1) by striking out “and” at the end of clause  
9 (5) ;

10 (2) by redesignating clause (6) as clause (7) ;  
11 and

12 (3) by inserting after clause (5) the following  
13 new clause:

14 “(6) numerical goals for employment, production,  
15 and purchasing power; and”.

16 (c) The second sentence of section 301 (c) of the  
17 Congressional Budget Act of 1974 is amended to read as  
18 follows: “The Joint Economic Committee shall also submit  
19 to the Committees on the Budget of both Houses its recom-  
20 mendations as to the fiscal and monetary policies appropriate  
21 to the goals of the Employment Act of 1946. The Joint  
22 Economic Committee shall further submit to the Com-  
23 mittees on the Budget of both Houses, in accordance with  
24 section 3 of the Employment Act of 1946, recommendations  
25 on annual numerical goals for employment, production, and

1 purchasing power designed to achieve full employment of  
2 the Nation's human and capital resources as promptly as  
3 possible. These recommendations shall be incorporated by  
4 the Committee on the Budget of each House in the first  
5 concurrent resolution on the budget referred to in subsec-  
6 tion (a) reported by that committee, with modifications if  
7 necessary to fulfill the objectives of the Full Employment  
8 and Balanced Growth Act of 1976, and to meet the require-  
9 ment of section 3A of the Employment Act to achieve  
10 full employment within not more than four years after the  
11 enactment of the Full Employment and Balanced Growth  
12 Act of 1976. In the event that the Committee on the Budget  
13 of either House modifies the annual numerical goals for  
14 employment, production, and purchasing power recom-  
15 mended by the Joint Economic Committee, that Budget  
16 Committee shall provide its reasons for such modification in  
17 the report accompanying the first concurrent resolution.

18 CONGRESSIONAL REVIEW OF FULL EMPLOYMENT AND

19 BALANCED GROWTH PLAN

20 SEC. 304. (a) Each proposed Full Employment and  
21 Balanced Growth Plan transmitted to the Congress by the  
22 President under section 3A of the Employment Act of 1946  
23 (hereafter in this section referred to as a "Proposed Plan")  
24 shall be referred to the Joint Economic Committee. Within  
25 sixty days after receipt by the Congress of a Proposed Plan,

1 each standing committee of the Senate and the House of  
2 Representatives and each joint committee of the Congress  
3 shall submit to the Joint Economic Committee a report con-  
4 taining its views and recommendations with respect to as-  
5 pects of the Proposed Plan which relate to matters within  
6 the jurisdiction of such committee or joint committee.

7 (b) The Joint Economic Committee shall hold hear-  
8 ings for the purpose of receiving testimony from the Mem-  
9 bers of Congress, appropriate representatives of Federal  
10 departments and agencies and such representatives of the  
11 general public and interested groups as the joint committee  
12 deems advisable. The joint committee shall also consider  
13 the comments and views on the Proposed Plan which are  
14 received from State and local officials.

15 (c) Not later than one hundred and five days after the  
16 submission of a Proposed Plan to the Congress, the mem-  
17 bers of the Joint Economic Committee who are Members  
18 of the House of Representatives shall report to the House,  
19 and the members of the joint committee who are Members  
20 of the Senate shall report to the Senate, a concurrent resolu-  
21 tion which shall state in substance that the Congress ap-  
22 proves or disapproves the Proposed Plan, in whole or in  
23 part, and which may contain such alternatives to, modifica-  
24 tions of, or additions to the Proposed Plan as the joint  
25 committee deems appropriate and in accord with the pur-

1 poses of this Act and the Employment Act of 1946. The re-  
2 port accompanying such concurrent resolution shall include  
3 findings and recommendations of the joint committee with  
4 respect to each of the main recommendations contained in  
5 the Proposed Plan.

6 (d) (1) When a concurrent resolution referred to in  
7 subsection (c) has been reported to the House of Repre-  
8 sentatives it shall at any time thereafter be in order (even  
9 though a previous motion to the same effect has been dis-  
10 agreed to) to move to proceed to the consideration of the  
11 concurrent resolution. The motion shall be highly privileged  
12 and not debatable. An amendment to the motion shall not be  
13 in order, nor shall it be in order to move to reconsider the  
14 vote by which the motion is agreed to or disagreed to.

15 (2) General debate on any such concurrent resolution  
16 in the House of Representatives shall be in the Committee  
17 of the Whole House on the State of the Union, and shall be  
18 limited to not more than ten hours, which shall be divided  
19 equally between those favoring and those opposing the con-  
20 current resolution. A motion further to limit debate shall  
21 not be debatable.

22 (3) Except to the extent specifically provided in the  
23 preceding provisions of this subsection, consideration in the  
24 House of Representatives of any such concurrent resolution  
25 and amendments thereto (or any conference report thereon)

1 shall be governed by the Rules of the House of Representa-  
2 tives applicable to other bills and resolutions, amendments,  
3 and conference reports in similar circumstances.

4 (e) (1) Debate in the Senate on a concurrent resolution  
5 referred to in subsection (c), and all amendments thereto  
6 and debatable motions and appeals in connection therewith,  
7 shall be limited to not more than ten hours. The time shall  
8 be equally divided between, and controlled by, the majority  
9 leader and the minority leader or their designees.

