

Full Employment and Balanced Growth Act 1976

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CONGRESSIONAL BLACK CAUCUS

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TESTIMONY OF THE HONORABLE

YVONNE E. BURKE

CHAIRPERSON, CONGRESSIONAL BLACK CAUCUS

ON THE FULL EMPLOYMENT AND BALANCED GROWTH

ACT OF 1976

BEFORE THE EDUCATION AND LABOR COMMITTEE, EQUAL
OPPORTUNITIES SUBCOMMITTEE, U.S. HOUSE OF
REPRESENTATIVES, MARCH 16, 1976

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

*Legislative
Agenda*

I AM APPEARING BEFORE YOU TODAY TO GIVE TESTIMONY IN SUPPORT OF H R 50 ON BEHALF OF THE CONGRESSIONAL BLACK CAUCUS. ACTING IN MY ROLE AS CHAIR OF THE CAUCUS, I DIRECT YOUR ATTENTION TO THE RECORD OF CONSISTENTLY STRONG SUPPORT WE, AS A BODY, HAVE GIVEN THIS FULL EMPLOYMENT AND BALANCED GROWTH ACT SINCE IT WAS CONCEIVED. EARLY IN THE 1ST SESSION OF THE 94th CONGRESS, OUR MEMBERSHIP HELD A FORUM THAT FOCUSED ATTENTION ON THE CRITICAL PROBLEM OF UNEMPLOYMENT AND THE VITAL NEED FOR A NATIONAL POLICY SUPPORTING THE CONCEPT OF FULL EMPLOYMENT.

THIS FULL EMPLOYMENT FORUM WHICH WAS HELD IN MAY OF LAST YEAR BROUGHT TOGETHER A CONCERNED COALITION OF THE LEADERSHIP OF THIS CONGRESS, PRIVATE INDUSTRY, OUR LABOR UNIONS, CIVIL RIGHTS GROUPS, AND STATE ELECTED OFFICIALS. FOLLOWING THIS EFFORT, THE CAUCUS HOSTED A MAJOR WORKSHOP SESSION ON HR 50 IN SEPTEMBER WHICH WAS DESIGNED TO FURTHER DEVELOP A SOLID SUPPORT BASE FOR THIS LEGISLATION. WE HAVE CONTINUED THIS PRESS FOR CONGRESSIONAL ACTION BY MEETING INDIVIDUALLY AND COLLECTIVELY WITH THE NATION'S KEY LEADERS TO URGE THEIR FULL COMMITMENT TO THE CONCEPT AND THRUST OF THIS BILL.

CLEARLY, WE AS A CAUCUS ARE NO STRANGERS TO THE SENSE OF THIS LEGISLATIVE EFFORT AND NO STRANGERS TO THE TRAUMATIC PROBLEMS THAT URGE ITS CONSIDERATION AT THE EARLIEST POSSIBLE MOMENT. IN LIGHT OF THE CAUCUS' FIGHT FOR THIS LEGISLATION, IT IS VERY ENCOURAGING TO SEE A REVISED AND STRENGTHENED VERSION OF THE FULL EMPLOYMENT ACT BEFORE THE CONGRESS WITH AN EXPRESSION OF BROAD SUPPORT FROM MANY DIVERSE GROUPS IN OUR NATION. I AM ESPECIALLY GLAD TO HAVE THIS ENCOURAGEMENT BECAUSE I HAVE GROWN QUITE FEARFUL OF THE TENDENCY OF OUR NATIONAL LEADERSHIP TO LOOK AT THESE DESTRUCTIVELY HIGH RATES OF UNEMPLOYMENT AS ACCEPTABLE. IT IS NOT JUST THE UNEMPLOYMENT RATE AND LACK OF WORK THAT I FEAR, IT IS THE GROWING DESTRUCTION OF THE MORAL AND SOCIAL FIBRE OF THOSE FAMILIES THAT ARE EXPERIENCING THIS DEBASING CONDITION IN A SOCIETY THAT PLACES HIGH VALUE ON THE WORK ETHIC.

CLEARLY, FULL EMPLOYMENT IS AN ISSUE FOR ALL AMERICANS WHATEVER THEIR COLOR OR ETHNIC BACKGROUND.....HOWEVER, IT IS IN THE BLACK COMMUNITIES WHERE UNEMPLOYMENT CONTINUALLY EXISTS AT ASTONISHINGLY HIGH RATES, THAT WE MUST EMPHASIZE AND REITERATE OUR PARTICULAR CONCERNS. OVER TIME OUR YOUTH ARE BEING ROBBED OF THEIR SELF RESPECT, THEIR BELIEF IN THIS SOCIETY, THEIR ABILITY TO SUBSIST, AND THEIR VERY FUTURE AS USEFUL PEOPLE. THE SOCIAL AND PSYCHIC HAVOC BEING WREAKED BY JOBLESSNESS IS TRULY IMMENSE. MANY OF THESE IDLE HANDS TURN TO CRIME TO MAKE ENDS MEET....FAMILY BREAKUPS INCREASE...MENTAL ILLNESS FURTHER DECIMATES FAMILIES, AND SOCIAL GROUPS ARE BROUGHT INTO CONFLICT WITH EACH OTHER AS THEY STRUGGLE FOR THE FEW JOBS THAT ARE AVAILABLE. OVER TIME, THIS CREATES A PERMANENT JOBLESS CLASS. AND IT IS OUR BELIEF THAT THE BLACK COMMUNITY IS BEARING THE BRUNT OF THIS FRIGHTENING RETURN TO A CASTE SYSTEM.

JUST LAST MONTH, MR. CHAIRMAN, THE ADMINISTRATION EXPRESSED OPTIMISM OVER THE DECLINE IN THE NATIONAL UNEMPLOYMENT RATE TO 7.6 PERCENT. SOMEHOW IT WAS NOT EMPHASIZED THAT BLACK UNEMPLOYMENT ACTUALLY ROSE FROM 13.2 PERCENT IN JANUARY TO 13.7 PERCENT IN FEBRUARY. THE ADMINISTRATION ALSO FORGOT TO POINT OUT THAT BLACK UNEMPLOYMENT HAS BEEN ABOVE 6 PERCENT SINCE 1954. WE IN THE CAUCUS BELIEVE THAT EVEN THESE FIGURES UNDERSTATE THE SERIOUSNESS OF THE PROBLEM. THEY IGNORE THE UNDEREMPLOYED PERSON...PERSONS WORKING PART-TIME BUT LOOKING FOR FULL TIME WORK; THEY ALSO IGNORE THOSE TOO DISCOURAGED TO CONTINUE TO SEEK WORK AND WHO ARE NO LONGER COUNTED BY THE LABOR DEPARTMENT AS UNEMPLOYED. THE NATIONAL URBAN LEAGUE, IN ITS DECEMBER 1975 QUARTERLY ECONOMIC REPORT ON BLACK WORKERS, ESTIMATED BLACK UNEMPLOYMENT AT OVER 25 PERCENT. IN MANY OF OUR CENTRAL CITY AREAS, THAT RATE IS HIGHER STILL.

PART OF THE BASIS FOR OUR STRONG SUPPORT OF THIS ACT IS OUR BELIEF THAT ITS SUBSTANCE WILL FUNDAMENTALLY CHANGE THE STRUCTURAL DEFECTS OF OUR CURRENT ECONOMIC SYSTEM. THE TRICKLE DOWN THEORY THAT TELLS US JOBS WILL BE CREATED WHEN FINANCIAL INCENTIVES ARE GIVEN TO THE BUSINESS COMMUNITY JUST WILL NOT WORK. A CLEAR, FORTHRIGHT POLICY OF FULL EMPLOYMENT THAT IS EMBODIED IN OUR LAWS WILL MOVE US TOWARD FULL EMPLOYMENT.

MR. CHAIRMAN, WE HAVE SEEN THE IMPACT OF AN ADMINISTRATION THAT OPENLY STATES THAT EMPLOYMENT MUST BE SUBORDINATED TO CONTROLLING INFLATION. WE HAVE SEEN THE IMPACT OF FEDERAL RESERVE POLICIES THAT PROTECT MAJOR FINANCIAL INSTITUTIONS TO THE DETRIMENT OF THE UNEMPLOYED. WE HAVE ALSO SEEN THE IMPACT OF CONGRESSIONAL POLICIES HAMSTRUNG BY THE RHETORIC OF BUDGET DEFICITS. CLEARLY, IT IS TIME FOR A COORDINATED ECONOMIC POLICY MANDATED BY LAW WITH SPECIFIC GOALS AND TIMETABLES. THOSE SPECIFICS ARE EMBODIED IN THE FULL EMPLOYMENT AND BALANCED GROWTH ACT. FULL EMPLOYMENT IS SET AS THE PRIMARY GOAL AND THE MECHANISM IS CREATED THROUGH THE PRESIDENT, THE CONGRESS, AND THE FEDERAL RESERVE THAT WILL ALLOW THE REACHING OF THAT GOAL.

WE STRESS, AS OTHERS HAVE, THAT THE FIRST GOAL IS TO PROVIDE EMPLOYMENT THROUGH THE PRIVATE SECTOR. WE EMPHASIZE THAT THIS IS NOT SIMPLY A PUBLIC SERVICE JOBS BILL. WE HOLD TO THE THEORY THAT PRIVATE ECONOMIC DECISIONS ARE DIRECTLY INFLUENCED BY THE FISCAL AND MONETARY POLICIES OF THE GOVERNMENT. FURTHER, WE BELIEVE THAT THESE POLICIES CAN BE MADE TO INCREASE THE AVAILABILITY OF PRIVATE SECTOR JOBS.

WE HAVE ALL HEARD THE ARGUMENTS THAT COST FACTORS MUST BE CONSIDERED IN ANY PROPOSAL TO MAKE THE GOVERNMENT EMPLOYER OF LAST RESORT. IT IS OUR VIEW THAT COUNTER COSTS ARE NOT BEING ACCURATELY VIEWED. FOR EXAMPLE, ESTIMATORS HAVE PLACED A 12 BILLION DOLLAR TAG ON THE OPERATION OF THIS ACT...HOWEVER, WE HAVE DOCUMENTATION THAT REVEALS A 19 BILLION DOLLAR PAYOUT IN FISCAL YEAR 1976 for UNEMPLOYMENT ~~_____~~ BENEFITS, AND OTHER RELATED WELFARE PROGRAMS. YET, WE HAVE HEARD LOUD OBJECTIONS TO PROVIDING FUNDS FOR USEFUL AND PRODUCTIVE EMPLOYMENT. EMPLOYMENT THAT WOULD ELIMINATE NEED FOR MUCH OF UNEMPLOYMENT WELFARE COSTS. INDIVIDUALS IN OUR SOCIETY ARE WILLING TO PAY BILLIONS OF DOLLARS TO OFFSET THE COSTS OF CRIME, YET CAN NOT SEE THESE COSTS BEING PAID INTO A MECHANISM FOR PRODUCING PRODUCTIVE JOBS THAT SHORE UP THE VERY FABRIC OF OUR SOCIETY.

LET ME CONCLUDE BY SAYING TO THIS COMMITTEE THAT MY COLLEAGUES IN THE CONGRESSIONAL BLACK CAUCUS FREQUENTLY MUST RESPOND TO THE VERY POINTED QUESTION FROM OUR CONSTITUENCY, "WHAT IS THE CONGRESS DOING TO HELP US, WE WHO ARE POOR, UNEMPLOYED AND WITH NO HOPE, WE WHO ARE BLACK AND LOSING OUR PRIDE...WHAT ARE YOU CONGRESSPEOPLE DOING TO HELP US?" THE BEST ANSWER I HAVE BEEN ABLE TO GIVE IS TO SAY THAT WE ARE WORKING TO PASS A FULL EMPLOYMENT BILL WHICH WILL PROVIDE JOBS FOR ALL PERSONS WILLING AND ABLE TO WORK. I ANSWER THAT I HAVE NOT BEEN SATISFIED WITH THE PACE OF CONGRESS IN ACTING ON THIS VITAL AND FAR-REACHING LEGISLATION....BUT THAT I DO BELIEVE THAT THE PEOPLE CAN MAKE CONGRESS RESPONSIVE TO THEIR NEEDS.

PRAISE

MR. CHAIRMAN, I WANT TO PRAISE THIS SUBCOMMITTEE FOR ITS WORK TO DATE AND OFFER MY SUPPORT ALONG WITH THAT OF THE CAUCUS FOR EARLY ENACTMENT OF H R 50 INTO THE LAW OF THIS LAND.

Subcommittee on Equal Opportunities
Augustus F. Hawkins, Chairman
225-2201
225-1927

SUMMARY OF H.R. 50

The Full Employment and Balanced Growth Act is designed as the legislative foundation for America's economic policy and program in the decades ahead.

Under it, business, labor, agriculture and government at all levels would work cooperatively to formulate goals, policies and programs for promoting the healthy growth of the private sector and the more efficient provision of those services that only government can supply. The expanded production of useful goods and services would translate into practical reality the right of all adult Americans to opportunities for useful paid employment at fair rates of compensation. By 1980, at the latest, unemployment would be reduced to the minimum level of frictional unemployment consistent with efficient job search and labor mobility and in no event more than 3% of the civilian labor force.

A major provision of the bill provides for a "Full Employment and Balanced Growth Plan," which the President is to send to Congress every year. This plan is to include

- specific targets for full employment, production and purchasing power
- priority policies and programs for energy, transportation, food, small business, environmental improvement, health care, education day care, housing and other vital areas
- fiscal and monetary policies to promote full employment and balanced growth and to balance the Federal budget at full employment levels of Federal revenue
- comprehensive policies and programs to prevent or combat inflation
- an active role in full employment and balanced growth policy for the Board of Governors of the Federal Reserve System
- the promotion of more governmental economy and efficiency through intensive reviews of government regulations and the gradual introduction of zero-base budgeting

A 12 person Advisory Committee on Full Employment and Balanced Growth would assist the Council of Economic Advisers in helping prepare the President's Economic Report and Full Employment and Balanced Growth Plan.

More specifically, the bill also provides for

- comprehensive counter-cyclical policies, including a counter-cyclical grant program for State and local governments
- special provisions for assistance to depressed regions of the country and inner city areas
- integration, improvement and expansion of existing youth employment programs

more

-- supplemental (or last resort) provision of employment opportunities for those not able to find work elsewhere. This is to be done under Presidential direction by the Secretary of Labor through a new Full Employment Office in the Department of Labor and using reservoirs of federally operated public employment projects and private nonprofit employment projects.

Throughout the bill, first emphasis is placed on expansion of private employment opportunities, encouraged by improvements in monetary and fiscal policies. The second line of defense against unemployment is public activity at the State and local level. Federal employment projects are last resort.

The Bill also mandates a more active role for the Congress -- including its Joint Economic Committee and the Budget Committees of each House in reviewing the required reports and proposals of the President and the Federal Reserve System and in determining the specifics of goals, policies and programs for full employment and balanced growth. Each year the Congress is to debate and vote on a Concurrent Resolution approving, modifying or disapproving the President's Full Employment and Balanced Growth Plan. With the help of the Joint Economic Committee, the annual Concurrent Resolution on the Budget is to deal specifically with the employment, production and purchasing power goals implicit in its recommendations concerning the levels of Federal expenditures and revenues. To assist in these efforts, a new Division of Full Employment and Balanced Growth is set up in the Congressional Budget Office.

In general, the Bill extends and amplifies the economic planning policies and machinery established by the Employment Act of 1946.

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TESTIMONY OF LEON H. KEYSERLING*
ON HUMPHREY-HAWKINS "FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1976"
EQUAL OPPORTUNITY SUBCOMMITTEE, HOUSE COMMITTEE ON EDUCATION AND LABOR
A.M., MONDAY, MARCH 15, 1976

Mr. Chairman and Members of the Subcommittee:

I deeply appreciate this opportunity to discuss H.R. 50, the Hawkins-Humphrey Bill, entitled the Full Employment and Balanced Growth Act of 1976. I appeared before you last year on an earlier and very different version of the current Bill. At that time, I dealt mostly with general principles; today I shall deal mostly with the relevant facts. I did use some similar data last year. But updating since then, and the use of a very large amount of new data, make my testimony today supplementary to, and not repetitive of, my testimony in the earlier hearing.

The Bill now before you is certainly among the two or three most important legislative proposals of an economic and social nature within the past four decades or so. I venture this judgment as one who has had the good fortune to participate in the preparation of a wide range of Congressional enactments since early 1933, and in the administration of some of these.

During these four decades, I have had long and close working relationships not only with many Democratic members of the Congress, but also with a number of Republican members, including some of their top leaders. Today, full employment, with all of its side benefits, is so vital to the well-being of all the American people that it need not be made, and I hope that it will not need to be made, a partisan issue in 1976 or in the years ahead. I believe that members of this Committee, in both Parties, will contribute very importantly to the enactment of H.R. 50, and improve it further in this process.

I must express my admiration of the ability and courage with which Congressman Augustus F. Hawkins has devoted himself, in so practical a way, to the cause of full employment. His record in other matters made this predictable. It was also to be expected that a man with the human impulses and economic discernment of Senator Hubert H. Humphrey, with whom I began to do some work as early as 1949, should also be in the forefront among the sponsors of full employment legislation. I am most grateful to these two men for enabling me to assist in some of the efforts connected with H.R. 50. And I must also express my admiration for others who have put so much effort and skill into phases of this

*Chairman, Council of Economic Advisers under President Truman. President, Conference on Economic Progress.

endeavor, notably Jerry Jasinowski of the Joint Economic Committee and Bill Higgs and John Smith
/of Congressman Hawkins' staff. Also John Barriere, associated with the Speaker, Austin Sullivan of this Committee's staff, and several of our AFL-CIO friends.

Because the original version of H.R. 50 bore so little similarity to the current Bill, and perhaps for some other reasons, the public at large has many misimpressions about the current Bill. I know that these are not shared by the members of this Committee, but I hope that my testimony will help to dispel these misimpressions wherever they may be found among others.

H.R. 50 rests firmly upon earlier national commitments

First and foremost in this connection, there is no justification whatsoever for any impression that H.R. 50 would inject the Federal Government into any strange or novel field or commitment. To the contrary, H.R. 50 restates more firmly and clearly the original intent of the Employment Act of 1946 that all adult Americans who are able and willing to work should have useful job opportunity at fair rates of compensation, and that their Federal Government, in cooperation with others, should vindicate its own proper share of the responsibility for achieving and then maintaining full employment.

Clearly, this does not import in any degree that the Federal Government should assume an undue or unprecedented portion of accomplishing the total task. There are several significant portions of the Bill which reiterate the commonly-accepted approach that responsibility for developing the preponderance of additional job opportunity rests with private enterprise, encouraged by improvements in national fiscal and monetary policies directed toward this objective;* that the States and localities should do their part in a favorable economic environment, encouraged by proper assistance from the Federal Government, including investment in the great domestic priorities, primarily with reliance upon State and local administration; and that the Federal Government should fulfill its bedrock last-resort responsibility to help provide, and even to provide directly, useful jobs for those willing and able to work but unable otherwise to obtain such jobs. This bedrock responsibility has had historic and strong recognition for more than forty years, but has usually been honored in the breach. H.R. 50 makes the responsibility explicit.

Exercise of this bedrock responsibility is vital to assure the attainment of full employment within a reasonable period of time. And another reason for this, at least for a few years ahead, is that the Federal Government now bears a large share of the financial costs of massive unemployment. Even Federal Reserve Board Chairman Arthur Burns, with whom I do not agree generally, has stated recently

*For example, note Sections 2b(2) and 201 of H.R. 50. The same approach is implicit throughout the entire Bill, and is fortified by many of its specific policies and programs.

that useful work is more desirable economically and socially than involuntary unemployment, that full employment is an essential objective of national policy, and that full employment is not attainable unless the Federal Government itself provides jobs to close the gap between full employment and those otherwise unemployed.*

Thus, H.R. 50 does not swing away from the original intent of the Employment Act of 1946, nor away from principles and objectives espoused independently of that Act by the Congress and many Presidents. But H.R. 50, benefitting by thirty years of experience, does much to eradicate or greatly reduce many difficulties and disappointments which have occurred under the 1946 Act. It is important to spell out specifically the improvements in policy making and execution which H.R. 50 would bring about.

How H.R. 50 brings essential improvements to full-employment legislation

First. H.R. 50 requires the initial development and periodic revision of fundamental and doable goals, as guides to policies implementing economic and human progress. These goals, as explicitly stated in H.R. 50, require that unemployment be reduced to not more than 3 percent as soon as possible, and not later than four years subsequent to enactment (which imports around the end of calendar 1980 at the earliest); that, thereafter, unemployment be reduced to frictional levels as soon as possible; that the full production goal be compatible with the full employment goal, allowing for productivity growth; and that the full purchasing power goal be compatible with the other two, and contributory to the equitable distribution of purchasing power.** In contrast, in practice under the 1946 Act, at least after early 1953, there was slight or insufficient attention to specific quantitative goals, and excessive stress upon mere forecasts which often projected what was going wrong instead of working to correct it. Up to now, the goal of "maximum employment" in the 1946 Act has not been clearly defined, either as to quantitative meaning or time of attainment. And as we all know, the very concept of full employment has been reduced to a mocking phrase, as we have moved further and further away from it on a long term or secular basis.

Second. H.R. 50 provides specific mechanisms for comprehensive, consistent, and prompt policies and programs to reach the goals. To date, at great

*See article by Dr. Burns in the January-February 1976 issue of Challenge magazine. and (d)

**See the new Section 3A(c) of the Employment Act of 1946, as proposed in Section 104 of H.R. 50.

cost, and considerable confusion and public disillusion, we have witnessed national policies which have been tardy, fragmentary and, at times, at cross purposes. Fiscal and monetary policies, while essential, have been erected into professed solvents of all problems, to the exclusion of due attention to other national policies of great importance. From 1933 to 1940, from within the Government, I witnessed large accomplishments, but also the handicaps imposed by uncoordinated and "spur-of-the-moment" policies and programs. During World War II, we learned about the miraculous capabilities of the American economy under a unifying purpose and program. With proper adaptation now to peacetime or relative peacetime, we should benefit by that rich and rewarding experience. This requires, inter alia, that we delineate the relationships among private investment, private consumer spending, and public outlays at all levels required for balanced growth at full resource use. This balance has been substantially neglected in national policies and programs to date. The Full Employment and Balanced Growth Plan in H.R. 50 is designed for this purpose.*

Third. H.R. 50, primarily through the Full Employment and Balanced Growth Plan, provides for the setting of short-range planning in a long-range perspective. Without looking some years ahead, we cannot act correctly today. The failure to stress long-range objectives has been the bane of national policy making to date.*

Fourth. H.R. 50 stresses policies for sustained economic growth at full resource use, instead of belated responses to cyclical developments after they occur. In actual practice under the Employment Act of 1946, and contrary to its express intent, the tendency was to pursue a defensive Maginot Line economic policy, dealing with attacks upon our prosperity after they were upon us. This made some of the policies late or futile, if not definitively wrong. H.R. 50, as I have just said, calls for short-range approaches in the context of a long-range perspective. This is really a purposeful pro-prosperity approach, rather than a mere anti-recession approach.

