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Congress Back Then: Fantasizing about 'Full Employment'



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Congress Back Then: America's Spiritual Heyday: Danny Glover ponders the patriotic religion of the 1950s and the symbols of it still with us today.

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Once upon a time, conventional American economic theory held that low unemployment and low inflation were mutually exclusive. Low unemployment necessarily meant a high rate of inflation; low inflation likewise all but guaranteed high unemployment. And the decline in one of those economic indicators presaged an increase in the other. The only question for policymakers back then seemed to be this: Which rate do the politics of the day demand that we address?

That theory has been losing favor throughout the 1990s, and with good reason. In only three years out of the nine this decade have the two economic indicators followed their traditional inverse relationship. What's more, the inflation rate (as measured by the Consumer Price Index) has declined seven out of nine years while the unemployment rate also has dropped in six different years. In July, inflation was 2.1%, and unemployment held steady at a mere 4.3%.

But in the 1970s, the Phillips Curve was such a popular theory that even when Congress set goals of "full employment" and zero inflation, lawmakers and the president wrote so many escape hatches into the 1978 act that no one took it seriously. The law was symbolic at best, utter fantasy at worst. Few truly believed the nation could realize the dream of low employment and low inflation perhaps taken for granted today.

A liberal reading of "the right to work"

The debate about full employment -- broadly defined as meaning the economy provides jobs for as many adults as want them, typically an unemployment rate of 3% to 4% -- began during the 1940s. That decade's wartime economy saw unemployment decline to a record low 1.2% in 1944, but a nation not far removed from the record high unemployment of more than 20% during the Great Depression longed for reassurance.



FDR tried to make a economic bill of rights

As early as January 1942, according to the first volume of Congressional Quarterly's *Congress and the Nation*, the National Resources Planning Board (NRPB) outlined as an imperative "a positive program of postwar economic expansion and full employment, boldly conceived and vigorously pursued." British author Sir William Beveridge even argued for a national budget to assure full employment. And early in 1944, President Franklin

D. Roosevelt lent his voice to the cause by listing "the right to a useful and remunerative job" at the top of his economic bill of rights.

Republicans lambasted the idea of a full-employment budget and a government guarantee of jobs for all who wanted them as one of "planned deficits" that virtually assured astronomical inflation and financial ruin, and their opposition led to the 1943 dissolution of the NRPB. Democrats dominated the political scene, though, so the push for a full-employment law was inevitable.

Rep. Wright Patman (D-TX) and Sen. James E. Murray (D-MT) introduced bills in 1945, and Sept. 6 of that year, President Harry S. Truman urged quick congressional action. As introduced, their legislation initially called for the president to submit an annual National Production and Employment Budget predicting the amount of private investment necessary to maintain full employment and the amount of public money required to fill any gaps.

That sweeping proposal met stiff opposition from the likes of Sen. Robert A. Taft (R-OH), who said, "the theory of this bill means a steady expansion of federal power." Although the Senate passed the measure on a 71-10 vote after adding a pay-as-you-go provision to appease foes, the House balked. It eliminated from the measure any mention of the "right" to work, the concept of "full employment" and the role of the government to "assure" any level of employment before passing it on a 255-126 vote in December 1945.

When Truman signed the measure Feb. 20, 1946, he said it was "not the end of the road, but rather the beginning."

Goals … but no guarantees

Sure enough, just as post-Great Depression unemployment anxiety moved the 79th Congress to ponder the possibility of full employment, the economic tumult of the 1970s -- 12.3% inflation in 1974 followed by 8.5% unemployment in 1975 -- triggered renewed interest in the topic by the 94th Congress (1975-1977). No law was passed then, but proposals sponsored by Sen. Hubert H. Humphrey (D-MN) and Rep. Augustus F. Hawkins (D-CA) gained sufficient attention to make full employment a campaign issue.

Democrats managed to maintain their congressional power in the 1976 election, adding one seat each to their majorities in the House (292 seats total) and Senate (61 seats). And the election of Democrat Jimmy Carter to the presidency bolstered their already firm grip on the reins of federal power. Carter had endorsed the so-called Humphrey-Hawkins full-employment bill during his campaign.

Even so, Carter was reluctant to lend his executive weight to the measure once in office. Not until Nov. 14, 1977, did the president endorse the measure -- and then only after it had been revised to set a five-year target of 4% overall unemployment (3% for the adult population) and to let the president later revise the goal and choose the approach to tackle unemployment.

Gaining Carter's backing was just the first hurdle in the path to passage. Republican adherents to the "trade-off" theory between unemployment and inflation failed to add an inflation target to the measure the House Education and Labor Committee passed Feb. 22, 1978, but the issue remained central to the debate.


AP PHOTO
Carter lent his support to full employment

Lawmakers worried that low unemployment necessarily would prompt a jump in inflation, and they wanted to be on record as pursuing declines in both indicators, not elevating one above the other. Their concerns carried all the more weight in an economic environment where unemployment had declined to 6.1%, the lowest point since 1974, and inflation had jumped 1.1% in February, the largest increase in three years.

As the 95th Congress wound to a close and civil rights and labor leaders who supported the bill increased pressure on Democrats to act before the 1978 election, an *ad hoc* committee finally crafted a compromise designed to avoid a GOP filibuster. Its proposal called for the House-passed unemployment targets but also for a goal of 3% inflation by 1983 and zero inflation by 1988.

The Senate passed the bill Oct. 13; the House cleared it two days later; and Carter signed the measure into law Oct. 27.

The dream realized

Publicly, some advocates for the legislation tried to spin enactment of the law positively. Coretta Scott King, the wife of slain civil rights leader Martin Luther King, Jr. and a leader of the Full Employment Action Council, called the law "a major victory and an important first step in the struggle for full employment." But her language was similar to that Truman had used. Had the full-employment forces made no gains in three decades of virtually uninterrupted rule of Congress?

Clearly, economic realities had changed since introduction of the Humphrey-Hawkins bill in 1974. Inflation was a far greater worry than unemployment, a fact Carter, who introduced an anti-inflation plan the week he signed the bill, emphasized at the signing ceremony. "I must warn you that our fight against inflation must succeed if we are to attain our employment goals," Carter said.

Twenty-odd years later, the fight against inflation seems to have been won, and the employment goals of 1978 achieved, if not nationally then certainly in states like Indiana and Nebraska, where unemployment hit 2.4% in July, or in the Midwest region as a whole (3.6%). And whether for good or bad, the nation managed to realize that dream without a national employment budget or a public guarantee of jobs.

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