10 (2) Debate in the Senate on any amendment to any  
11 such concurrent resolution shall be limited to two hours, to  
12 be equally divided between, and controlled by, the mover  
13 and the manager of the concurrent resolution. Debate on  
14 any amendment to an amendment, and debate on any de-  
15 batable motion or appeal shall be limited to one hour, to be  
16 equally divided between, and controlled by the mover and  
17 the manager of the concurrent resolution, except that in the  
18 event the manager of the concurrent resolution is in favor  
19 of any such amendment, motion, or appeal, the time in oppo-  
20 sition thereto, shall be controlled by the minority leader or  
21 his designee. No amendment that is not germane to the pro-  
22 visions of the concurrent resolution shall be received. Such  
23 leaders, or either of them, may, from the time under their  
24 control on the passage of the concurrent resolution, allot

1 additional time to any Senator during the consideration of  
2 any amendment, debatable motion, or appeal.

3 (3) A motion in the Senate to further limit debate is  
4 not debatable. A motion to recommit (except a motion to  
5 recommit with instructions to report back within a specified  
6 number of days, not to exceed three, not counting any day  
7 on which the Senate is not in session) is not in order. De-  
8 bate on any such motion to recommit shall be limited to  
9 one hour, to be equally divided between, and controlled by,  
10 the mover and the manager of the concurrent resolution.

11 (4) The conference report on any such concurrent  
12 resolution shall be in order in the Senate at any time after  
13 the third day (excluding Saturdays, Sundays, and legal  
14 holidays) following the day on which such a conference  
15 report is reported and is available to Members of the Senate.  
16 A motion to proceed to the consideration of the conference  
17 report may be made even though a previous motion to the  
18 same effect has been disagreed to.

19 (5) During the consideration in the Senate of the con-  
20 ference report on any such concurrent resolution, debate shall  
21 be limited to two hours, to be equally divided between, and  
22 controlled by, the majority leader and minority leader or  
23 their designees. Debate on any debatable motion or appeal  
24 related to the conference report shall be limited to thirty

1 minutes, to be equally divided between, and controlled by,  
2 the mover and the manager of the conference report.

3       (6) Should the conference report be defeated in the  
4 Senate, debate on any request for a new conference and the  
5 appointment of conferees shall be limited to one hour to be  
6 equally divided between, and controlled by, the manager of  
7 the conference report and the minority leader or his designee,  
8 and should any motion be made to instruct the conferees be-  
9 fore the conferees are named, debate on such motion shall be  
10 limited to thirty minutes, to be equally divided between, and  
11 controlled by, the mover and the manager of the conference  
12 report. Debate on any amendment to any such instructions  
13 shall be limited to twenty minutes, to be equally divided  
14 between, and controlled by, the mover and the manager of  
15 the conference report. In all cases when the manager of the  
16 conference report is in favor of any motion, appeal, or amend-  
17 ment, the time in opposition shall be under the control of the  
18 minority leader or his designee.

19       (7) In any case in which there are amendments in dis-  
20 agreement, time on each amendment in the Senate shall be  
21 limited to thirty minutes, to be equally divided between, and  
22 controlled by, the manager of the conference report and the  
23 minority leader or his designee. No amendment that is not  
24 germane to the provisions of such amendments shall be  
25 received.

1       (f) Upon adoption of a concurrent resolution under  
2 this section with respect to any Proposed Plan, the concur-  
3 rent resolution shall serve as a long-term guide to the Con-  
4 gress with respect to legislation relevant to the goals, priori-  
5 ties, policies, and programs recommended in the Proposed  
6 Plan, as modified by the concurrent resolution. A copy of  
7 the concurrent resolution shall be transmitted to the Presi-  
8 dent by the Clerk of the House of Representatives or the  
9 Secretary of the Senate, as appropriate, for such actions as  
10 the President deems appropriate.

11 DIVISION OF FULL EMPLOYMENT AND BALANCED GROWTH

12       SEC. 305. (a) There is established within the Con-  
13 gressional Budget Office a Division of Full Employment and  
14 Balanced Growth (hereafter in this section referred to  
15 as the "Division") to perform long-term economic analysis.  
16 The Division shall be headed by a Deputy Director who  
17 shall perform his or her duties under the supervision of the  
18 Director of the Congressional Budget Office and shall perform  
19 such other duties as may be assigned to him or her by the  
20 Director. Such Deputy Director shall be appointed in the  
21 same manner, serve for the same period, and receive the  
22 same compensation as the Deputy Director provided for in  
23 section 201 of the Congressional Budget Act of 1974.

24       (b) It shall be the first responsibility of the Division to  
25 assist the Joint Economic Committee in the discharge of its



1 duties under this Act by providing, as the joint committee  
2 may request—

3 (1) information with respect to long-term economic  
4 trends, national goals, resource availability, and the  
5 methods available to achieve full employment and bal-  
6 anced economic growth;

7 (2) information necessary for the preparation of  
8 the report and concurrent resolution referred to in section  
9 304 (c) ; and

10 (3) such related information as the committee may  
11 request.