Fifth. Unlike the 1946 Act, H.R. 50 does not concentrate upon the value of jobs for their own sake, although that value is great. Instead, it focuses upon useful jobs, conducive to productivity growth, private incentives, and

*See the new Section 3A(a) of the Employment Act of 1946, as proposed in Section 104 of H.R. 50.

balanced growth with proper attention to specified national priority needs. These specified priorities, designed to promote balanced growth at full resource use and to serve ultimate needs, include energy, transportation, food, small business, and environmental improvement; health, education, day care, and housing; aid to State and local governments, especially for unemployment-related costs; and national defense and other needed international programs.* Although these priorities include increases in Federal Budget outlays which I shall discuss, the jobs created by these outlays would be preponderantly private and State and local. To date, the failure to budget these priorities within the context of national economic policy related to full resource use and the great priorities has caused shortages, defeated the full-resource use objective, and sorely neglected the people's needs. One vivid example of this has been "revenue sharing without strings."

Sixth. H.R. 50 specifies general principles for improvements in fiscal and monetary policies. It recognizes, for the first time, that it is not the primary function of Federal spending to be increased or reduced for stabilization purposes. It is the primary function of Federal spending to allocate resources to meet economic and human needs which cannot otherwise be served. It is the function of equitable variations in Federal tax policy to stimulate the economy when it is excessively slack, and to restrain it when total demand exceeds our output capabilities at full resource use. We have, thus far, suffered from considerable confusion about the respective purposes and proper uses of Federal spending and tax policies. H.R. 50 also provides for improvements in the use of monetary policy, which I shall discuss later on in my testimony.**

Seventh. H.R. 50, while contemplating primary reliance upon fiscal and monetary policies, for the first time requires adequate use of specified microcosmic policies and programs, to meet vital needs which cannot be dealt with satisfactorily through use of the more aggregative or generalized approaches. These include youth employment programs, programs to help chronically distressed areas through regional and structural approaches, counter-cyclical employment programs, programs in and of States and localities, income maintenance policies, and, as a last resort, use of an Employment Service and a Full Employment Office. Preoccupation to date with macrocosmic approaches has interfered gravely with achievement and maintenance of full resource use.***

Eighth. H.R. 50 corrects a grave mistake of the Employment Act of 1946, which left too much of the task to the unlimited discretion of the President

*See the new Section 3A(e) of the Employment Act of 1946, as provided by Section 104 of H.R. 50.

**See the new Section 3B of the Employment Act of 1946, as provided by Section 106 of H.R. 50.

***See Sections 201-207 of H.R. 50.

and his Economic Advisers. Nor did that Act sufficiently define the role of the Congress, a defect remedied only in a limited field by the Congressional Budget and Impoundment Control Act of 1974. Now, H.R. 50 remedies these defects, primarily through specifying the content of the Full Employment And Balanced Growth Plan to be submitted to the Congress by the President, and through detailed specifications for Congressional processing of this Plan. In addition, H.R. 50 provides fully for participation in the planning process by other Federal, State and local officials, and by representatives of private groups.*

Ninth. H.R. 50 provides for enforcement of anti-discrimination policies, and for application of appropriate labor standards on work financed in whole or in part with funds made available under the Act.**

Despite all of these necessary and explicit mandates, H.R. 50, like the 1974 Budget Act just referred to, does not spell out the details or costs of the policies and programs essential to combine full resource use with meeting priority needs. Instead, it combines Congressional determination of basic objectives and values with a more orderly utilization of Executive and legislative functions to achieve these objectives/ ^{over the years.} Thus, questions as to what H.R. 50 would cost, if enacted, are premature and mistake its central purpose. Nonetheless, I shall discuss considerably the issue of costs as my testimony proceeds.

By what year should we achieve full employment?

I do feel bound to say something about the H.R. 50 goal of reaching 3 percent unemployment by around the end of calendar 1980. This is an admirable and entirely feasible objective, which I heartily support. Indeed, some of my own studies and projections, before this goal was set, were based upon reducing unemployment to 3 percent by the end of calendar 1978. Within reason, we can reduce unemployment and its terrible results at whatever speed we determine to be in accord with our national values, and responsive to careful measurement of the relative benefits and costs of so doing.

We reduced unemployment from 17 percent in 1939 to about 1 percent in 1944, with great short-term and long-term benefits on all scores. And in technological and managerial capabilities, it was harder to do this under conditions of total war, when we were burning up almost half of our G.N.P. in destructive combat, and when about 15 million potential productive workers were drawn into the armed forces, than under current conditions of relative peace, when we face the far

*See the new Section 3A of the Employment Act of 1946, as provided by Section 104 of H.R. 50; the new Section 6 of the Employment Act of 1946, as provided by Section 109 of H.R. 50; and Sections 301-306 of H.R. 50.

**See Sections 401 and 402 of H.R. 50.

more constructive and heartening challenge of converting our vast unused resources into useful goods and services for the benefit of our people.

On this issue, I seriously question some of the studies which have emerged from the Congressional Budget Office. These studies conclude that we should not aim to do better than a real rate of economic growth which would leave us with intolerably high levels of unemployment as late as 1979 and 1980. In my view, these C.B.O. studies are erroneous in their economic analysis to the effect that so slow a reduction in unemployment is ordained by immutable factors. They are unmindful of the likelihood that such a course would, perhaps long before 1979, bring on another period of economic stagnation followed by recession. They are not sufficiently responsive to human values. They exaggerate the real costs of reducing unemployment more rapidly, and ignore the overwhelming benefits.

These C.B.O. studies indicate that they have arrived at such unacceptable results by constructing "models" and feeding materials into computers. But the results yielded by these methods are merely mechanical responses to the assumptions and analyses which human economists build into the "models" and feed into the computers. Insofar as the economists are wrong, the machines cannot set things right. Let us not unduly worship the sacred cow of models and computers; I would far rather trust the common sense and value judgments of the Congress itself.

On February 2, 1976, an article in Business Week cited the views of some of the most distinguished American economists, including several former Chairmen and members of the Council of Economic Advisers, urging a real rate of economic growth and real expansion of G.N.P. as high as that required to reach the goal of full employment by the end of calendar 1978.

Nonetheless, I recognize that this issue should be resolved by the Congress, as a value judgment at the highest level of public responsibility. The goal of 3 percent unemployment by not later than the end of calendar 1980, as implied in H.R. 50 in its current form, comports with an average annual rate of real economic growth of 7.9 percent during 1975-1980. However, H.R. 50 does contemplate that efforts will be made to reach the 3 percent goal earlier than the end of 1980, i.e. "as promptly as possible."*

*See new Section 3A(d) of Employment Act of 1946, as provided by Section 104 of H.R. 50.

H.R. 50 provides for major reliance upon expansion
of private production and employment

I now turn again to discussion of some of the common misimpressions about H.R. 50. Earlier in my testimony, I pointed out that, ^{contrary to such misimpressions,} the Bill is aimed toward optimum expansion of private job opportunity, traditional reliance upon State and local action, and only to the degree necessary upon Federal action. This contemplated Federal action, in turn, divides into three parts, stated in the order of their importance: First, improved use of macrocosmic fiscal and monetary policy to promote more favorable performance by private enterprise and by the States and localities; second, use of microcosmic Federal policies, directed mainly toward the same objectives; and third, Federal investment. Moreover, this Federal investment would be predominantly in the traditional types of national priority programs--energy, resources, health, education, etc.--and such Federal investment would involve, with rare exceptions, use of instrumentalities of execution or administration at levels other than the Federal Government itself. Only as a supplementary or last resort, for reasons already stated, would the Federal Government develop reservoirs of useful work projects. These projects would serve to provide useful jobs to those among the adult unemployed who are willing and able to work, but who remain unemployed despite the wide range of efforts under other portions of the Act.

or last resort

This vital reservoir/provision of the Bill has also been the subject of considerable misinformation among the general public, some of it deliberately fomented by opponents of full employment legislation, but most of it understandable. The Bill contains no purpose, and would have no result, to the effect that most of the jobs activated under its provisions be last resort projects under Federal aegis. Instead of arguing this point on theoretical or abstract grounds, I now turn to the results of my own studies, running back many years, but intensified during the past year or so by my work on the current proposal. I must state, most emphatically, that my studies are not forecasts of what would happen under the legislation which would be determined by the President and the Congress. Rather, my studies are merely broad indications of the uppermost bounds of what would be likely if unemployment were reduced to 3 percent by the end of calendar 1978. Under H.R. 50, designed to reach that goal by the end of calendar 1980 at the latest, the magnitudes of

job increases by 1978 would be lower than under my projections, but the distribution or composition of these increases would be very similar.

Trends in composition of jobs, if 3 percent unemployment is reached by end of calendar 1980

In 1975, looking at total nonagricultural civilian employment of 81.4 million, there were 69.5 million privately employed, 9.9 million in State and local jobs, and 2.0 million in Federal jobs.

In accord with the goal of 3 percent unemployment by the end of calendar 1978, I project a total of 90.7 million nonagricultural civilian jobs in 1978 as a whole, with 76.3 million private jobs, 12.1 million State and local, and 2.3 million Federal. For 1980 as a whole, I project a total of 94.5 million, with 78.9 million private, 13.1 million State and local, and 2.5 million Federal. Thus, from 1975 to 1978, the total increase would be 9.3 million, with 6.8 million additional private jobs, 2.2 million State and local, and 0.3 million Federal. From 1975 to 1980, the total job increase would be 13.1 million, with 9.4 million private, 3.2 million State and local, and 0.5 million Federal.

In 1975, 85.4 percent of the jobs were private, 12.2 percent State and local, and 2.5 percent Federal.* In 1978, under my projections, 84.1 percent would be private, 13.4 percent State and local, and 2.5 percent Federal. In 1980, there would be 83.5 percent private, 13.9 percent State and local, and 2.6 percent Federal.** Even most of the needed increases in Federal Budget outlays, which I shall discuss, would be used in private and State and local jobs.

Naturally, these projections increase total jobs more than if there were no effective full employment policy. But due to trends in technology, the shift toward service jobs, and the recognition of changing patterns of needs, the trend toward a higher ratio of public to private jobs has been in process for a long time, and would continue in future years even without H.R. 50. But with H.R. 50 enacted, the total job increase would be much greater.

Further, the increase in public jobs would not relate mainly to the last-resort recourse to the reservoirs of useful works projects initiated and sponsored by the Federal Government. These reservoir jobs would be phased in with other aspects of the total job effort directed toward 3 percent unemployment by the target period. Also, there are specific criteria in H.R. 50 to assure that these/reservoir job opportunities will be focused upon those in greatest relative need.***

*Comes to 101 percent, due to rounding.

**See my Chart 1, appended to my testimony.

***See Section 206(e)(3) and (4) of H.R. 50.

I estimate, at the peak, not more than somewhere in the neighborhood of one million reservoir jobs, at a cost of about 8.5 billion dollars gross annual cost, reduced to about 5 billion by lowered costs for unemployment insurance and other payments to the unemployed. More important, the increased national product, resulting from one million such jobs, would yield increased Federal tax revenues much larger than the 5 billion dollar figure I have just cited. Later in my testimony, I shall say much more about the total costs of H.R. 50.

H.R. 50 would not draw excessive numbers into the civilian labor force

Another possible misimpression about H.R. 50 is that it would draw an excessive number of people into the civilian labor force, and thus impose excessive tasks and costs upon the Federal Government in the exercise of its direct job responsibilities under the legislation, very limited though these are. This position is grossly in error, for a number of sound reasons.

In the first place, it is my own view, which I hope others share, that we should get over the idea that increases in useful work are something to be feared. Wealth and progress are based upon work, not upon idleness. The more useful work we have, the larger will be the per capita output of goods and services related to the total population, and the faster will be the advance in our levels and standards of living, certainly a consummation devoutly to be sought.

In the second place, we should all abandon the idea, so hostile to our cherished conceptions of individual freedom and initiative, that those able and willing to work should be denied the choice to work, if that is their desire. And the legislation would do no more than give them this choice. There is nothing in the current proposal which smacks of involuntary servitude, compulsory work, or even pressure upon people to work who would rather not, and who can afford not to. All that H.R. 50 would avoid is involuntary idleness,
would
and the social and civil gains of this avoidance/exceed even its economic and financial benefits. When unemployment has been so massive for so long, and when the tasks of reaching even reasonably full employment remains so difficult, it seems to me entirely unwarranted to fear that "too many" people may be working too soon under foreseeable conditions.

The role of women in the civilian labor force

The concern that H.R. 50 might draw too many people into the search for work and into jobs is at times expressed with respect to women. Thus I deem

it essential to set forth some relevant facts on this subject. In 1975, the unemployment rate was 9.3 percent for women aged 16 and over, and 7.9 percent for men aged 16 and over. Of the 36.5 million women in the labor force as of March 1975, 42.2 percent were single, widowed, divorced, or separated, and these manifestly needed jobs to support themselves. Of the 21 million women in the civilian labor force who had husbands present, about 50 percent had husbands with incomes within \$7,000, and about 16 percent had husbands with incomes under \$5,000. All in all, about 70 percent of all women wage earners worked out of compelling economic necessity, and a very large portion of these lived in families with low income or even in poverty. Full employment would remedy much of the poverty and low income, and would also reduce the conditions which force so many mothers to work instead of staying home with their children.

As of March 1975, of the 28 million women in the labor force who were married at one time or another, more than half had children under 18 years of age, and their labor force participation rate was 47.4 percent, compared with 40 percent for the women married at one time or another without children under 18. In many cases, without gainsaying the right of women to jobs if they are able and willing, the economic necessity among millions of mothers to work in order to have income has grave social consequences for millions of young children. And this problem is compounded by the vast quantitative and qualitative deficiencies in day care. I firmly believe that creation and maintenance of a full employment environment would enable millions of mothers to make a less forced decision whether to stay home with their young children or to seek useful employment.

This last comment does not apply to female-headed families. The percentage of female-headed families living in poverty was 36.8 percent in 1974, and this poverty was due to lack of employment opportunity for women or inadequate pay when employed, and both of these conditions would be greatly ameliorated if not removed in a sustained full employment environment.*

Factual basis for H.R. 50: the secular rise in unemployment

I come now to the reasons why it is now an imperative and immediate necessity that the Congress enact thoroughly effective and comprehensive full-employment legislation. These reasons do not reside mainly in short-term developments, which tend to distract us from more fundamental analysis. They reside mainly in long-term or chronic problems of immense magnitude and difficulty.

We have not had full employment since early 1953, when unemployment was

*H.R. 50 also contemplates adequate income supports for those--men and women--who for one reason or another cannot work, or prefer for valid reasons not to work. See Section 207 of H.R. 50.

about 3.0 percent. Secularly, with some cyclical trends downward, unemployment has risen greatly from 1953 until now. In 1975 as a whole, full-time unemployment was 8.5 percent, and the true level was 11.4 percent, or 10.6 million.* Allowing for the rotation of unemployment among different individuals within a year, and for their dependents, 60-70 million Americans in 1975 alone were hit by unemployment, with its income loss, anxiety, social and civil aggravations, and even humiliating sense of rejection by the civilization in which they live.

The reduction of unemployment in early 1976 was welcome and long overdue. Nonetheless, short of prompt and drastic changes in national economic policies, the ghastly prospect, underscored by most of the informed analyses, is this: At the peak of the weak and uncertain current "recovery," unemployment would remain far higher than at the peak of any of the four previous "recoveries" since 1953. The long-term/trend of unemployment would continue seriously upward, and this in fact has been the case after most of the four previous "recoveries" since 1953. We are not out of the tunnel; we do not yet even have the vehicles needed to get out.

Massive unemployment hurts almost everyone, not just the unemployed

Nor is unemployment hurtful to the unemployed alone. During 1953-1975 as a whole, we forfeited more than 3.3 trillion 1975 dollars worth of total national production, measured against our full employment and full production capabilities, even when conservatively estimated. We suffered 61 million man- and women-years of excessive unemployment. An average of \$29,470 (in 1975 dollars) was forfeited in family income.** And if we do not do better during the years ahead, and we will not without prompt and drastic national policy changes, I estimate conservatively that, during 1976-1980 inclusive, we will forfeit another 1.1 trillion 1975 dollars worth of total national production, almost 17 million man- and woman-years of employment opportunity, and \$8,330 of income in 1975 dollars per family.***

There are other ways of demonstrating that the true costs of unemployment cannot be measured by looking only at the unemployment data. Massive and secularly rising unemployment, apart from the other evil consequences already detailed, is an index of overall economic trends which hurt employed workers by reducing productivity and restraining real wage increases. To illustrate, measured in uniform dollars, the real spendable weekly earnings of production workers on private nonagricultural payrolls was lower during the first ten

*See my Chart 2.

**See my Charts 3 and 4, which indicate the forfeitures in several important sectors of the economy.

***See my Charts 4 and 5. The ratio of unemployment to real G.N.P. loss would be less than in the past, due to changes in technology, productivity, and real wages per employed worker. But by the same token, every new job henceforth adds more to real G.N.P. than in the past.

months of 1975 than in 1965. During 1953-1975, wage and salaries were almost 1.9 trillion 1975 dollars lower than if a full economy had been maintained throughout, and private business investment opportunity was deficient by more than 911 billion 1975 dollars.*

Still another evil of the inadequate economic performance has been the forfeiture of public revenues, which has caused sorely deficient public outlays for many of the great priority programs assisted by public spending. I estimate that public outlays at all levels would have been about 920 billion 1975 dollars higher during 1953-1975 if we had enjoyed full employment and full production throughout,* and allocated a sufficient portion of the enlarged G.N.P. to these great priorities. Moreover, this allocation was essential to the maintenance of a full economy, and would have been "paid for," revenue wise, out of the increased product.

Social evils of massive unemployment: poverty

Massive unemployment also aggravates greatly the extent of poverty in general. In this connection, the total "benefits paid" cost of unemployment insurance compensation in 1975 was 15.6 billion dollars, or much less than half of what the unemployed would have received if, up to the full employment level, they had enjoyed full-time jobs. Unemployment insurance instead of jobs means poverty for millions. Responsive to periods of relative good average economic performance, the proportion of American individuals living in poverty declined from 22.4 percent in 1959 to 12.1 percent in 1969. In later years, with a much worse economic performance and much more unemployment, the progress against poverty virtually ground to a halt, and 11.6 percent of all American individuals lived in poverty in 1974. Later comprehensive data are not yet available, but it is clear that the poverty situation has worsened during the most recent years of much higher unemployment. Referring again to the years 1959, 1969, and 1974, the percentage of children living in poverty declined from 26.9 percent to 13.8 percent, and then rose to 15.5 percent. The percentage of nonwhites living in poverty declined from 56.2 percent to 31.0 percent, and then stood at 29.5 percent. The percentage of female-headed families in poverty declined from 49.4 percent to 39.2 percent, and then stood at 36.8 percent.

In 1974, there were 5.1 million heads of poor families. Only 1.2 million of these had full-year jobs, and some of these were part-time jobs. Only 1.5 million had part-year jobs, and some of these were part-time jobs. And 2.4 million, or almost half, were without jobs. In short, unemployment, part-time work, and low pay on the job due substantially to massive unemployment and poor economic performance generally, were by far the main explanation of poverty among these 5.1 million poor families.

Other evils of uneven distribution of unemployment: social aberrations

Poverty is not the only social evil of massive and secularly rising unemployment. Another exacerbating social evil is the uneven distribution of unemployment. In 1975, the "official" unemployment rate was 8.5 percent. It was 6.7

*See my Chart 4.

percent for men aged 20 and over, 8.0 percent for women aged 20 and over (including many heads of families), 7.8 percent for whites aged 16 and over, 13.9 percent for nonwhites aged 16 and over, 19.9 percent for teenagers 16-19 years of age, 17.9 percent for white teenagers, and 36.8 percent for nonwhite teenagers. And all of these counts are probably below reality.

The higher rates of unemployment among teenagers, and the number of them living in poverty, is closely associated with crime, juvenile delinquency, and other social aberrations. In 1972, among suspected offenders with regard to violent crimes, the urban arrest rate per 100,000 population was 270.4 for all ages. It was 163.2 for those aged 25 and over, contrasted with 197.5 for those aged 10-14, and 600.6 for those aged 15-17. It was 631.7 for those aged 18-24, among whom also the unemployment rate is higher than among those aged 25 and over.

Unemployment breeds slum conditions

Still another social--and economic--evil resulting from massive and secularly rising unemployment has been the devastating effect upon home construction, which in January 1976 was running at an annual rate of less than 1.4 million starts, compared with a needed annual rate of about 2.5 million, and during the past few years has hardly better than two-thirds achieved/ of the needed rate.* Recently the unemployment rate in housing construction has been about 40 percent, and in housing and related commercial construction above 20 percent. In consequence of this, and in consequence of the depressive income impact of extraordinarily high unemployment generally, almost no housing is being built for low- and lower-middle-income families, and very little for middle-income families. Slums and other substandard housing, reduced sizably during years of reasonably good economic performance, are now on the increase, and contributing to urban deterioration and increasing urban public costs. The slums--urban and rural--spawn increases in crime, juvenile delinquency, and fire dangers and ravages. Slum-living blights family life, perhaps as much as any other social evil which is economic in its roots.**

The magnitudes of the tasks ahead

To develop practical policies for full employment and full production, we must first of all quantify the size of the task, translate this into coherent goals, and develop policies and programs accordingly. This is the essence of

*See my Chart 6. Starts in 1975 were slightly above 1.2 million.
**See my Chart 7.

the short-range and long-range planning process which H.R. 50 substitutes for and lack of goals the random improvization/which have cost us so dearly. The estimates which I have developed and now set forth are, as I have already stated, related to reaching full employment and full production by the end of 1978, or about three years from now. I believe this to be a highly desirable and practical goal. But H.R. 50 in its present form is designed to reach these goals by four years from enactment, which would be around the end of 1980 at the earliest. The Bill is therefore conservative in this respect, which may be desirable, and would substantially reduce the 1978 targets which I now set forth. Nonetheless, the projections which I now make are highly relevant, especially because my 1980 targets are the same as those which would be requisite under H.R. 50 and the time-table therein.

To reach the 3 percent unemployment goal by the end of 1978, civilian employment would need to rise 11.1 percent or 9.4 million from 1975 as a whole to 1978 as a whole. This would reduce full-time unemployment from 8.5 percent or 7.9 million in 1975 as a whole to 3.0 percent or 2.9 million by the end of 1978. Total national production, measured in 1975 dollars, would need to rise 31.5 percent, or 464 billion 1975 dollars, from 1975 as a whole to 1978 as a whole. Looking at the main components of the economy, consumer spending would need to rise 212 billion 1975 dollars or 22.2 percent, gross private domestic investment including net foreign would need to rise 137 billion or 77.0 percent, which again indicates the high degree of reliance upon private economic activity, and Government outlays for goods and services at all levels would need to rise 115 billion or 33.8 percent. I will say more later on about the implications of this for the Federal Budget.*

The goal of reaching full employment and full production by the end of 1978 would require an average annual rate of real economic growth rate of 9.5 percent during 1975-1978.** Considering how low we are now, and that we averaged annually a real economic growth rate of about 9 percent during World War II although 15 or more millions of our potential workers were drawn into the Armed Forces, this rate of real average economic growth is practical and obtainable / again, in terms of our productivity and labor force growth potentials, if we are sufficiently determined about the reduction of unemployment and the eradication of its tremendous costs.*** But under the provisions of H.R. 50,

*See my Chart 8, and also my Chart 9 which sets goals for 1980 as a whole, designed to maintain a full economy during 1978-1980.

**See my Chart 2.

***See, in this connection, my memorandum of January 26, 1976, appended to this testimony. See also my Chart 8, showing the targeted annual growth rate in employment during 1975-1978, and my Chart 10, showing an annual growth rate in productivity of 5.5 percent from first quarter to fourth quarter 1975, a period during which G.N.P. was growing at a real annual rate of 6.8 percent, and should have been induced to grow much faster.

achieving a full economy by the end of 1980 would require a real average annual growth rate of about 7.9 percent during 1975-1980, which is feasible in view of the potential growth rate in productivity and the targeted growth rate in employment.* I should add that, if we reach a full economy by the end of 1978, the real average annual growth rate required to maintain a full economy from 1978 through 1980 would be only 5.4 percent, which would be in line with the growth rate in productivity under the stimulus of optimum economic conditions and the expected growth rate in the civilian labor force under such conditions.*

The essential role of the Federal Budget

I come now to the essential role of the Federal Budget in helping to achieve the goal of a full economy by the end of 1978. Obviously, the quantifications which I set forth would be reduced very considerably under the terms of H.R. 50, which might defer attainment of this goal until the end of 1980. Thus, I offer my own projections of a model Federal Budget only to provide perspectives as to the limits of Federal Budget increases, even assuming the end-of-1978 target.

My own quantifications, reconciled with those I have offered for the growth in G.N.P. and its main components, are as follows: Measured in fiscal 1977 dollars and compared with the President's Budget for that year of 394.2 billion dollars, Federal outlays should be 432.2 billion for fiscal 1977, and 505.3 billion for calendar 1980. But the composition of the Federal Budget is as important as its total size, both from the viewpoint of stimulating employment and production, and from the viewpoint of the great priorities of those of our domestic and international needs which necessarily depend upon help from the Federal Budget. Accordingly, my model Federal Budget sets goals for the Federal role in practically the same great domestic priorities which are dealt with under the Full Employment and Balanced Growth Plan required by H.R. 50.**

The stress upon priorities in H.R. 50 makes it crystal clear that there is no intent to create jobs for their own sake, but instead to unite employment opportunity with the types of output which will contribute most to balanced economic growth and the pressing needs of the economy and the people. In this connection, I again stress that most of these Federal outlays on the domestic priority side would not involve Federal employment, but rather aid to the

*See my Charts 9 and 10.

**See my Chart 11. Note, however, my Chart 12, based upon adjusting the Federal Budget to the goal of full employment by the end of 1980.

States and localities, transfer payments, and above all lines of activity which involve private employment or have a very high "multiplier" affect upon private production and employment. As I have stated above, the item in my model Federal Budget for reservoir or last resort projects would be only about 8.5 billion dollars annually at their peak, reduced to about 5 billion net, after allowance for reduced unemployment insurance payments and other payments to the unemployed. This is consistent with my earlier portrayal of the trends in the distribution of total employment as we move toward full employment, and reinforces my finding that the preponderance of the increases in jobs would be in the private sector, with much smaller increases in the State and local sector, and with very small increases in the Federal sector.*

The estimated costs of H.R. 50

The increases in Federal Budget outlays, estimated by me as needed to help reach full employment by the end of calendar 1980, lead directly into the question of the costs of H.R. 50.** But it is dangerously superficial to attempt to measure real costs by trends in Federal spending alone. Account must be taken of the beneficial effects of this increased Federal spending, in terms of increased total national production of goods and services, enlarged employment opportunity, improved priority attention to human needs, great reductions in the nonproductive Federal costs of Federal assistance to the unemployed, increased Federal tax revenues, and most important of all the beneficial effects upon the lives and living conditions of people. Only by factoring in these elements can the true costs of H.R. 50 be viewed in a sensible light.

As I pointed out earlier, the deficiency in total national production during 1953-1975 was more than 3.3 trillion 1975 dollars.*** One of the reasons for this was the inadequate and misdirected Federal Budget. The so-called "savings" achieved by this inadequate and misdirected Budget were very small, compared with the immense forfeitures in total national production which they helped to bring about, and the immense Federal deficits caused by these forfeitures. Similarly, the increased Federal Budget outlays or "increased" costs which would be entailed under H.R. 50 to help achieve and then maintain a full economy must be measured against the higher G.N.P. which would result from this

*See my Chart 1.

**The absolute increases in Federal outlays, estimated to help reach full employment by the end of calendar 1980, are shown on my Chart 12 in fiscal 1977 dollars. These differ from my estimates on some of my other charts, related to reaching full employment by the end of calendar 1978.

***See my Chart 3.

process.

My projected Federal Budget, designed to ^{help} achieve full employment by the end of calendar 1980, includes Federal Budget outlays for the four fiscal years 1977 through 1980 coming to 172.1 billion dollars more fiscal 1977 dollars than would result from the projections through fiscal 1980 of the President's fiscal 1977 Budget at the same rate of annual real growth in (4.3 percent) the Budget/as occurred during fiscal 1974-1977--a Budget policy which already has done the immense damage to the economy already depicted, and which would do much more if allowed to persist. Superficially, the 172.1 billion dollars cited above might be regarded as the "cost" of H.R. 50 during the four fiscal years 1977-1980, if the goal were to achieve full employment by the end of calendar 1980, and any inadequacy in my projections does not militate against their general usefulness. Of course, in addition to the use of the Federal Budget, there are many other policies in H.R. 50 to reach the full-employment goal, and these would impose no costs upon the Federal Budget. Some of these policies, such as lower interest rates, would reduce costs in the Federal Budget.*

But this superficial estimate of "costs" needs to be corrected by taking account of the increased total national production which would result from using the Federal Budget, and other policies under H.R. 50 which would not involve Federal spending, to achieve the full employment objective. During the four calendar years 1977 through 1980, total national production, measured in fiscal 1977 dollars, would be 897.0 billion dollars higher during this period as a whole than it would be on the assumption of real G.N.P. growth responsive to the continuation of current national policies and programs. This estimate is also based upon reaching full employment--3 percent unemployment~~s~~ by the end of calendar 1980, and therefore differs slightly from ^{my} estimates related to reaching full employment by the end of calendar 1978.

To come to the crux of the matter: The 897.0 billion dollar higher real increase in G.N.P. during the four-year period would be more than five times the higher "costs" in the Federal Budget needed to help achieve the higher real increase in G.N.P. In fact, it is realistic

*See my Charts 19 and 21.

to say that the real cost of H.R. 50 would be minus 897.0 billion dollars, as these benefits are a plus factor, not a "cost." Even if we subtract from this figure the 172.1 billion dollar higher outlays in the Federal Budget required to help reduce unemployment to 3 percent by the end of calendar 1980, the real cost of H.R. 50 would be minus 724.9 billion dollars. Besides, this subtraction is erroneous, because the higher increase in G.N.P. would yield the Federal Government about 174.9 billion dollars in Federal revenues, or more than the increased spending of 172.1 billion, and also because the 172.1 billion is not a real cost but rather a transfer payment.*

(Page 18 next)

*See my Chart 12.

Genuine economy in the Federal Government

Further, as H.R. 50 explicitly contemplates and call for, large genuine economies in the Federal Budget would result from careful and continuous planning process which would greatly reduce ineffectual programs, duplication, and cross-purposes. Measuring outlays against results is a core element in genuine economy, in public affairs no less than in private business.*

H.R. 50 would reduce the ratio of Federal Budget outlays to G.N.P.

Turning to more conventional analysis of trends in the Federal Budget, the model Budget which I have set forth would reduce the strain upon the Federal Budget, by reducing its ratio to properly expanding total national production. Looking at the President's Budget for fiscal 1977, it is estimated that Budget outlays would be 21.46 percent of the total national production which would result from the President's Budget and other national economic policies now in being, including the monetary policy of the Federal Reserve. Under the ^{Budget and other} goals which I have set forth related to the achievement of full employment and full production by the end of calendar 1978, the ratio of total Federal Budget outlays to G.N.P. would rise to only 21.64 percent in fiscal 1977, and would be reduced to 20.75 percent in calendar 1980.**

Actually, we have been focusing excessively upon the absolute trends in the Federal Budget, instead of examining realistically the trends in the ratio of Federal Budget outlays to G.N.P. over the decades. In fiscal 1945, this ratio was 43.9 percent. In fiscal 1953, it was reduced to 21.2 percent, and by 1965 to 18.0 percent. Only once from 1966 through 1974 did the ratio rise above 21 percent, and in three years it was below 20 percent. The increased ratio during fiscal 1976 (estimated) was not due to incontinent public spending, but rather to the sorely deficient state of G.N.P. and employment opportunity. But even in fiscal 1976, the ratio is only 23.5 percent and, as stated above, is estimated at 21.5 percent in fiscal 1977 on the assumption of the President's Budget and other current national economic policies.***

H.R. 50 would reduce the national debt in ratio to G.N.P.

The same considerations apply to the ratio of the gross Federal public debt to G.N.P. This ratio dropped from 110.0 percent in fiscal 1945 to 61.9

**See Section 105 of H.R. 50.

**See my Chart 11.

***See my Chart 13. Figure of 21.5 percent in fiscal 1976 due to rounding. Actual estimate 21.46 percent, as shown on my Chart 11.

and 39.8 percent in fiscal 1965. percent in fiscal 1953, / It dropped further, in every year except two, to 25.5 percent in fiscal 1974. Under adverse general economic conditions, it rose to 27.6 percent in fiscal 1975 and 30.4 percent (estimated) in fiscal 1976, and would be 30.4 percent in fiscal 1977 under the assumptions of the President's Budget and other current economic national policies. Under my projections related to the achievement of a full economy by the end of calendar 1978, the ratio of the gross Federal public debt to G.N.P. would be 27.5 percent in fiscal 1977, and would decline year-by-year to 23.2 percent in fiscal 1980.*

H.R. 50 would reduce the Federal deficit and then bring about a Budget surplus

The alarming growth in the deficits in the Federal Budget have not risen from excessive public spending nor from excessive tax reductions, but rather because of the growing deficiencies in total national production and employment opportunity, aggravated in large part by a wrongfully constructed Federal Budget. During the calendar years 1947-1953, the record of economic performance and employment opportunity were generally very good, and the average annual deficiency in G.N.P. was only 0.5 billion 1975 dollars. Under these conditions, there was an average annual surplus of 1.3 billion dollars in the Federal Budget during the fiscal years 1948-1954, although the costs of the Korean war were higher in ratio to G.N.P. than during the Vietnam war. Thereafter, the Federal deficit grew and grew, as we fell further and further behind full employment and full production in secular terms, with some cyclical reductions in unemployment and in the production gap. During the calendar years 1971-1975, the average annual deficiency in G.N.P. in 1975 dollars averaged more than 326 billion. These deficiencies are based upon projections from 1946, comparing the actual real economic growth rate with a real growth rate in accord with our capabilities and needs. Meanwhile, during the fiscal years 1972-1976, the average annual deficit in the Federal Budget rose to 32.1 billion dollars.**

I am also providing in detail in current dollars the actual figures on Federal Budget receipts and expenditures from fiscal 1971 through fiscal 1977 (estimated) under the President's program and other current national economic policies. These trends involved an average annual deficit of 32.4 billion dollars in the Federal Budget, because the blood of adequate Federal revenues

*See my Chart 13.

**See my Chart 14. My Chart 15 is also revealing in this connection, comparing as it does the economic performance and Federal Budget record during 1947-1953 with that during 1969-1975.

cannot be squeezed from the turnip of a deficiently performing economy, with excessive and secularly rising unemployment. The Budget deficit is / at 76.0 billion in fiscal 1976. The President now estimates it at 43 billion in fiscal 1977, or about the same as in fiscal 1975. In contrast, under the model Federal Budget and other restorative measures which I propose, substantially in accord with reaching a full economy by the end of 1978, the Federal Budget deficit in fiscal 1977 would be 43 billion dollars, the same as the President estimates for that year. But the Budget deficit would decline year by year through fiscal 1979, and in fiscal 1979 the deficit would be only 0.8 billion. There would be a surplus estimated at 10.2 billion in fiscal 1980, and 13.9 billion in calendar 1980. Under my projections, the average annual Budget deficit during the fiscal years 1977-1980 would be only 10.5 billion, or less than one-third the actual average during 1971-1977.*

I do propose large increases in Federal Budget outlays. But these increases should be viewed in the light of large increases in real G.N.P., increasing the per capita demands upon the Budget, and increasing the capacity of the Budget to serve these needs.

It is true that, measured on a per capita basis related to the total population, the Federal Budget has risen over the years. Measured in 1975 dollars, the per capita figure rose from \$911.10 in fiscal 1954 to \$1,623.60 in fiscal 1976. The figure for national security and international, including space and technology, declined from \$622.18 to \$480.00, while the figure for all domestic programs rose from \$288.92 to \$1,143.60. ^{as} But/I have already demonstrated, the trends in Federal Budget outlays in ratio to G.N.P. were reasonably constant over these years.**

Public outlays, in proper amounts, are just as important as private outlays

I have already demonstrated in detail that enactment of H.R. 50 would maintain our traditional and wholesome balance among the activities of private enterprise, the States and localities, and the Federal Government, including the distribution of employment opportunity. But we should abandon, once for all, the indefensible notion that Federal public outlays are undesirable per se, when compared with private outlays.

Federal outlays for health facilities and services and for environmental improvement are not less desirable than private outlays for the manufacture or purchase of cigarettes. Federal public outlays in aid of education

*See my Chart 16.

**See my Chart 17. Federal Budget per capita outlays, total and component, are shown on my Chart 11 in fiscal 1977 dollars, for fiscal 1977 under the President's Budget, and for fiscal 1977 and calendar 1980 under my model Federal Budget.

and housing are not less desirable than private outlays to build more luxurious hotels in the Caribbean, or more gambling joints in Las Vegas. Federal public outlays in aid of the modernization of mass transportation are not less desirable than private outlays to increase excessively the production of automobiles. Federal public outlays in aid of expansion of energy and food supply are not less desirable than vastly increased private outlays for the types of production which pour out more and more glittering and expendable gadgets. Furthermore, these types of public outlays do more than most of the cited private outlays to underpin and expand private investment, production, and jobs.

Final comments on the subject of costs

In summary of this phase of my discussion, if we measure costs solely by the number of dollars spent, or only by the number of Federal Budget dollars spent, we arrive at manifestly ridiculous results. It costs several times as much in dollars spent to employ an individual at useful work as to pay an individual unemployment compensation or welfare. It costs twice as much in dollars spent to build the 2.5 million homes a year we need, on both economic and social grounds, than to build the less than half this amount which we built in 1975. It costs more in dollars spent to do anything useful than not to do it. It would cost 300-350 billion dollars more in dollars spent to have a fully productive economy now, than to suffer now what is happening to us. The almost 1.6 trillion dollar economy of fourth-quarter 1975 cost about twice as much in dollars spent as when we had an 800 billion dollar economy in 1952 measured in fourth-quarter 1974 dollars. But allowing for growth in population, we now have greatly higher standards of living and useful public services than we had at that earlier time.

To put this in another way, if we are going to talk about dollar costs or dollars spent, we must evaluate what the spending yields. We must look at the costs of the tremendous deficiencies in production and employment opportunity which we have experienced in years gone by, and are experiencing today, just because inadequate and misdirected spending did not mobilize our full capabilities nor use wisely what we actually produced. We must look at the tremendous increases in production and employment opportunity which would result in future restoration and maintenance of a full economy, and determine how much spending-- and of what types--this requires. We must be neither profligate spenders nor penny wise and pound foolish.

The Hawkins-Humphrey proposal, as I have said, does not bind the President

nor the Congress to the policies or programs which I advocate, budgetary or otherwise. I have offered my specific quantifications only to indicate the benefits of utilizing the Federal Budget as a major weapon in achieving and then maintaining full employment and full production, with due regard for the great priority needs of the economy and the people. And all of my analysis and charts related to the Federal Budget demonstrate the reasonable nature of the costs to the Federal Government which would be involved in the attainment of these objectives.

However, I reiterate that H.R. 50 does not commit the Government to my model Budget, nor to any specific Budget. The underlying philosophy of the Full Employment and Balanced Growth Plan in H.R. 50 is that, subject to the mandate of fundamental national objectives declared by the Congress through this legislation, the President and the Congress year by year would work out the specific quantitative and qualitative content of the various needed programs. That is immensely more than has been done thus far.

The prevalent monetary policy, and the damage it has done

In the use of national policies for full resource use and meeting priority needs, the monetary policy administered by the Federal Reserve System may be of comparable importance to the Federal Budget policy. In any event, monetary policy is of such great significance that it is a useless distraction today to debate the relative importance of fiscal and monetary policies. Let us leave that pleasantry to those academicians who abjure public responsibility.

The prevalent policies of the Federal Reserve since 1952 have never really been dedicated to the maintenance of a full economy, and usually have been highly damaging to that vital objective. Practically every period of stagnation and recession, of which we have had five since 1952, has been abetted by tightness of credit and excessively high interest rates. And most of the upward movements of the economy have been aborted, far short of full recovery, with a big assist from erroneous monetary policies.* The "excuse" has been alleged restraint of inflation; I shall answer that hollow argument in the next phase of my testimony.

In addition to "credit crunches," destructive increases in interest rates have resulted from the mistaken monetary policies. From 1952 to 1975, the increases in computed average interest rates were 185.5 percent on the Federal public debt, 77.2 percent on the total State and local debt, 118.0 percent on the total

*See my Chart 18, which also indicates that, in general, periods of worsening real economic growth (and more unemployment) have been accompanied by more inflation.

private debt, and 155.4 percent on the total public and private debt. These interest rate increases, measured against 1972 interest rate levels (which should have been maintained) imposed excess interest costs of 103.7 billion dollars on the Federal public debt (i.e. the Federal Budget), 23.7 billion upon the total State and local debt, 832.8 billion upon the total private debt, and 960.2 billion upon the total public and private debt.*

The 832.8 billion dollars in increased interest costs imposed upon private borrowers transferred income in a highly regressive direction; drove millions of people below the poverty-income ceiling by imposing excessive interest charges of more than \$4,713 per capita and more than \$18,852 per family of four;** wrecked the housing industry; saddled utilities with debt charges both to shortages and to much higher prices paid by industrial and household consumers of fuel and power; multiplied the failures among small businesses; increased the vicissitudes of farmers; and in all these and other ways contributed powerfully to stagnations, recessions, and unemployment.

The excessive interest costs imposed upon the Federal Budget, aggregating almost 104 billion dollars during 1952-1975, and coming to more than 17 billion in calendar 1975 alone, have been several times as large as Budget outlays for some of the most important domestic priority programs, and provide a major explanation of why we have "not been able to afford" adequate Budget outlays for these priorities.*** The excess interest costs of almost 24 billion dollars imposed upon State and local governments during 1972-1975 do much to explain both the deficiencies in the public services they render and their dire financial plight, by no means limited to New York City.

The policy of tight money and exorbitant interest rates (still in effect despite some temporary downward undulations) is inflationary per se, because the cost of money enters into the cost of living and into business costs. The policy is also highly inflationary because it greatly increases unemployment. Contrary to the "trade-off" theory advanced in spurious support of the prevalent monetary policy, more unemployment means more inflation, and vice versa. I shall document this in short order.

How H.R. 50 deals with the Federal Reserve

H.R. 50 takes a middle ground, or moderate course, in the direction of

*See my Chart 19.