12 (c) At the request of any committee of the House of  
13 Representatives or the Senate, or any other joint committee  
14 of the Congress, the Division shall provide to such com-  
15 mittee or joint committee the information necessary to fulfill  
16 its responsibilities under this Act.

17 (d) At the request of any Member of the House or Sen-  
18 ate, the Division shall provide to each Member any informa-  
19 tion necessary to fulfill his or her responsibilities under this  
20 Act.

21 **EXERCISE OF RULEMAKING POWERS**

22 **SEC. 306.** (a) The provisions of this title (other than  
23 section 305) are enacted by the Congress—

24 (1) as an exercise of the rulemaking power of the  
25 House of Representatives and the Senate, respectively,

1 and as such they shall be considered as part of the  
2 rules of each House, respectively, or of that House to  
3 which they specifically apply, and such rules shall  
4 supercede other rules only to the extent that they are  
5 inconsistent therewith; and

6 (2) with full recognition of the constitutional right  
7 of either House to change such rules (so far as relating  
8 to such House), at any time, in the same manner and to  
9 the same extent as in the case of any other rule of such  
10 House.

#### 11 TITLE IV—GENERAL PROVISIONS

##### 12 NONDISCRIMINATION

13 SEC. 401. (a) No person in the United States shall  
14 on the ground of sex, age, race, color, religion, or national  
15 origin be excluded from participation in, be denied the bene-  
16 fits of, or be subjected to discrimination under any program  
17 or activity funded in whole or in part with funds made avail-  
18 able under this Act, including membership in any structure  
19 created by this Act.

20 (b) Whenever the Secretary of Labor determines that  
21 a recipient of funds under this Act has failed to comply  
22 with subsection (a), or an applicable regulation, he or she  
23 shall notify the recipient of the noncompliance and shall  
24 request such recipient to secure compliance. If within a  
25 reasonable period of time, not to exceed sixty days, the

1 recipient fails or refuses to secure compliance, the Secre-  
2 tary of Labor is authorized (1) to refer the matter to the  
3 Attorney General with a recommendation that an appropri-  
4 ate civil action be instituted, (2) to exercise the powers  
5 and functions provided by title VI of the Civil Rights Act  
6 of 1964 (42 U.S.C. 2000d), or (3) to take such other  
7 action as may be provided by law.

8 (c) When a matter is referred to the Attorney General  
9 pursuant to subsection (b), or whenever he or she has reason  
10 to believe that a recipient is engaged in a pattern or prac-  
11 tice in violation of the provisions of this section, the Attor-  
12 ney General may bring a civil action in the appropriate  
13 United States district court for any and all appropriate  
14 relief.

15 (d) To assist and evaluate the enforcement of this sec-  
16 tion, and the broader equal employment opportunity policies  
17 of this Act, the Secretary of Labor shall include, in the annual  
18 Manpower Report of the President, a detailed analysis of  
19 the extent to which the enforcement of this section achieves  
20 affirmative action in both the quantity and quality of jobs,  
21 and for employment opportunities generally.

#### 22 LABOR STANDARDS

23 SEC. 402. The policies and programs implemented and  
24 provided for by this Act, and funded in whole or in part  
25 through this Act, shall provide that persons employed pursu-

1 ant to such policies and programs are paid equal wages for  
2 equal work, and that such policies and programs create a  
3 net increase in employment through work that would not  
4 otherwise be done. In providing employment under this Act,  
5 or in submitting legislation under this Act, the President shall  
6 insure that persons employed in jobs utilizing funds, pro-  
7 vided in whole or in part through this Act, be paid wages  
8 not lower than whichever is the highest of—

9 (A) the minimum wage which would be applicable  
10 to the employee under the Fair Labor Standards Act of  
11 1938, if section 6 (a) (1) of such Act applied to such  
12 employee and if he or she were not exempt under section  
13 thereof;

14 (B) the State or local minimum wage for the most  
15 nearly comparable covered employment;

16 (C) (i) in the case of employers which are States,  
17 political subdivisions, local educational agencies, public  
18 institutions of higher education, or other public agencies  
19 or institutions, the prevailing rates of pay for persons  
20 employed in similar public occupations by the same  
21 employer, or,

22 (ii) in the case of employers which are nonprofit  
23 private organizations or institutions, the appropriate  
24 prevailing wage determined in accordance with the Serv-  
25 ice Contract Act of 1965 or the prevailing rates of pay

1 for persons employed in similar occupations by the same  
2 employer, whichever is the higher, or

3 (D) in the case of persons performing work of the  
4 type to which the Davis-Bacon Act, as amended (40  
5 U.S.C. 276a—276a-5), applies, the prevailing wage  
6 determined in accordance with that Act.

7 **AUTHORIZATIONS**

8 SEC. 403. There is authorized to be appropriated such  
9 sums as may be needed to carry out the provisions of this  
10 Act. Notwithstanding any other provisions of this Act, no  
11 provision shall be construed to require expenditures in excess  
12 of amounts appropriated pursuant to this Act.

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