**See my Chart 20.

***See my Chart 21.

curbing the irresponsible errors of the Federal Reserve. It does not bring the "Fed" within the "control" of the President and/or the Congress, although the existence of an "independent" central bank, created and funded by the Government, and has no logical and no political justification in a democracy. Instead, H.R. 50 merely provides that the Federal Reserve publicly declare the extent to which its intended policies for the year ahead support the full economy and priorities objectives of the Full Employment and Balanced Growth Act of 1976. To the extent that the President finds that the "Fed" is falling short in this respect, the President is required to remedy the situation by making appropriate recommendations to the Congress, including proposed legislation if necessary. This really does no more than subject the Federal Reserve to the degree of responsibility to the Congress which was always intended, and which is entirely proper.*

The complete error of the "trade-off" theory regarding inflation

I now call the attention of the Subcommittee to the prevalent application of the erroneous theory of the "trade-off." This, more than all else, has prompted the erroneous fiscal and monetary and other national policies which have brought on the recurrent periods of stagnation and recession, and the secularly rising rate of unemployment. The "trade-off" theory is to the effect that more unemployment and other unused resources reduce price inflation, and that less unemployment and other unused resources increase price inflation. The empirical evidence which refutes this theory, over a time span of more than two decades, is now so conclusive that even F.R.B. Chairman Arthur Burns had admitted recently that the "trade-off" theory is of no practical value today.**

During 1952-1955, when unemployment averaged 4.0 percent, and when the rate of real economic growth averaged 3.5 percent, the average annual rate of consumer price inflation was only 0.3 percent. But during 1955-1958, when the average annual rate of real economic growth was only 0.8 percent, and unemployment averaged 4.9 percent and rose to 6.8 percent in the last year, the average annual increase in consumer prices rose to 2.6 percent. Then, during 1958-1966, when the average rate of real economic growth was 4.9 percent, and when unemployment was reduced from 6.8 percent in the first year to 3.8 in the last, the average annual rate of consumer price inflation was only 1.5 percent.

During 1966-1969, when the average annual rate of real economic growth

*See Section 106 of H.R. 50.

**See Burns' article in January-February 1976 issue of Challenge magazine.

declined to 3.3 percent, and when the rate of unemployment did not change appreciably, the average annual rate of price inflation rose to 4.1 percent. Thereafter, the ridiculous nature of the "trade-off" was demonstrated with a vengeance. During 1969-1975, the average annual rate of real economic growth was only 1.6 percent, unemployment averaged 5.6 percent and rose from 3.5 percent in the first year to 8.5 percent in the last year, ^{and} the average annual rate of consumer price inflation was 6.6 percent.

From first quarter 1974 to first quarter 1975, the rate of economic growth was minus 5.8 percent, unemployment rose from 5.0 percent in January 1974 to 8.5 percent in March 1975, and consumer prices rose 11.0 percent, while wholesale prices rose 14.7 percent and industrial prices rose 21.4 percent. Finally, from fourth quarter 1974 to fourth quarter 1975, when the real rate of economic growth was only 1.8 percent and unemployment averaged 8.1 percent and stood at 8.3 percent in December 1975, consumer prices rose 7.2 percent, wholesale prices rose 4.7 percent, and industrial prices rose 6.0 percent.*

The "trade-off" theorists now tell us that the very recent reduction in price inflation has been due to the long period of contrived stagnation and recession. And they use this theory in opposition to an adequate program now for restoring full employment. But the "trade-off" theorists do not observe that it was the commencement of economic recovery, albeit it was inadequate, that was accompanied by the reduction in the rate of inflation. Nor do they observe that the twenty-four year record which I have reviewed indicates clearly that strong and confident movements toward lower unemployment have usually been accompanied by good or at least acceptable price performance. Nor do the "trade-off" theorists observe that the very recent reduction in inflation has not been due to the blows they have struck against economic growth and the miseries they have imposed upon the unemployed. This reduction, instead, has been due in large measure to the at least temporary disappearance of such factors as crop failures and the Arab oil actions, plus the extortions of the American oil companies, which created a consumer price inflation rate of 11.0 percent rather than 7.2 percent.

A comparison of the records during all of the national Administrations from 1947 to date provides, in more simplified form, the compelling evidence

*See my Chart 22.

that a healthy economy is less inflationary than a sick economy.*

The basic reasons why higher unemployment means more inflation

The reasons why a sick economy is more prone to inflation than a healthy economy are obvious. In the "administered price" sectors, preempted largely by mammoth or quasi-monopolistic corporations, there is a pronounced tendency to increase prices more rapidly when sales are disappointing than when sales volume is rewarding. This represents the effort to compensate profit-wise for low volume by higher prices per unit. Deficient economic performance brings tremendously lower rates of productivity growth, which increases per unit production costs, and this--with or without justification--leads to more rapid price increases.** The deficient economic performance, contrived in the name of restraining inflation, causes many shortages which add to the inflation, outstanding examples being housing, medical care, utility services, and food. The prevalent monetary policy, designed to restrain inflation, is in fact highly inflationary, for reasons ^{already} stated. The contrived repression of the economy, in the name of fighting inflation, is practically the entire cause of the huge and growing Federal deficits, which are also claimed--whether rightly or wrongly--to be inflationary. If these deficits are in fact inflationary, the only way to get rid of them is to abandon the economically unsound and socially unjust policies which have caused the deficits by bringing on low economic growth, stagnation, recession, and idleness of workers and other productive resources.

There are still other reasons why application of the "trade-off" theory is so wrong, quite apart from the fact that no such "trade-off" occurs. It is immoral, and in my view unAmerican, to tell the more than 60 million Americans hurt directly by unemployment in 1975 that they should bear this burden in order that, hypothetically, the affluent and wealthy should endure somewhat less price increases on the necessities and also the luxuries which they buy.

And paying more attention to price trends per se than to the real trends in production and employment is upside-down economics. When our economy is enjoying full employment and full production, the distribution of goods and services and the living standards of the people are as good as they can be, whether the

*See my Chart 23.

**See my Chart 10.

prices are moving upward or downward or are remaining stable. When idle plants and unemployment are rising, and the distribution of goods and services falling accordingly, things are getting worse, no matter what is happening to prices. This is not to say that price trends are not important. But it is to say that the real function of price trends is to promote the full and wise use of our resources, and that those who forget this forget what prices are all about.

H.R. 50 deals effectively with the problem of inflation

H.R. 50 proposes a sound and moderate, but nonetheless comprehensive, method of dealing with the problem of price inflation. Fundamentally, H.R. 50 is based upon the verifiable proposition, founded on experience, that restoring the health of the economy is the best way to move toward stable prices. Nonetheless, H.R. 50 proposes a number of effective actions to restrain inflation, without injecting the divisive issue of controls which could and probably would distract us from the far more important things we need to do at once.*

The supplementary provisions of H.R. 50

I have already pointed out that the main approach of H.R. 50 toward full employment and full production is through improvements in monetary and fiscal policies, a relatively conventional approach. Contrary to some assertions, these policies have not "failed" on the alleged ground that they cannot be powerful and effective. They have fallen short because they have been improperly used, and I have also already discussed how they can be properly readjusted. They should continue to be used vigorously, because they are still the most powerful weapons we have. Fortunately, they also involve less intrusion by the Government with respect to the general operations of the economy than some other policies, and this is in accord with traditional values we are determined to preserve.

Nonetheless, supplementary policies, of a more direct or microcosmic nature, are also necessary.** I have already discussed the impact of these upon the distribution of the additional employment, predominantly private and partly public, which would be developed under H.R. 50, and the implications of this for costs and the Federal Budget. I deem it unnecessary to say more about these supplementary provisions of H.R. 50 at this time.

Outstanding errors in some prepared objections to H.R. 50

I now turn to a relatively brief, but I think sufficient, answer to some

*See Section 107 of H.R. 50.

**These, which I have listed earlier in my testimony, are set forth in Sections 201-207 of H.R. 50.

ot the prepared objections to H.R. 50 emanating from various recognized sources. Some of these objections are now irrelevant, because they relate to a proposal drastically different from the current and greatly improved version of H.R. 50, and because they deal with time periods which are no longer pertinent. All of them are, in my view, faulty in their economic analysis, and lacking in adequate attention to the long empirical evidence as to how the U.S. economy actually works. All of them are, in my view, terribly wrong in their sense of ultimate values, in that they do not properly value the immense benefits of achieving and maintaining full employment and full production and paying adequate attention to the great priorities of our national needs, in contrast with the detriments which they allege would result from policies directed toward these objectives. In short, these objections substitute an unjustified spirit of defeatism for what we can do, and know we need to do.

On October 17, 1975, the Congressional Budget Office, in the name of Director Alice M. Rivlin, issued a report entitled "Rapid Economic Recovery Policies: An Analysis of Some Alternatives." Insofar as this report was a violent attack upon reducing unemployment to either 3 percent or 4 percent within 18 months, it bears no relationship to the timetables for the reduction of unemployment set forth in H.R. 50. Further, its conclusion that "a return to either 3 percent or 4 percent within 18 months is simply not feasible unless the country is prepared to accept either strong wage and price controls or a high risk of runaway inflation" is dogmatically made without support by any revealed analysis or facts. There are not set forth in the report any factual correlations among the rate of real economic growth, the rate of reduction in unemployment, and the amount of inflation in the past. The projections in the report as to how much inflation would be increased by reducing unemployment are purely arbitrary, not based upon empirical evidence, and without support in the past or current record of actual U.S. economic performance. The findings in the report that the targeted reductions in unemployment within 18 months would have required too high a rate of economic growth are irrelevant, because there are no such targets in the current version of H.R. 50, and are unsupported in any event because the argument that we cannot attain a higher rate of economic growth than during periods in the past since 1953 when we never got back to full employment is patently unwarranted. We must do better than doing poorly. The conclusions as to the adverse effects of reducing unemployment rapidly upon the Federal

Budget are purely dogmatic and unreasonable, not being supported by meaningful projections as to the contours either of the national economy or of the Federal Budget. All of the arguments in this report are fully refuted in my testimony.

On December 5, 1975 the Congressional Budget Office issued a report entitled "The Impact of Economic Recovery on Unemployed Nonwhite and White Americans: A Preliminary Assessment." This report is valuable for its vivid portrayal of the uneven distribution of the unemployment burden, and of how a reduction in unemployment would help alleviate this problem. But it is dead wrong in other respects. It appears to favor a "moderate" recovery strategy, designed to reduce unemployment to 6.6 percent by fourth quarter 1978. It then states that a faster recovery, reducing unemployment to 4.5 percent by the end of 1978 and holding it at 4.5 percent through fourth quarter 1980 would add 1 percent to the inflation rate by 1978 and add 1.5 percent by 1980. It also states that the faster rate of reduction of unemployment would increase the Federal deficit, allowing for offsets, by about 12 billion dollars in fiscal 1976, about 24 billion in fiscal 1977, and about 5 billion in fiscal 1978. This report is related to time schedules which are not those set forth in H.R. 50. Even more important, the conclusions it reached about inflation and about the Federal deficit are subject to the same defects as the other Congressional Budget Office study which I just discussed, and are refuted in my testimony.

On November 5, 1975, the Congressional Research Service of the Library of Congress issued a paper bearing the name of Warren E. Farb, an economist in the Economics Division, entitled "Public Service Employment to Achieve a 4 Percent Unemployment Rate." The analysis in this paper assumes a 4 percent unemployment target by the end of 1976, and assumes 4 million public service jobs by fourth quarter 1976. These assumptions bear absolutely no relationship to the provisions of H.R. 50, which I have already discussed, and especially bear no relationship to the public service jobs intended under H.R. 50. It is therefore unnecessary for me to discuss the many analytical defects in this paper.

The Treasury Department and the Labor Department have filed reports in opposition to H.R. 50, which I discussed fully in a memorandum prepared for a press conference on this subject on September 19, 1975, in which I was joined by Congressmen Hawkins and Reuss.

The Treasury Department report was dated August 28, 1975, and the Department of Labor report was dated September 8, 1975. These two reports are based upon something very different from the current version of H.R. 50. More important, the Treasury position is egregiously wrong in stating that H.R. 50 would result in employment of an ever-increasing percentage of the labor force within the Federal Government--wrong for reasons which I have already demonstrated in my testimony. The Treasury is egregiously wrong in its statement that H.R. 50 would reduce average productivity growth because, as I have already demonstrated, productivity grows very much faster in a healthy economy than in a sick economy. The Treasury report is incredibly wrong in its statement that a full employment policy would promote excessive and inflationary wage rate increases, and my testimony has already demonstrated that the opposite is true in a healthy economy. And the Treasury report is abysmally wrong in accepting the "trade-off" theory that lower unemployment is more inflationary than higher unemployment, a matter which I have covered at great length in my testimony.

The Labor Department report takes the ridiculous position that H.R. 50 would involve uncertain and excessive costs, both to the economy and to the Federal Budget. I have disposed of these meretricious arguments fully in my testimony.

Also, on November 25, 1975, the House Republican Research Committee, in opposition to H.R. 50, issued a paper entitled "Hawkins-Humphrey Full Employment Bill." This report states a few defects in much earlier versions of H.R. 50 which have been eradicated in the current version. But most of this paper, far from developing any real empirical or analytical arguments, makes a number of unsupported arbitrary assertions which are refuted by my testimony. A large part of this report is an ideological attack upon planning, which misinterprets the extent and purposes of the type of planning provided for in H.R. 50.

Summary

H.R. 50 deals with the restoration of full employment in a full economy. This in itself would confer immense benefits upon the nation and the people; and without this, all other economic and related social problems will remain unmanageable and insoluble. H.R. 50 recognizes that jobs in themselves are not enough, but that they must be useful and productive jobs, with due attention to the priority needs of the economy and the people. H.R. 50 places the

greatest stress upon the expansion of private employment, with only secondary reliance upon the expansion of State and local jobs, and only final reliance upon a much smaller expansion of Federal jobs.

H.R. 50 places primary reliance upon the use and improvement of fiscal and monetary policies, and only secondary reliance upon more specialized or microcosmic policies, which are nonetheless essential. H.R. 50 provides the only sure and sane approach to balancing the Federal Budget. It distinguishes between genuine economy and the failed "economy" of trying to squeeze the blood of Federal revenues out of the turnip of a starved economy. H.R. 50 would bring the policies of the Federal Reserve Board into accord with the basic objectives of the Congress and the President. H.R. 50 proposes sound methods of restraining inflation, as a substitute for the economically unsound and socially unjust use of the "trade-off."

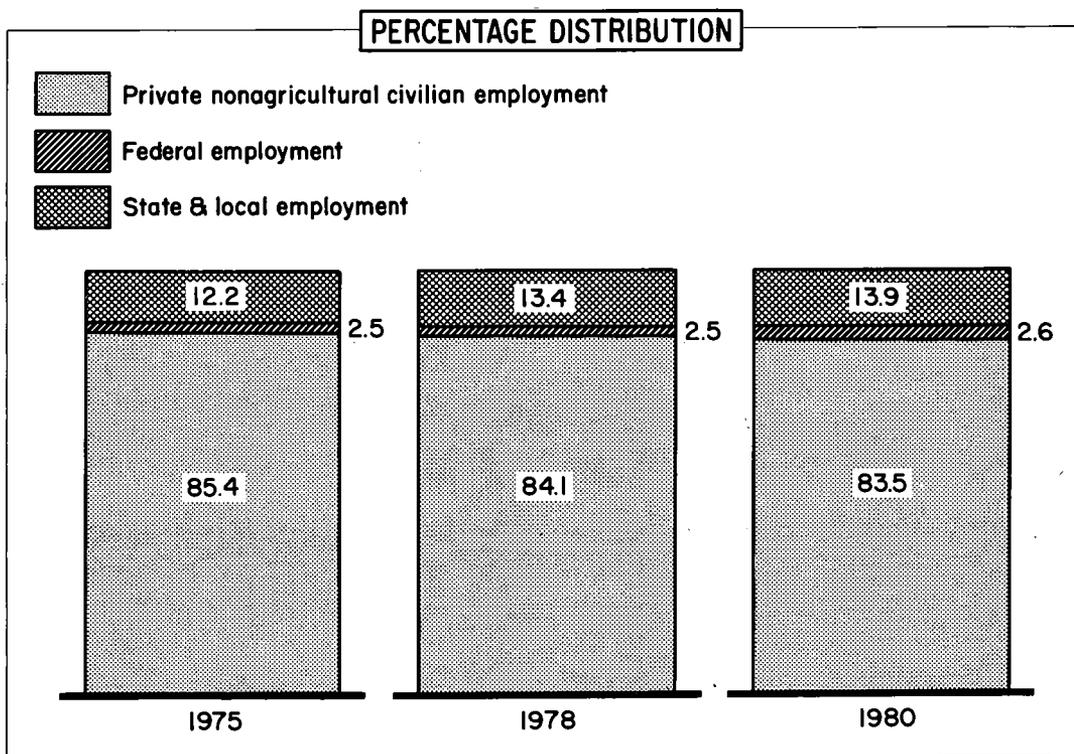
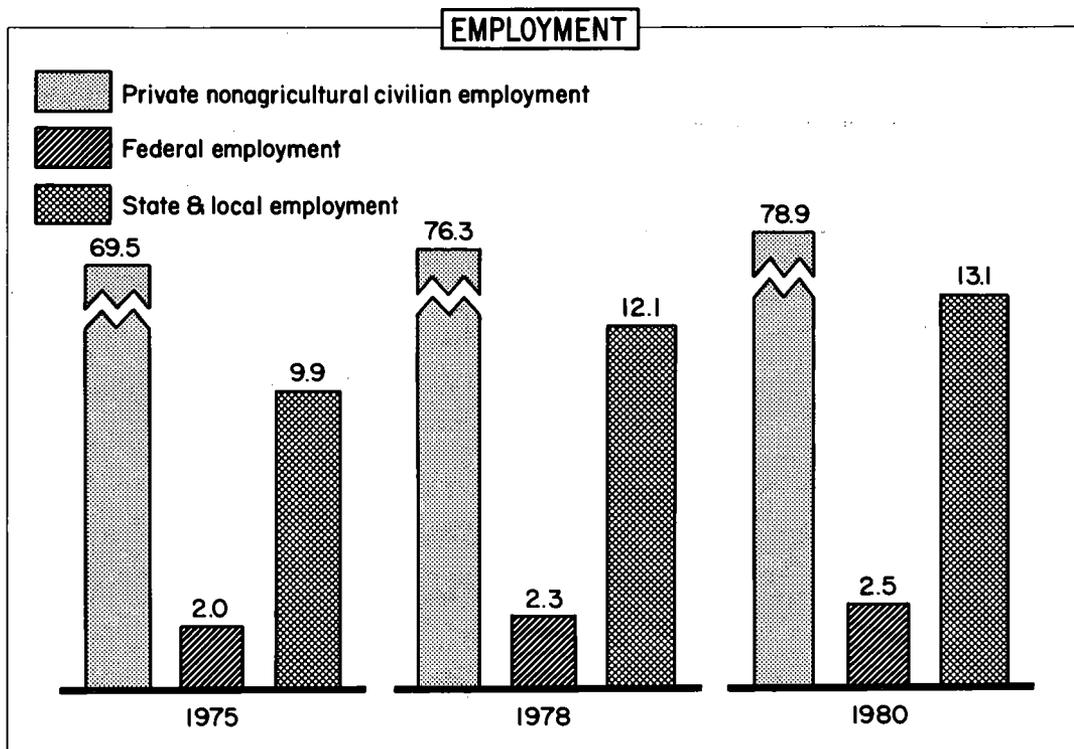
H.R. 50 substitutes coordinated and comprehensive national policies, in a long-range perspective, for the confusion, cross-purposes, and duplication which have resulted from the absence of the type of limited planning under freedom which H.R. 50 projects. Toward these ends, H.R. 50 would enact large improvements both in the processes of the Executive and the Legislative branches.

H.R. 50 does not quantify the magnitudes of the various programs to be undertaken, nor the costs involved. It properly and necessarily leaves this to the functioning of the Presidency and the Congress, year by year in the light of experience. But it does recognize, in accord with a salutary and growing trend, that the Congress must establish certain fundamental mandates of national values and purposes, instead of leaving more than is desirable to the decisions of the President and the Council of Economic Advisers.

respectfully
I therefore commend H.R. 50 to favorable action by the involved Committees of the Congress and the Congress at large, supported as I know this will be by the watchful interest of a better informed American public. I believe that consideration of H.R. 50, in itself, will help greatly to bring about this better information among our citizenry, whose stake in the objectives of H.R. 50 is so enormous for today and tomorrow.

DISTRIBUTION OF EMPLOYMENT, 1975 AND PROJECTED, 1978 AND 1980

(Millions)

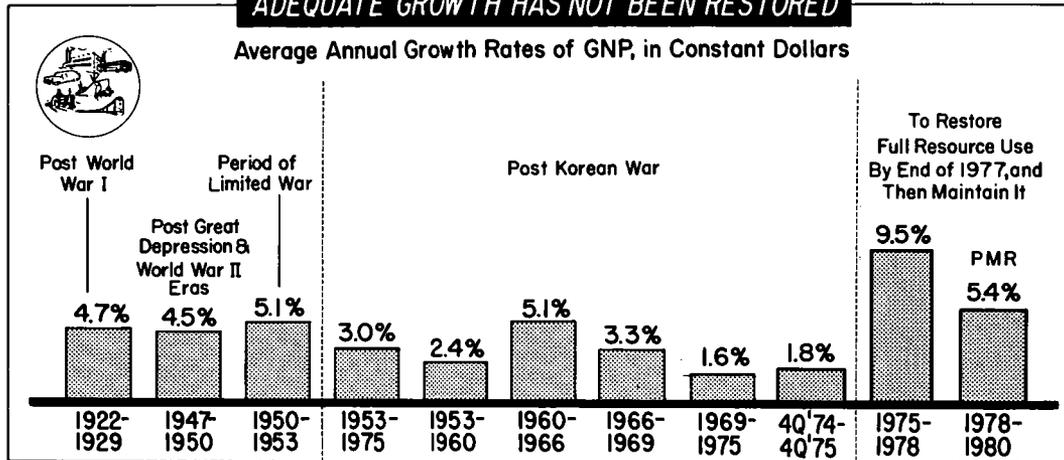


∨Projected in accord with reaching full employment by the end of 1978.

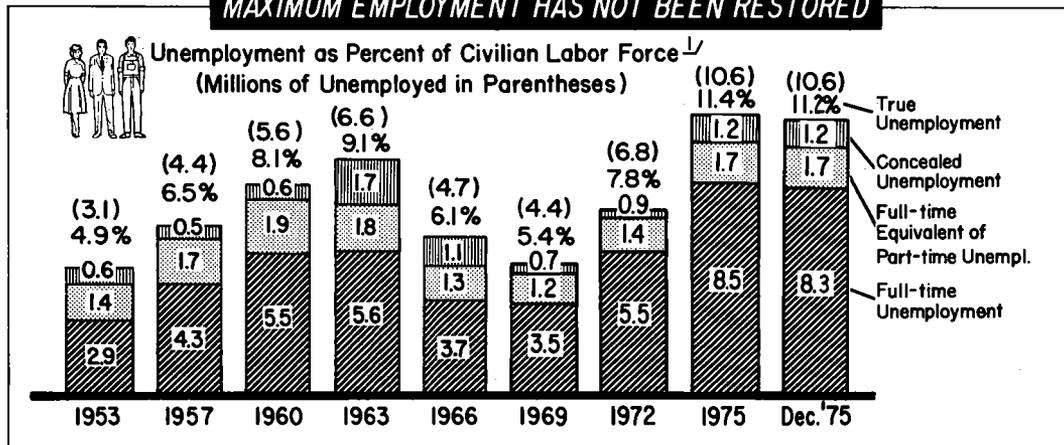
BASIC U.S. ECONOMIC TRENDS, 1953-1975^{1/}

CHART 2

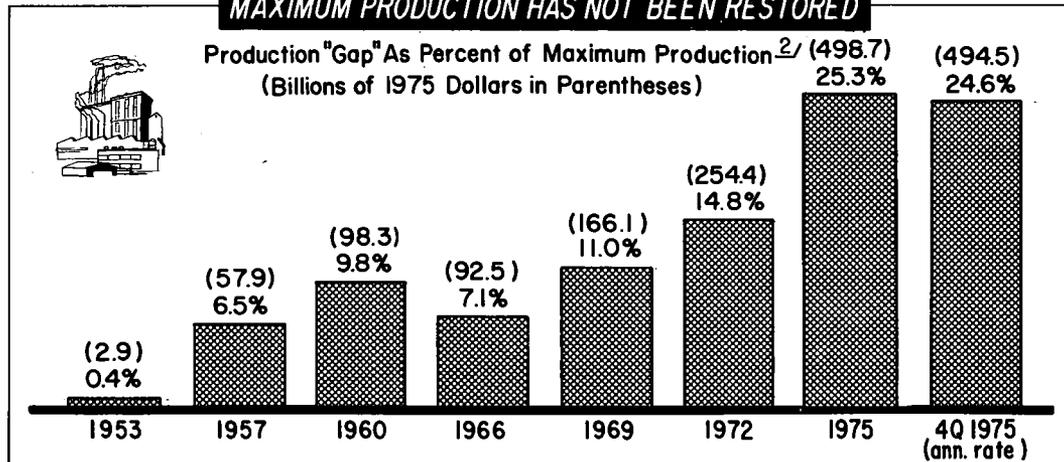
ADEQUATE GROWTH HAS NOT BEEN RESTORED



MAXIMUM EMPLOYMENT HAS NOT BEEN RESTORED



MAXIMUM PRODUCTION HAS NOT BEEN RESTORED



^{1/} All 1975 figures estimated.

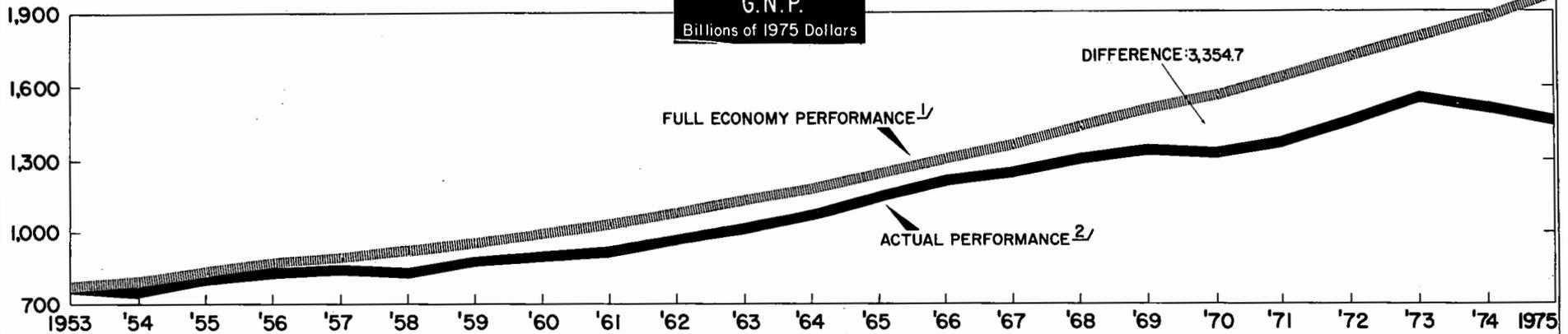
^{2/} In deriving these percentages, the Civilian Labor Force is estimated as the officially reported Civilian Labor Force augmented by concealed unemployment. Thus, some of the percentage figures on full-time unemployment vary very slightly from the official reports, which do not take account of the augmented labor force. Full-time unemployment of 2.9% and true unemployment of 4.1% would be consistent with maximum employment. All data relate to persons 16 years of age and older. Components may not add to total, owing to rounding.

^{3/} Maximum production equates with average annual growth rate of 4.4%, 1953-1975.

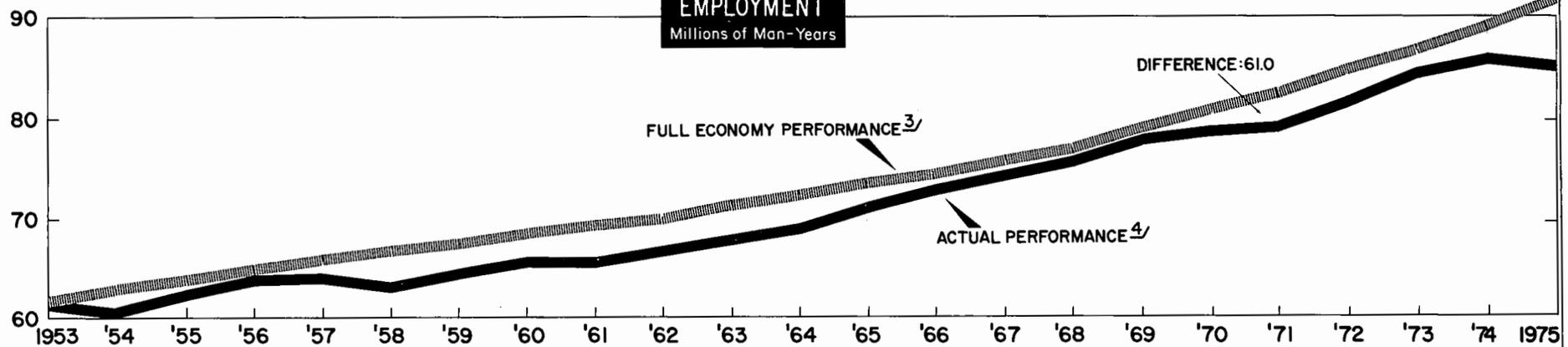
Basic Data: Dept. of Commerce; Dept. of Labor

COST OF DEPARTURES FROM FULL ECONOMY, 1953-1975

G.N.P.
Billions of 1975 Dollars



EMPLOYMENT
Millions of Man-Years



1/ Real average annual growth rate of 4.4 percent.
 2/ Real average annual growth rate of 3.0 percent, the 1953-1975 average.
 3/ Average true level of unemployment of 4.1 percent, or 2.9 percent full-time unemployment.
 4/ Average true level of unemployment of 6.8 percent, or 5.0 percent full-time unemployment.
 Basic Data: Dept. of Commerce; Dept. of Labor

COSTS OF DEFICIENT ECONOMIC GROWTH U.S. ECONOMY, 1953-1975 AND PROJECTED 1976-1980

CHART 4

(Dollar items in billions of 1975 dollars, except average family income)

1953-1975 ^{1/}			
Total National Production (GNP)  1953-1975: \$3,354.7 1969-1975: 979.6 1975: 326.6	Man-years of Employment^{2/}  1953-1975: 61.0 Million 1969-1975: 22.8 Million 1975: 6.9 Million	Personal Consumption Expenditures  1953-1975: \$1,523.1 1969-1975: 372.2 1975: 137.7	Gov't Outlay for Goods and Services  1953-1975: \$920.1 1969-1975: 276.0 1975: 61.0
Private Business Investment (Incl. Net Foreign)  1953-1975: \$ 911.5 1969-1975: 331.4 1975: 127.9	Average Family Income (1975 Dollars)  1953-1975: \$29,470 1969-1975: 5,890 1975: 2,500	Wages and Salaries  1953-1975: \$1,865.0 1969-1975: 374.8 1975: 159.2	Residential and Commercial Construction  1953-1975: \$369.6

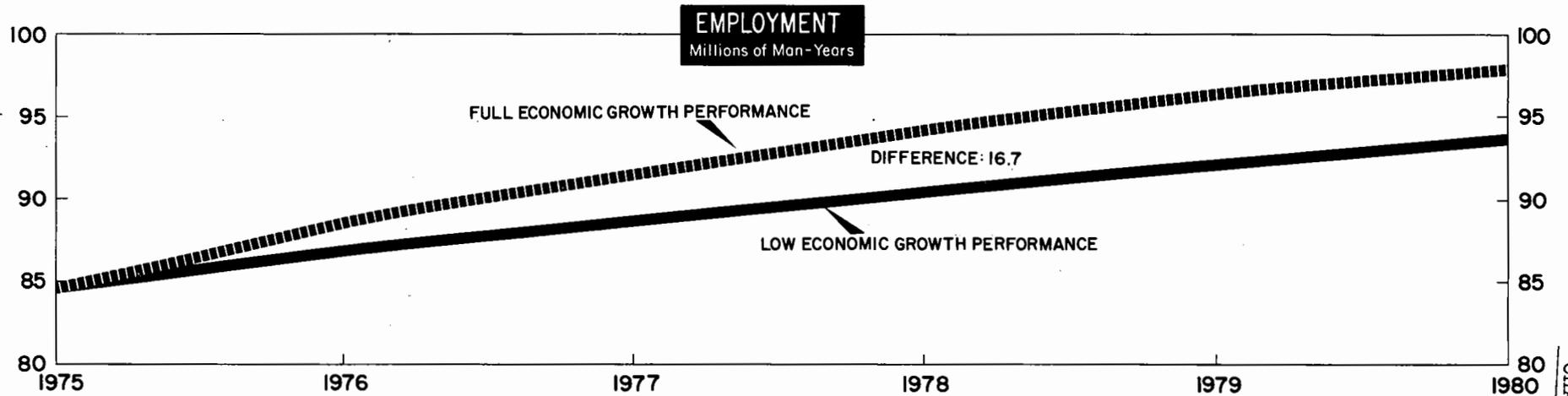
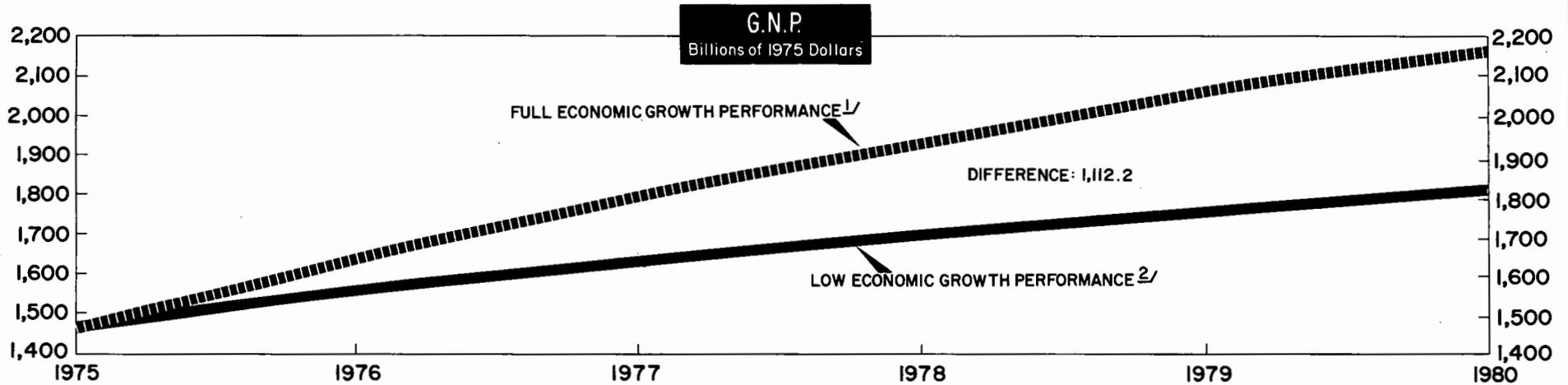
1976-1980 ^{3/}			
Total National Production (GNP)  1976-1980: \$1,112.2 1980: 333.8	Man-years of Employment^{2/}  1976-1980: 16.7 Million 1980: 4.3 Million	Personal Consumption Expenditures  1976-1980: \$ 449.0 1980: 148.9	Gov't Outlay for Goods and Services  1976-1980: \$425.6 1980: 118.5
Private Business Investment (Incl. Net Foreign)  1976-1980: \$237.6 1980: 66.4	Average Family Income (1975 Dollars)  1976-1980: \$ 8,330 1980: 2,570	Wages and Salaries  1976-1980: \$530.0 1980: 162.4	Residential and Commercial Construction  1976-1980: \$95.0 1980: 25.4

^{1/}Deficits 1953-1975 are calculated from a 1953 base, in that growth rates since then have averaged far too low. Deficits 1969-1975 and 1975 are projected from a 1968 base, writing off the cumulative deficits 1953-1968. 1975 figures are estimated. Residential and commercial construction deficits are calculated only from a 1953 base. In terms of what would have been needed, 4Q 1975, to restore full production as of then, the estimated deficit was 250-300 billion dollars, at an annual rate.

^{2/}Based upon true level of unemployment, including full-time unemployment, full-time equivalent of part-time unemployment, and concealed unemployment (nonparticipation in civilian labor force) due to scarcity of job opportunity.

^{3/}These deficits are projected from a 1975 base, writing off the cumulative deficits 1953-1975.

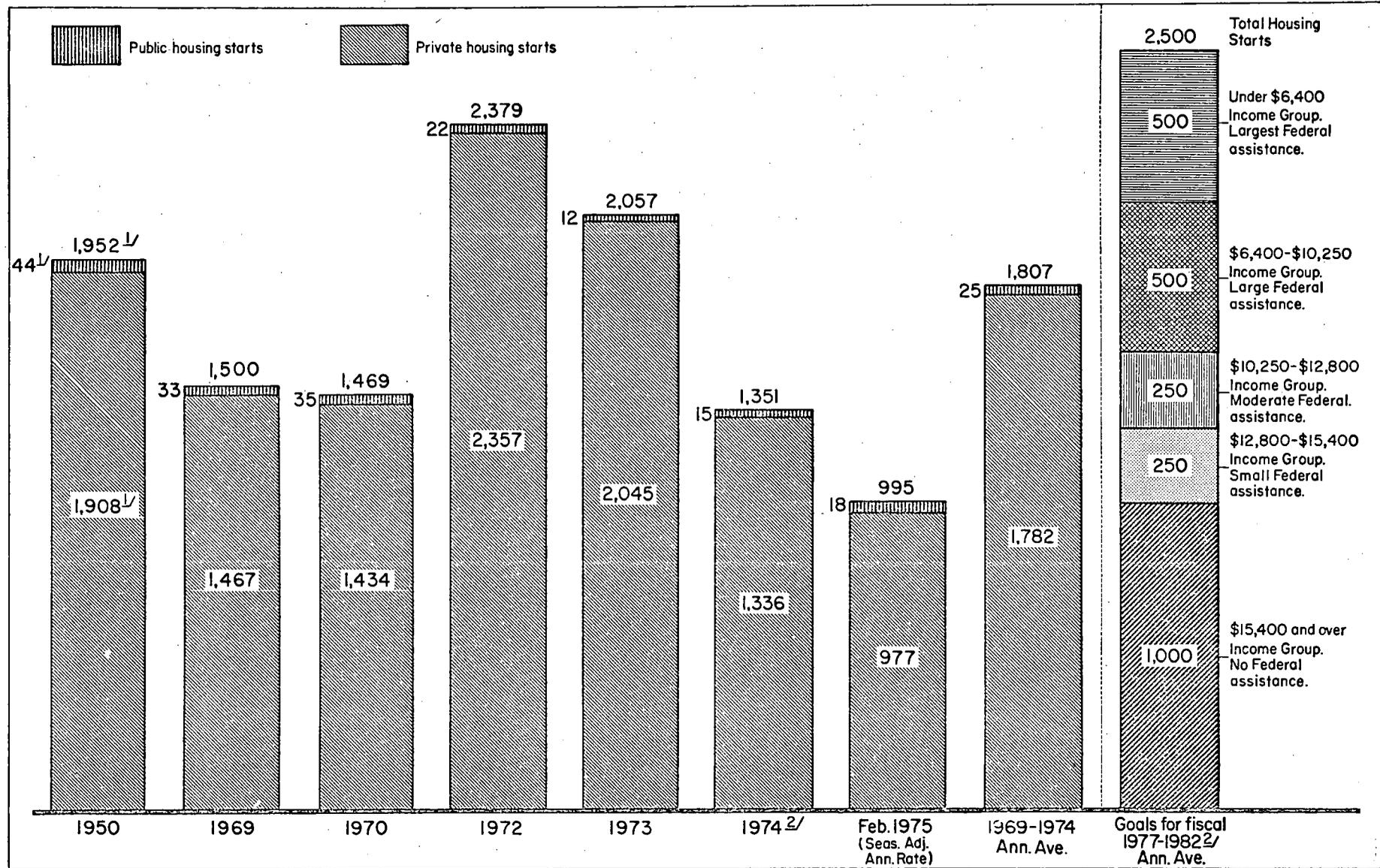
BENEFITS OF FULL ECONOMIC GROWTH, 1976-1980



^{1/} Real average annual growth rate of 7.9 percent 1975-1980, to allow for full catch-up by end of 1978.

^{2/} Real average annual growth rate of 4.3 percent, or higher than during 1953-1975, due to very low level in 1975.

HOUSING STARTS, 1950-FEB. 1975, AND GOALS FOR FISCAL 1977-1982



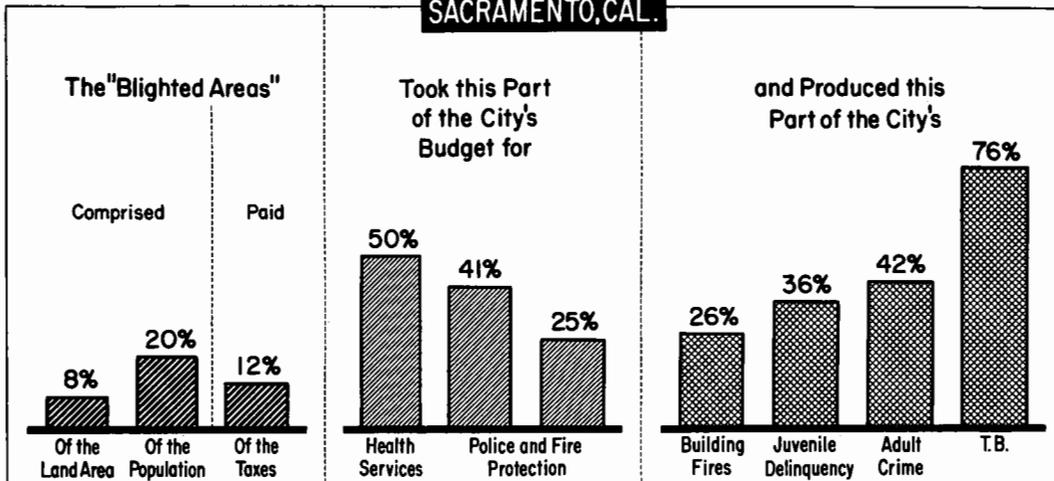
✓ Non-farm only, farm not available.

2/ Inclusive. Based on earlier officially estimated needed annual average of 2.2 million during 1970-1980 inclusive.

Source: Dept. of Commerce, Bureau of the Census

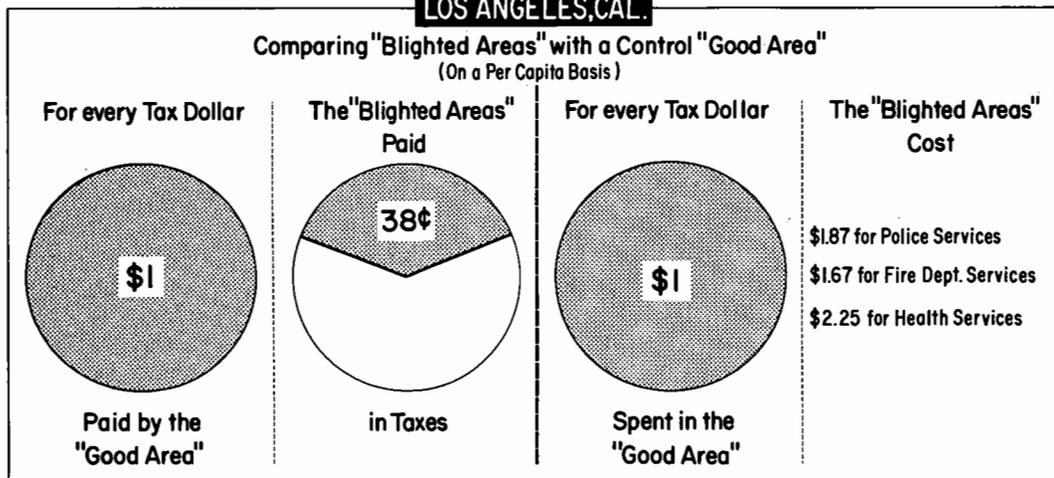
SUBSTANDARD HOUSING BREEDS ECONOMIC AND SOCIAL ILLS

SACRAMENTO, CAL.



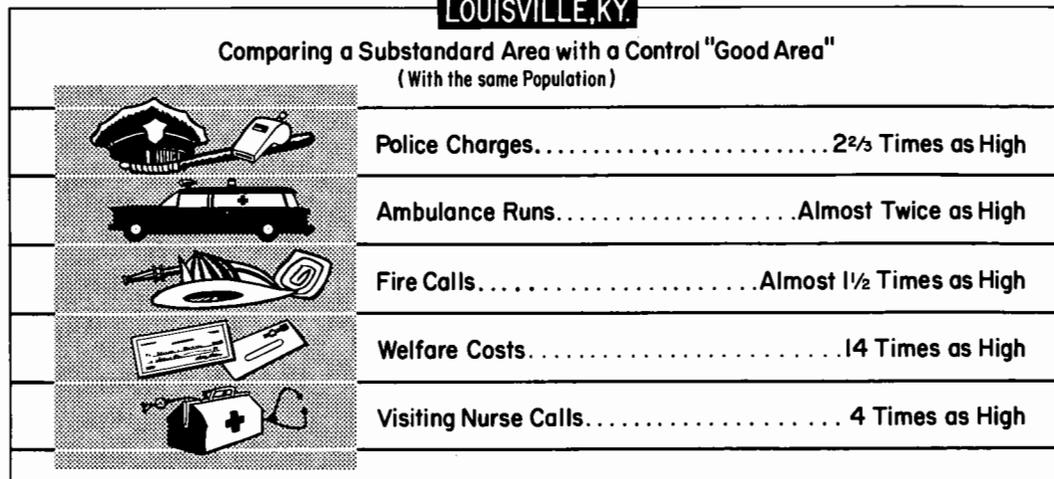
Source: Sacramento Planning Commission

LOS ANGELES, CAL.



Source: California State Commission of Housing

LOUISVILLE, KY.



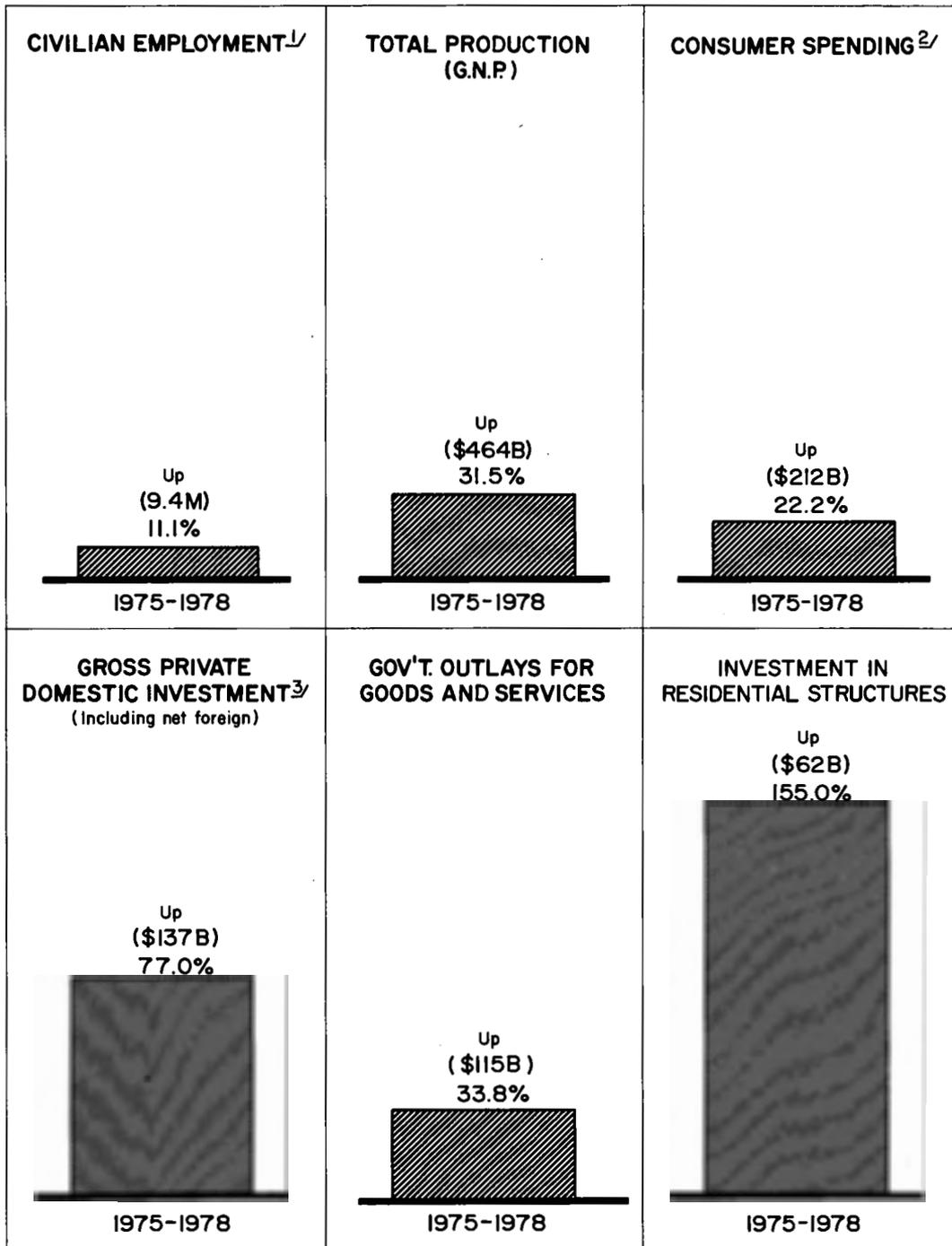
Source: Louisville Municipal Housing Commission

GOALS FOR THE U.S. ECONOMY, 1978

CHART 8

PROJECTED FROM 1975 BASE TO ACHIEVE FULL RESOURCE USE BY END OF 1978

Total Percentage Changes
(Dollar Items in 1975 Dollars, Absolute Data in Parentheses)



^{1/} Full-time unemployment down from 8.5% (7.9M) 3.0% (2.9M) by the end of 1978.

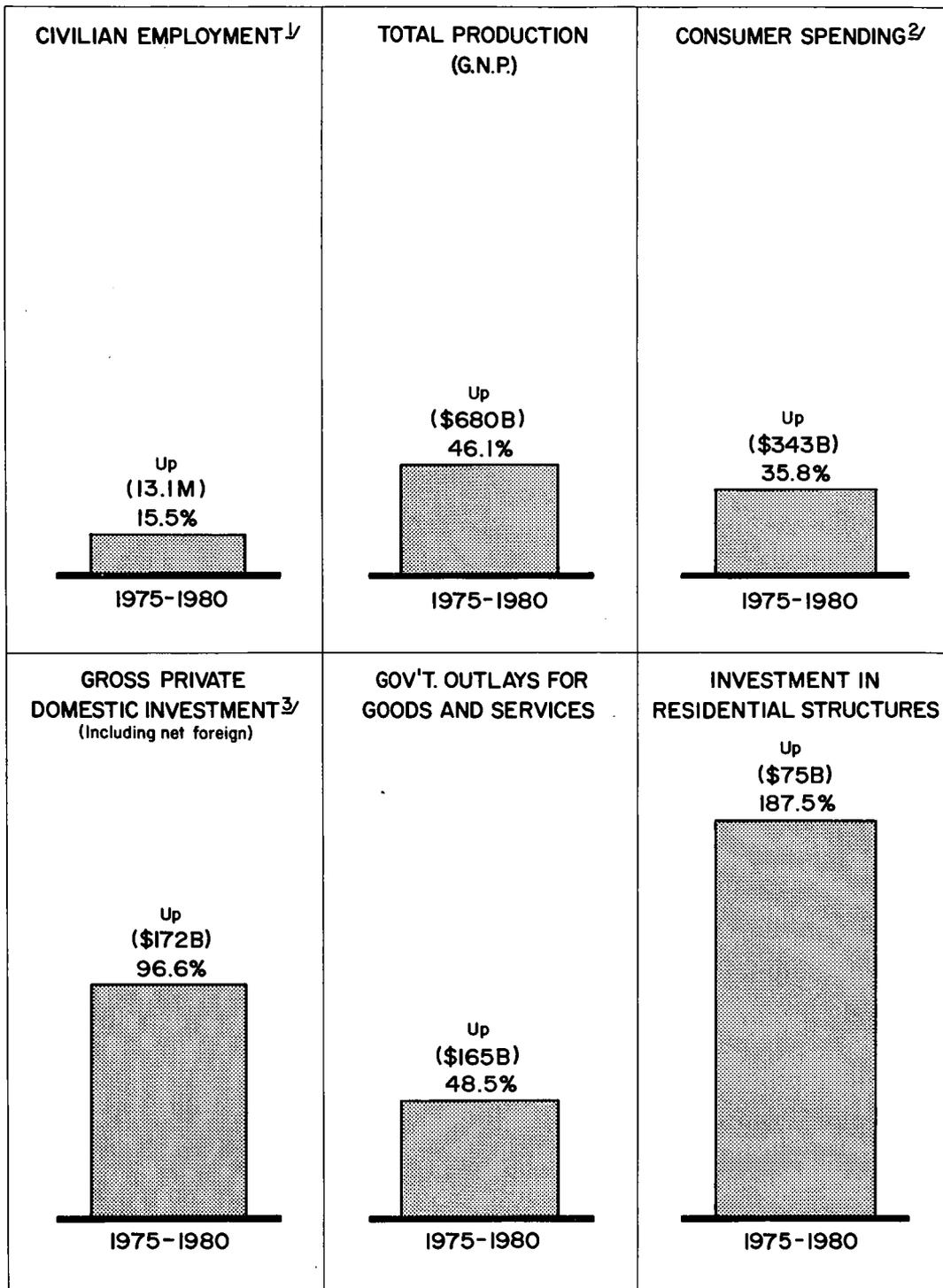
^{2/} Growth is less than growth of G.N.P., because of needed growth in public outlays to meet domestic priorities and needed growth in gross private domestic investment.

^{3/} Nonresidential and net foreign investment up 54.3% (\$75B). Investment in residential structures up 155.0% (\$62B).

FULL RESOURCE USE GOALS FOR THE U.S. ECONOMY, 1980 PROJECTED FROM 1975 BASE

CHART 9

Total Percentage Changes
(Dollar Items in 1975 Dollars, Absolute Data in Parentheses)

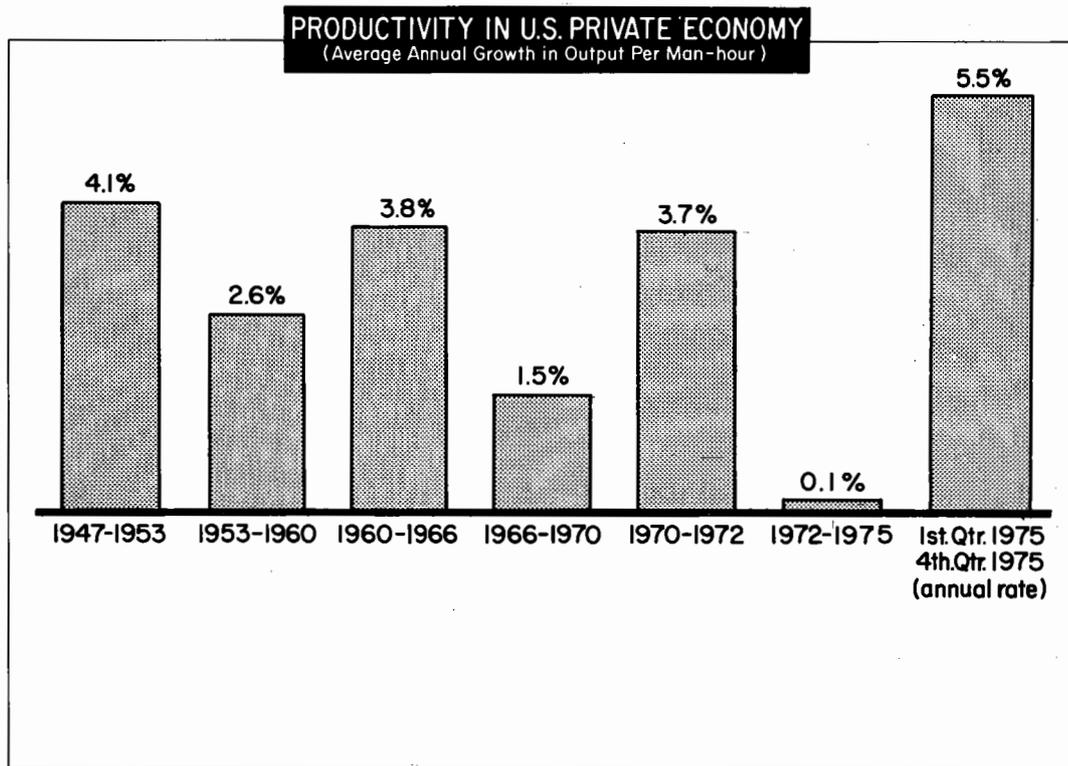
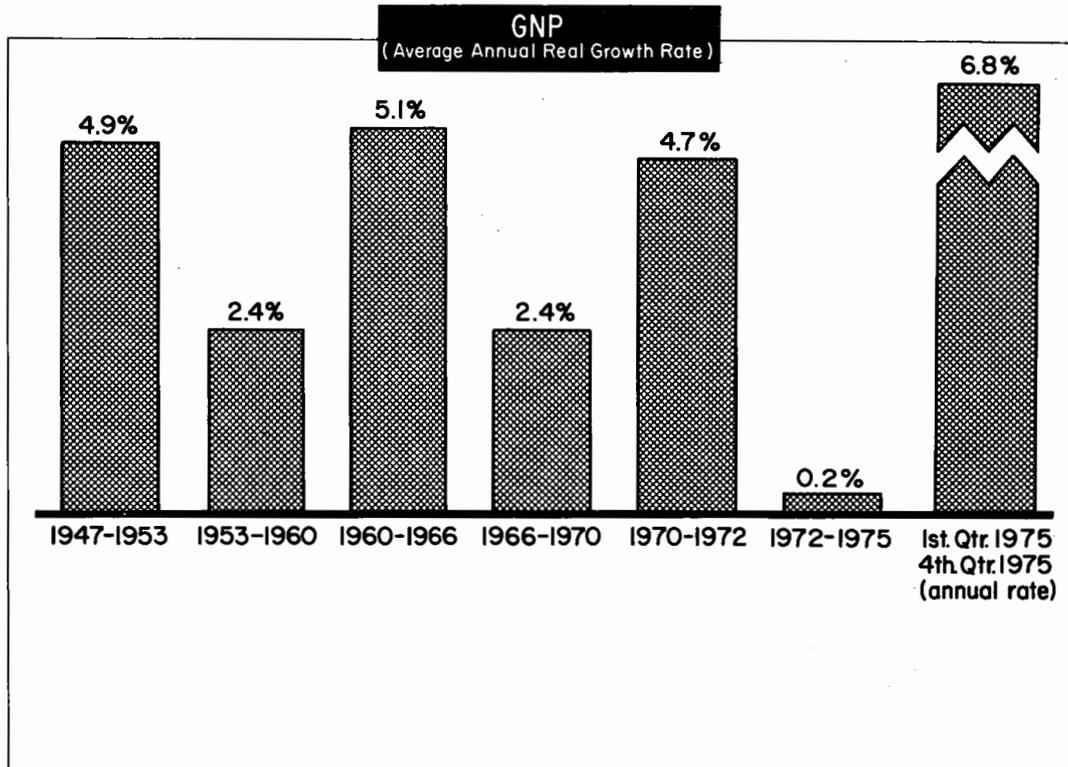


^{1/} Full-time unemployment down from 8.5% (7.9M) to 3.0% (3.0M).

^{2/} Growth is less than growth of G.N.P., because of needed growth in public outlays to meet domestic priorities and needed growth rate in gross private domestic investment.

^{3/} Nonresidential investment and net foreign up 63.0% (\$97B). Residential structures up 187.5% (\$75B)

IMPACT OF ECONOMIC GROWTH UPON PRODUCTIVITY GROWTH



GOALS FOR A MODEL FEDERAL BUDGET, FISCAL 1977 AND CALENDAR 1980 GEARED TO ECONOMIC GROWTH AND PRIORITY NEEDS

(In Fiscal 1977 Dollars)

	ALL FEDERAL OUTLAYS			NATIONAL DEFENSE, INTERNATIONAL AFFAIRS, AND SPACE			DOMESTIC PROGRAMS ^{1/}			INCOME SECURITY, OTHER THAN VETERANS (Excluding Subsidized Housing)			MANPOWER PROGRAMS, INCLUDING PUBLIC AND PRIVATE SERVICE JOBS		
	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP
President's Budget, 1977	394.2	1,820.79	21.46	112.5	519.63	6.12	281.7	1,301.15	15.33	134.0	618.94	7.29	5.3	24.48	0.29
Goals for Fiscal 1977	432.2	1,996.30	21.64	114.3	527.94	5.72	317.8	1,467.90	15.91	142.2	656.81	7.12	13.1	60.51	0.66
Goals for Calendar 1980	505.3	2,276.13	20.75	118.3	532.88	4.86	387.0	1,743.24	15.89	161.3	726.58	6.62	7.5	33.78	0.31
	HOUSING AND COMMUNITY DEVELOPMENT			AGRICULTURE, NATURAL RESOURCES, ENVIRONMENT AND ENERGY			EDUCATION			HEALTH			TRANSPORTATION		
	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP	Total Expenditures (\$ Billions)	Per Capita (\$)	% of GNP
President's Budget, 1977	7.0 ^{2/}	32.33	0.38	15.5	71.59	0.84	7.6	35.10	0.41	34.4	158.89	1.87	14.9	68.82	0.81
Goals for Fiscal 1977	10.9	50.35	0.55	17.5	80.83	0.88	12.6	58.20	0.63	36.1	166.74	1.81	16.4	75.75	0.82
Goals for Calendar 1980	19.9	89.64	0.82	32.3	145.50	1.33	18.8	84.68	0.77	53.8	242.34	2.21	19.4	87.39	0.80

^{1/} Includes categories other than those listed in detail. Dollar goals would be higher in 1980, to extent of further inflation.

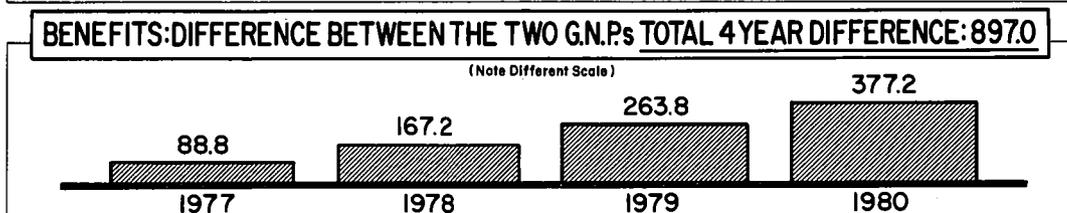
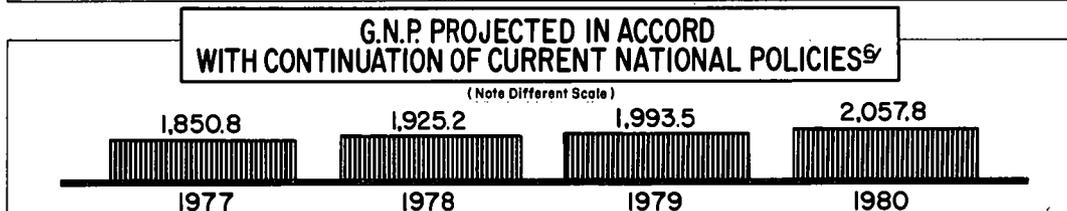
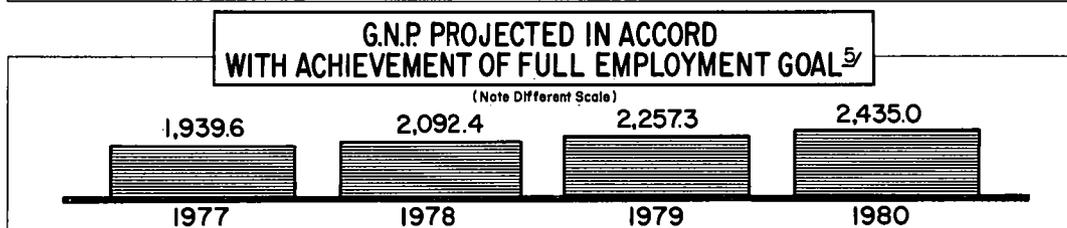
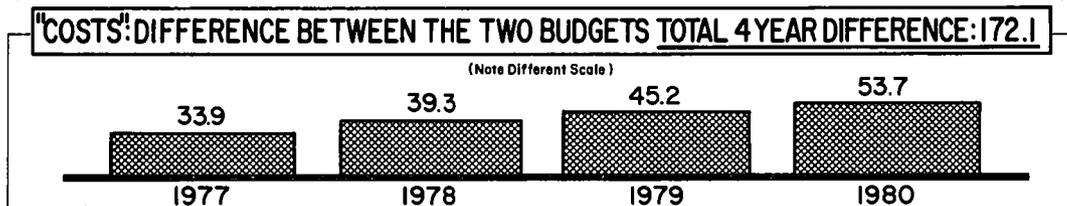
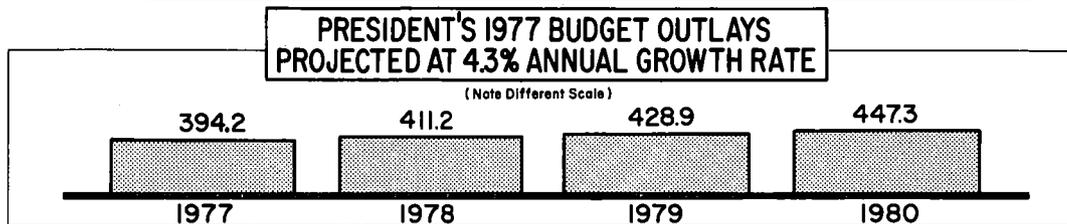
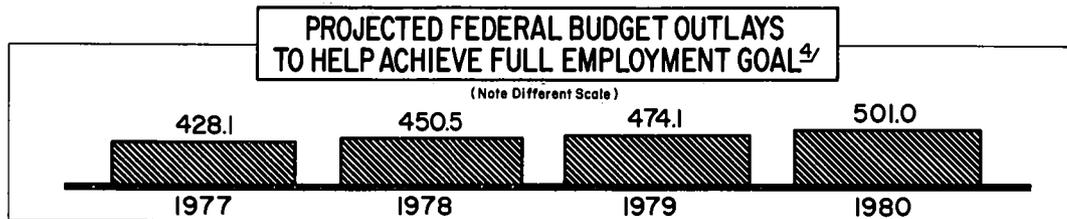
^{2/} The housing portion of this \$7.0 billion in the President's Budget proposed for 1977, coming to \$3.3 billion, appears in part in "income security" and in part in "commerce and transportation" in the President's Budget. The proposed goal increases for "housing and community development" includes \$3.3 billion for housing for fiscal 1977 and \$10.8 billion for calendar 1980.

Note: Population-- 216.5 for fiscal 1977, and 222.0 for calendar 1980. GNP (in fiscal 1977 dollars)-- \$1,837 billion for President's Budget; \$1,997 billion for fiscal 1977 goal; and \$2,435 billion for calendar 1980 goal.

Basic Data: Office of Management and Budget for President's Budget; Dept. of Commerce for population

"COSTS"^{1/} AND BENEFITS^{2/} OF ACHIEVING FULL EMPLOYMENT^{3/} BY END OF CALENDAR 1980

(Budget, fiscal years; G.N.P. calendar years; billions of fiscal 1977 dollars)



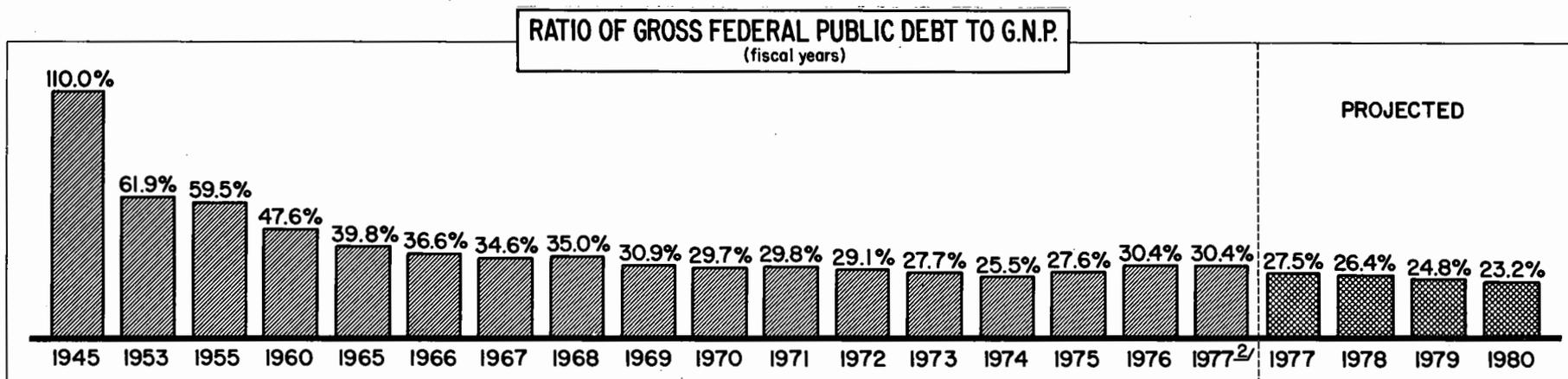
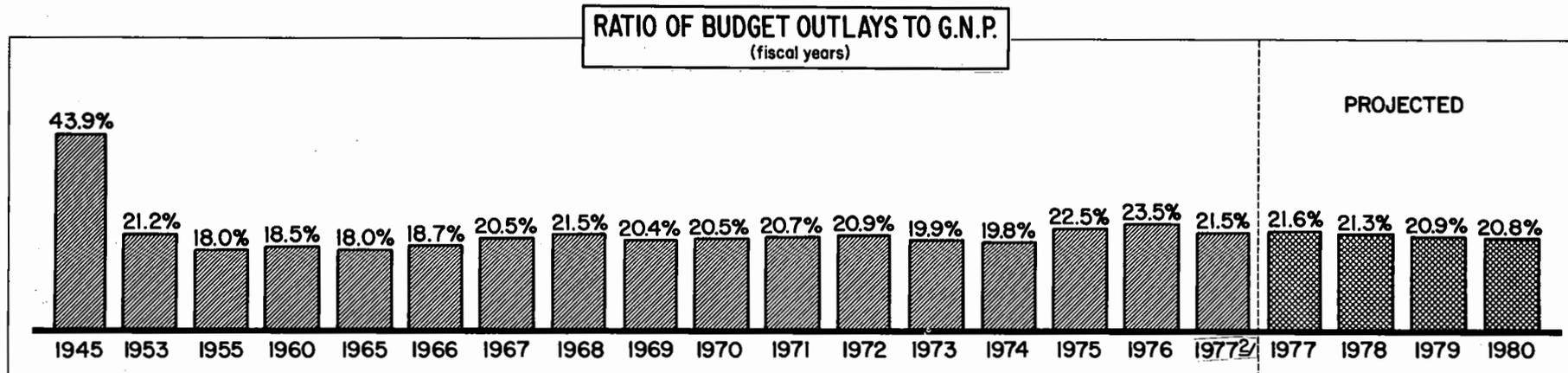
^{1/} Costs are difference between Federal Budget outlays needed to help achieve full employment goal and President's 1977 Budget outlays projected at 4.3% annual real growth rate (the annual average during 1974-1977).

^{2/} Benefits are difference between G.N.P. in accord with full employment goal and G.N.P. projected in accord with continuation of current national policies.

^{3/} 3 percent unemployment. ^{4/} The Full Employment & Balanced Growth Plan in H.R. 50 would use other policies besides those in the Federal Budget to help achieve the full employment goal. The average annual real growth rate in Budget outlays used for these projections is 5.23 percent, projected from fiscal 1976, with allowance for change in the fiscal year. The end of 1980 goal for full employment, rather than end of 1978, explains difference between the 1977 figure on this chart and the 1977 figure on Chart 5.

^{5/} These G.N.P. projections are different from those on Chart 5, because the first year is calendar 1977 instead of calendar 1976, because of use of fiscal 1977 dollars instead of calendar 1975 dollars, and because the full-employment goal is end of calendar 1980 instead of end of calendar 1968. The real average annual growth rate used for these projections is about 7.9 percent, projected from calendar 1975 base. ^{6/} Base upon real average annual growth rate of about 4.3 percent, projected from calendar 1975 base. The average was only 3.0 percent during 1953-1975, & only 1.8 percent during 1969-1975.

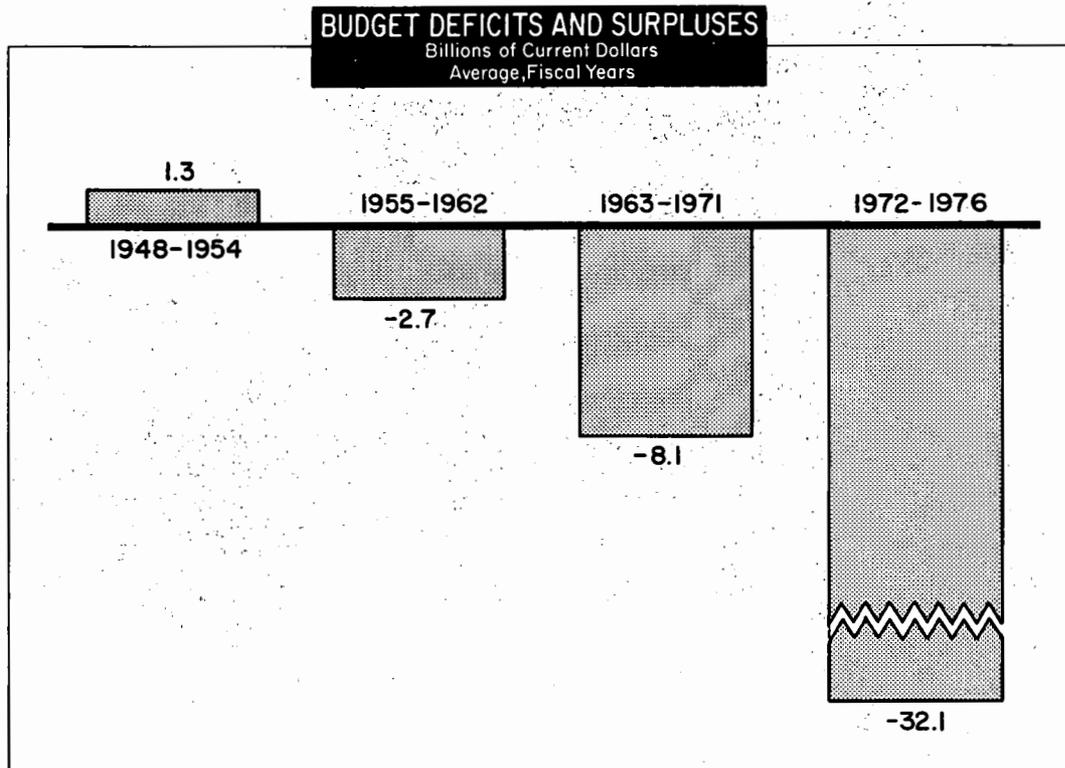
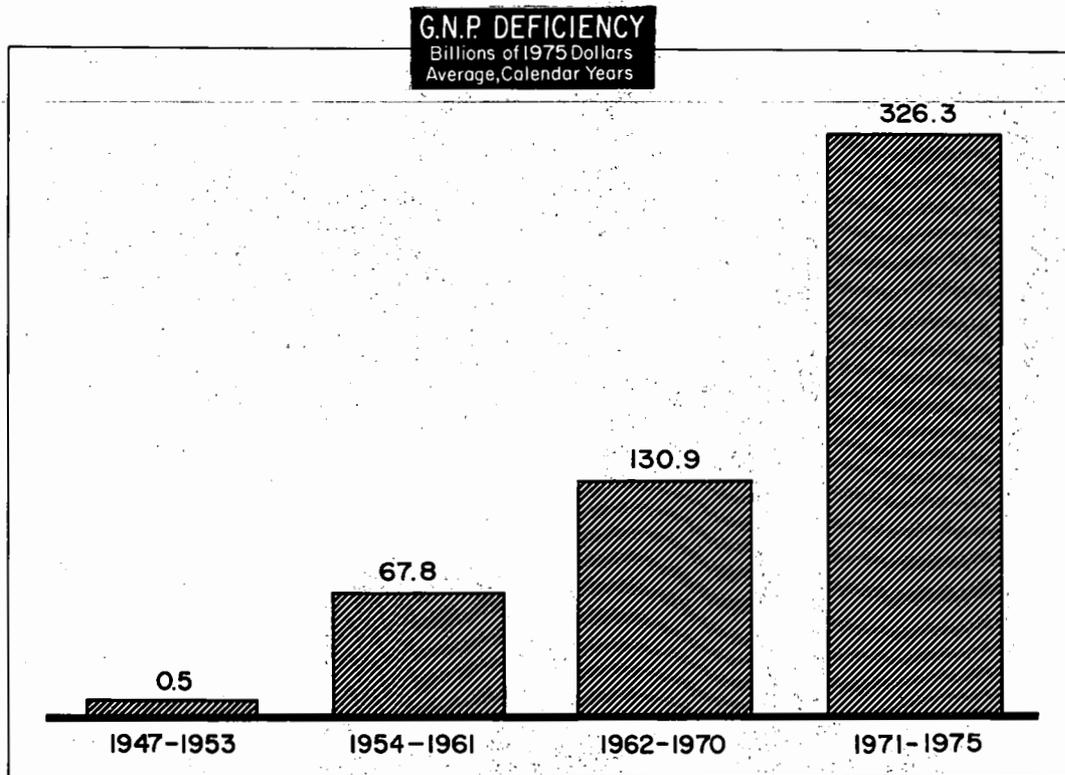
FEDERAL BUDGET OUTLAYS, GROSS FEDERAL PUBLIC DEBT, AND G.N.P. 1945-1977, AND PROJECTED, 1977-1980 ^{1/}



^{1/} Projections for Budget, Public Debt, and G.N.P. in accord with "model" Budget and G.N.P. goals.

^{2/} In accord with President's 1977 Budget, as submitted on January 21, 1976.

G.N.P. DEFICIENCIES AND BUDGET DEFICITS

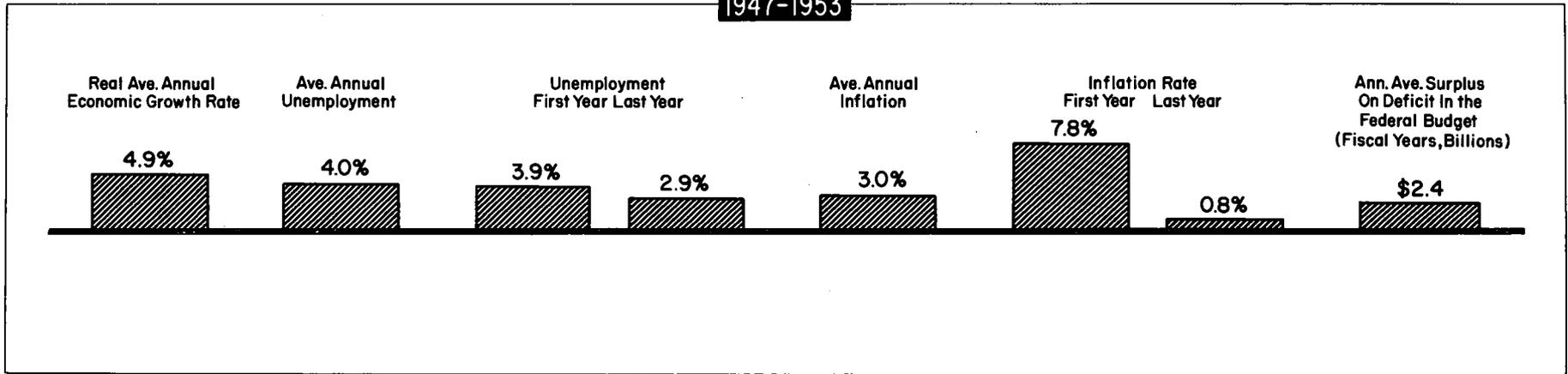


⌋ Production deficiencies represent differences between actual production and production at full economy rate of growth. Projections from 1946.

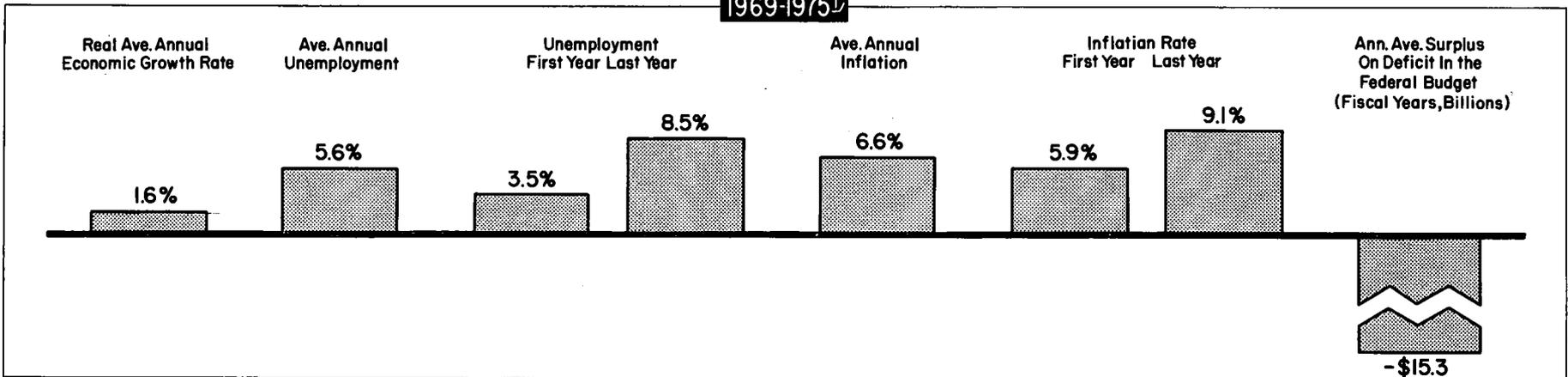
Source: Dept. of Commerce; Office of Management and Budget, for actual figures

ECONOMIC PERFORMANCE AND THE FEDERAL BUDGET

1947-1953



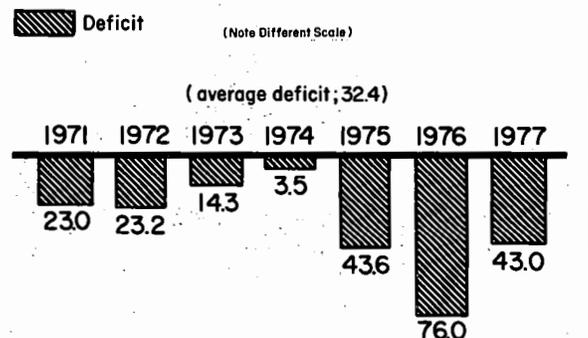
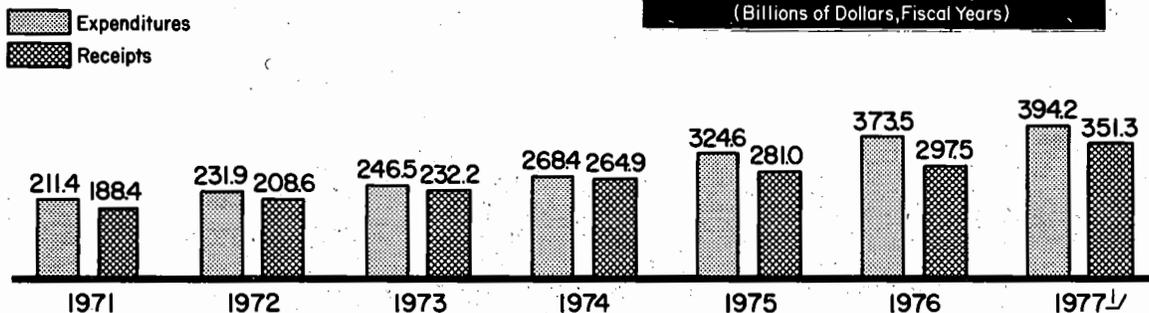
1969-1975



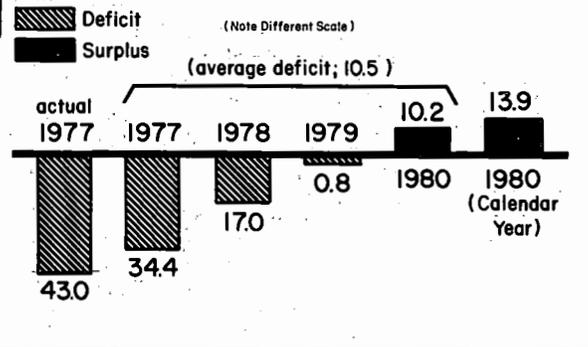
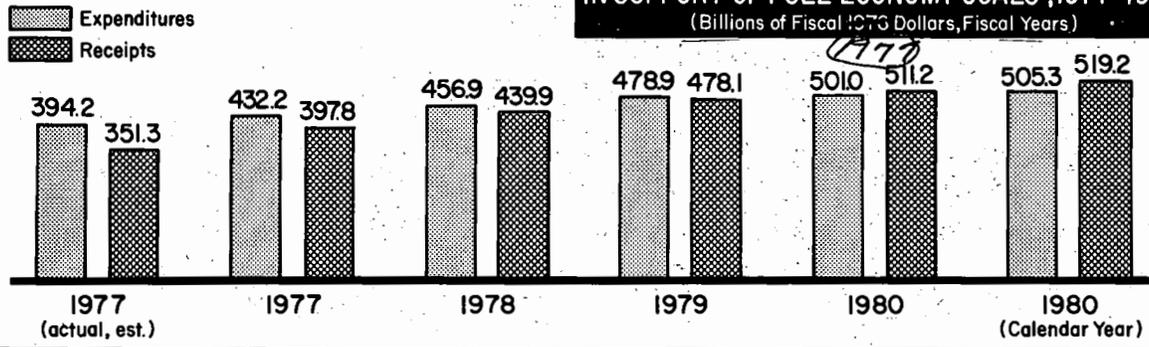
⌋ All 1975 figure, except Federal Budget, estimated.
 Source: Dept. of Commerce; Dept. of Labor; Office of Management and Budget

FROM FEDERAL DEFICITS IN AN UNHEALTHY ECONOMY TO A HEALTHY BUDGET IN A HEALTHY ECONOMY

ACTUAL FEDERAL BUDGET, 1971-1977
(Billions of Dollars, Fiscal Years)



MODEL FEDERAL BUDGET^{2/}
IN SUPPORT OF FULL ECONOMY GOALS^{3/} 1977-1980
(Billions of Fiscal 1977 Dollars, Fiscal Years)



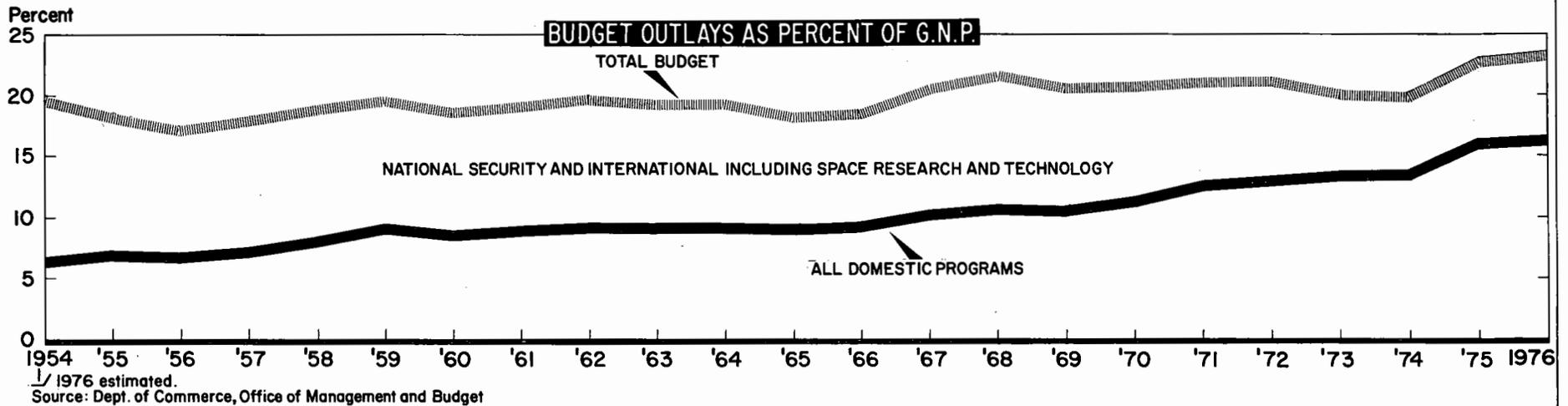
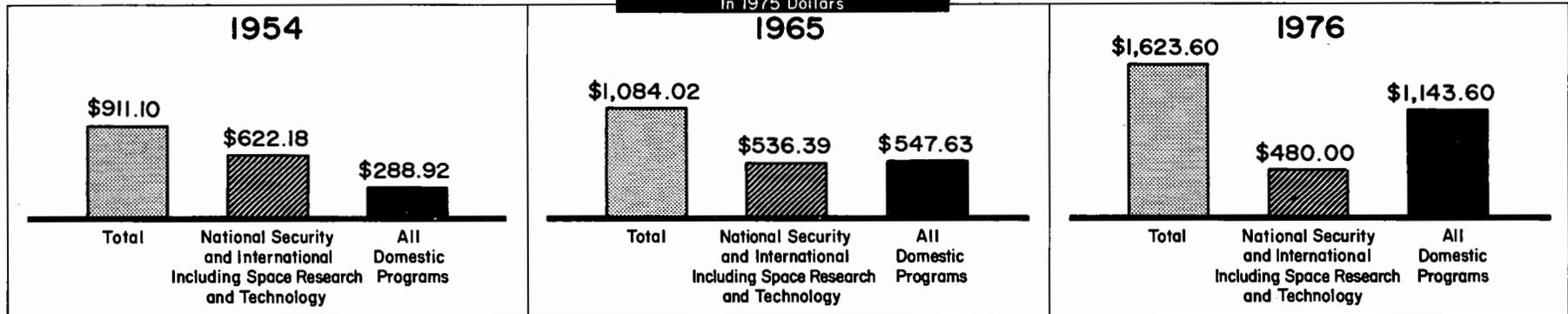
^{1/} President's Budget, as sent to the Congress on January 21, 1976.
^{2/} Model Federal Budget depicted in detail on another chart. Goals would be higher in each year's dollars to extent prices rise above fiscal 1977 dollars.
^{3/} Full economy goals shown on another chart.

Basic Data: Office of Management and Budget for actual Federal Budget

FEDERAL BUDGET ON A PER CAPITA BASIS AND IN RELATION TO G.N.P., 1954-1976^{1/}

Fiscal Years

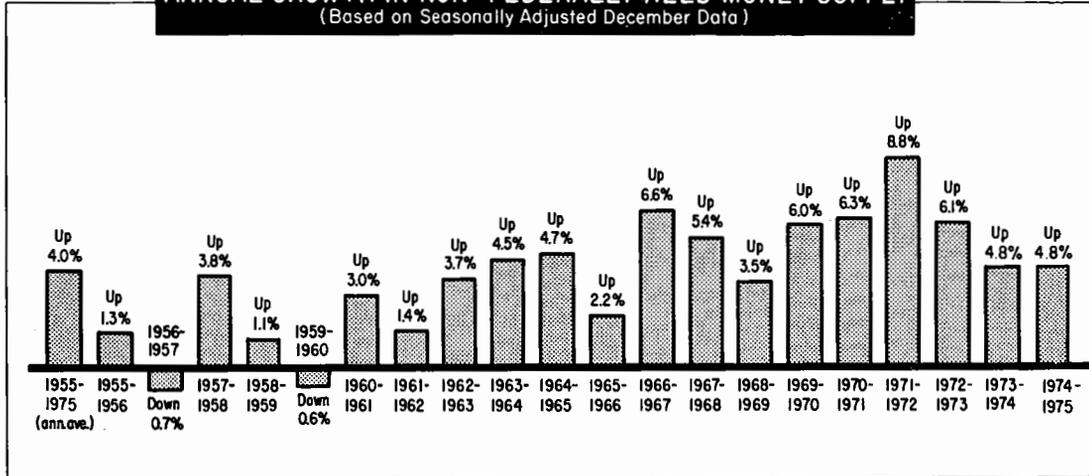
BUDGET OUTLAYS PER CAPITA In 1975 Dollars



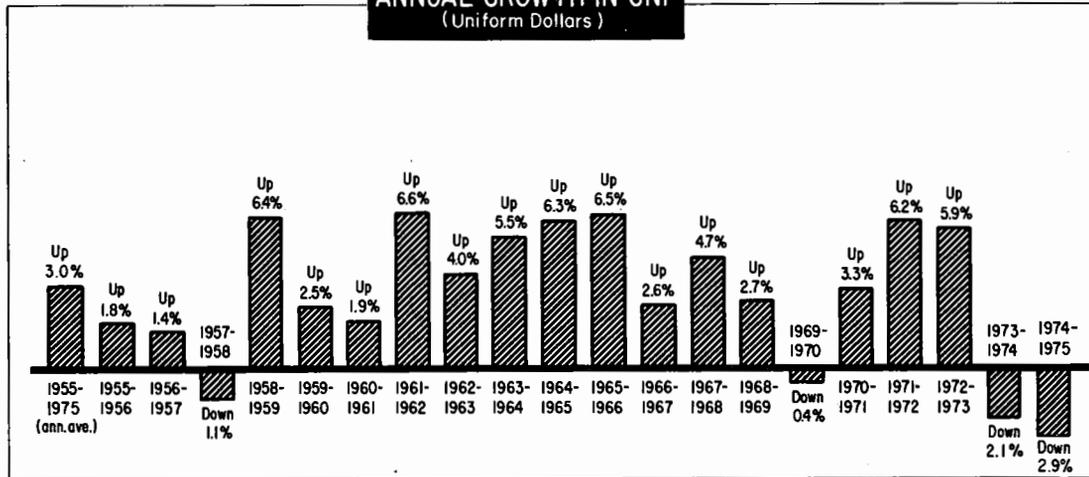
COMPARATIVE TRENDS IN NON-FEDERALLY HELD MONEY SUPPLY, G.N.P., AND PRICES, 1955- 1975^{1/}

CHART 18

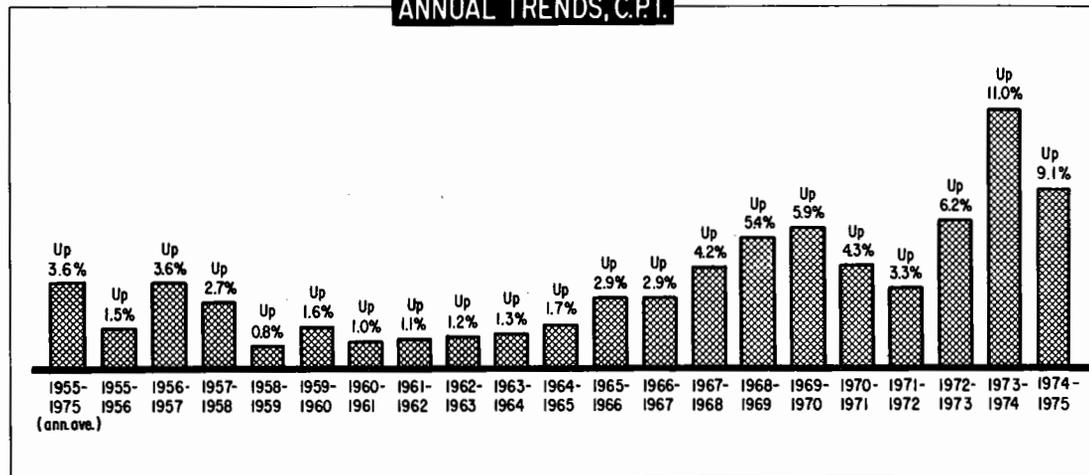
ANNUAL GROWTH IN NON-FEDERALLY HELD MONEY SUPPLY (Based on Seasonally Adjusted December Data)



ANNUAL GROWTH IN GNP (Uniform Dollars)



ANNUAL TRENDS, C.P.I.

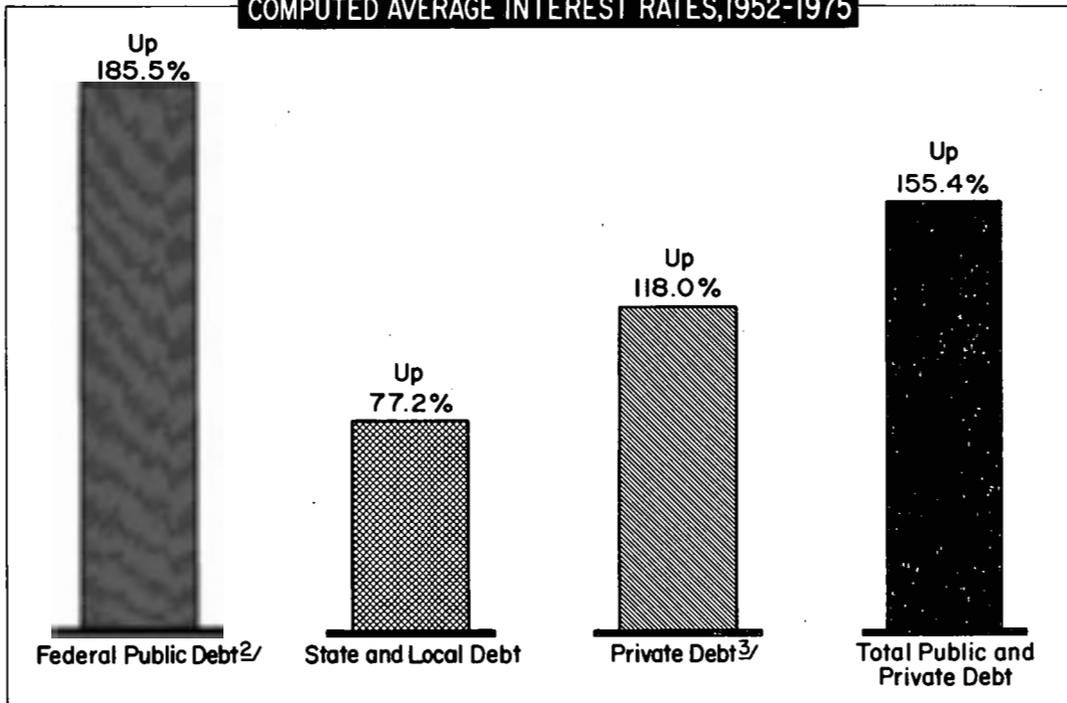


^{1/} 1975 estimated.

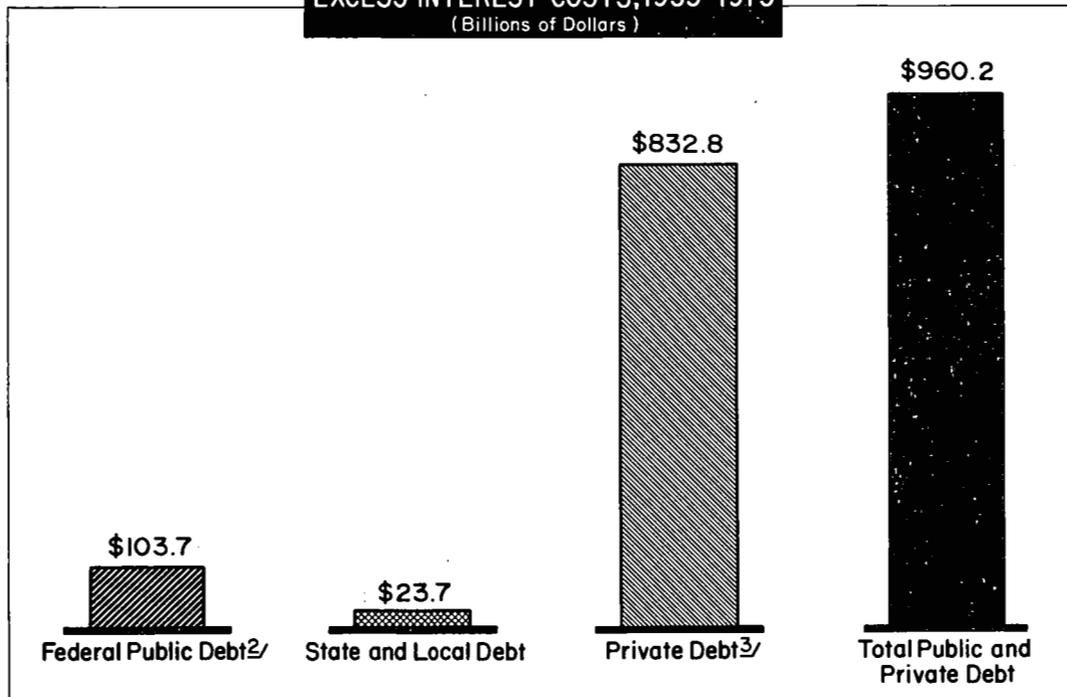
Data: Dept. of Commerce; Dept. of Labor; Federal Reserve System

INCREASES IN AVERAGE INTEREST RATES, AND EXCESS INTEREST COSTS DUE TO THESE INCREASES, 1952-1975^{1/}

COMPUTED AVERAGE INTEREST RATES, 1952-1975



EXCESS INTEREST COSTS, 1953-1975
(Billions of Dollars)



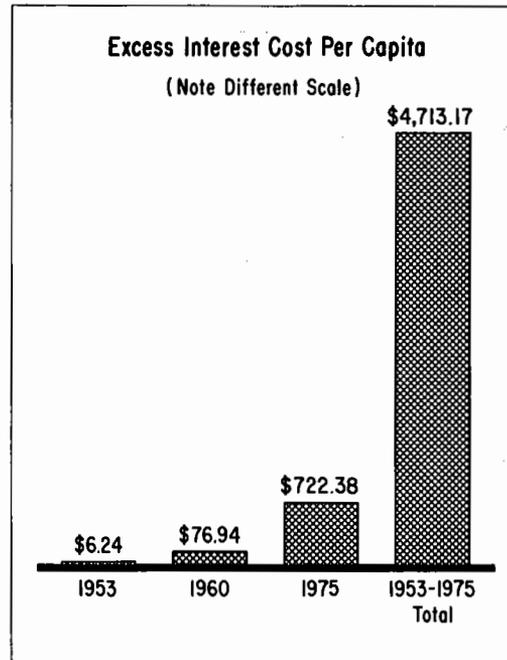
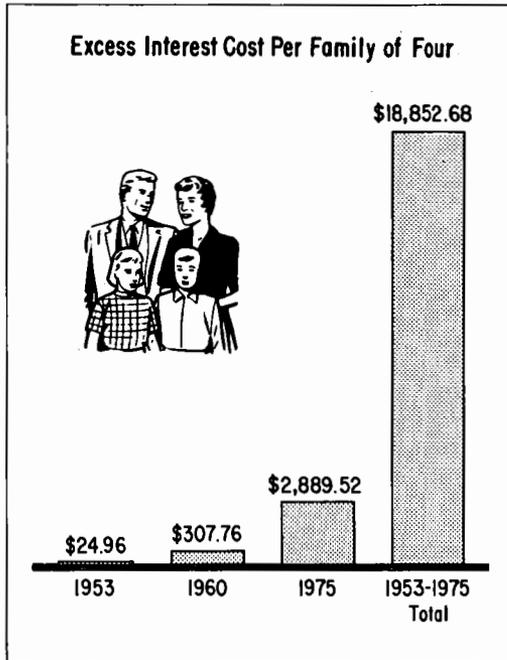
^{1/} 1974-1975 estimated.

^{2/} Includes net foreign interest.

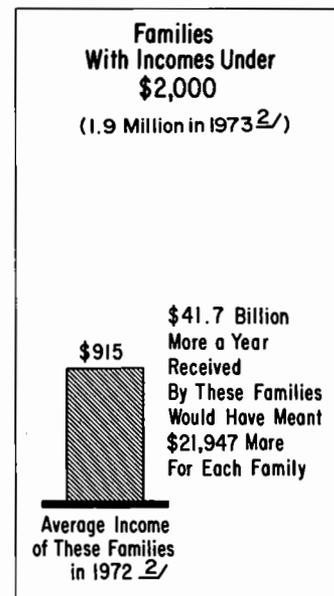
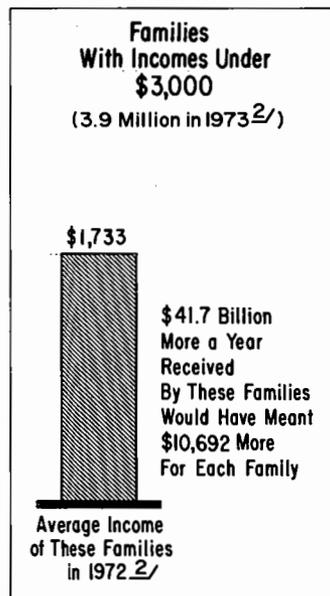
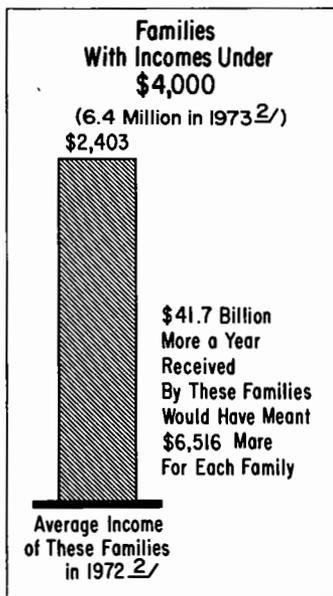
^{3/} Computed as a residual by subtracting Federal Public and state and local debt from total public and private debt.

THE BURDEN OF \$960.2 BILLION IN EXCESS INTEREST COSTS, 1953-1975^{1/} UPON THE AMERICAN PEOPLE

Calendar Years



HOW \$41.7 BILLION A YEAR, 1953 - 1975 - EQUAL TO ANNUAL EXCESS INTEREST - MIGHT HAVE HELPED LOW-INCOME FAMILIES



^{1/} 1974-1975 estimated.

^{2/} Latest Available.

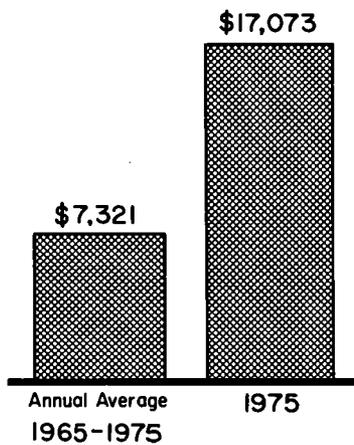
Source: Economic Report of the President, Dept. of Commerce, Bureau of the Census.

EXCESS INTEREST COSTS IN THE FEDERAL BUDGET 1965-1975 CONTRASTED WITH OTHER COSTS FOR SELECTED BUDGET PROGRAMS^{1/}

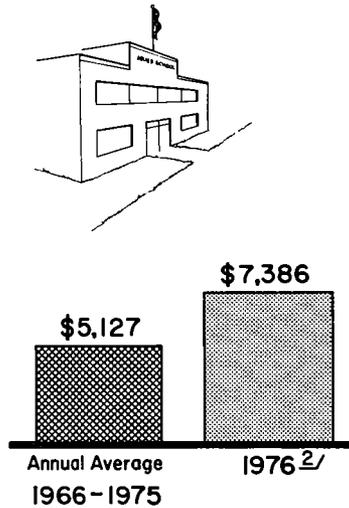
CHART 21

Millions of Dollars

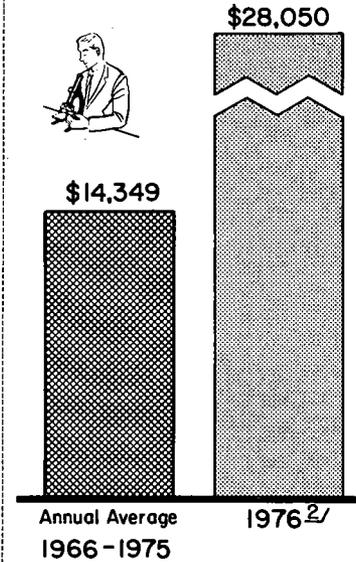
EXCESS INTEREST COSTS IN THE FEDERAL BUDGET



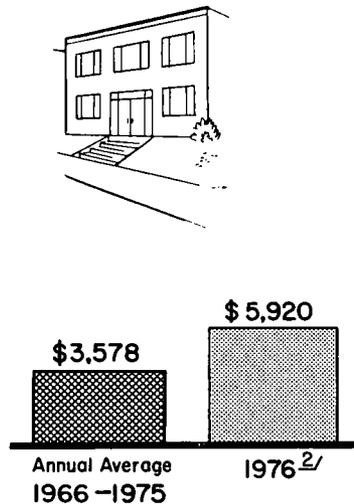
BUDGET OUTLAYS FOR EDUCATION



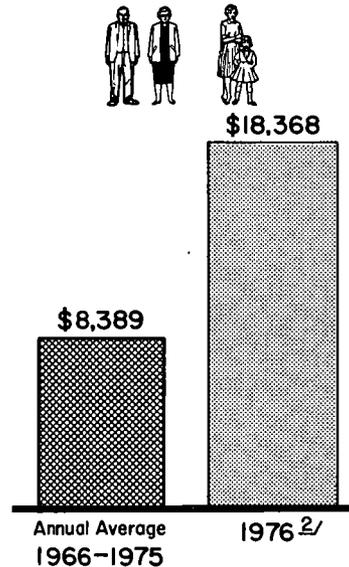
BUDGET OUTLAYS FOR HEALTH SERVICES AND RESEARCH



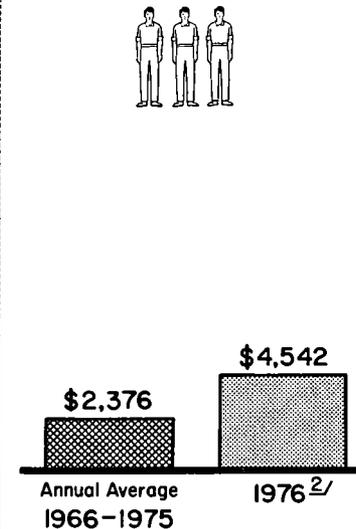
BUDGET OUTLAYS FOR HOUSING AND COMMUNITY DEVELOPMENT



BUDGET OUTLAYS FOR PUBLIC ASSISTANCE AND WELFARE SERVICES



BUDGET OUTLAYS FOR MANPOWER PROGRAMS

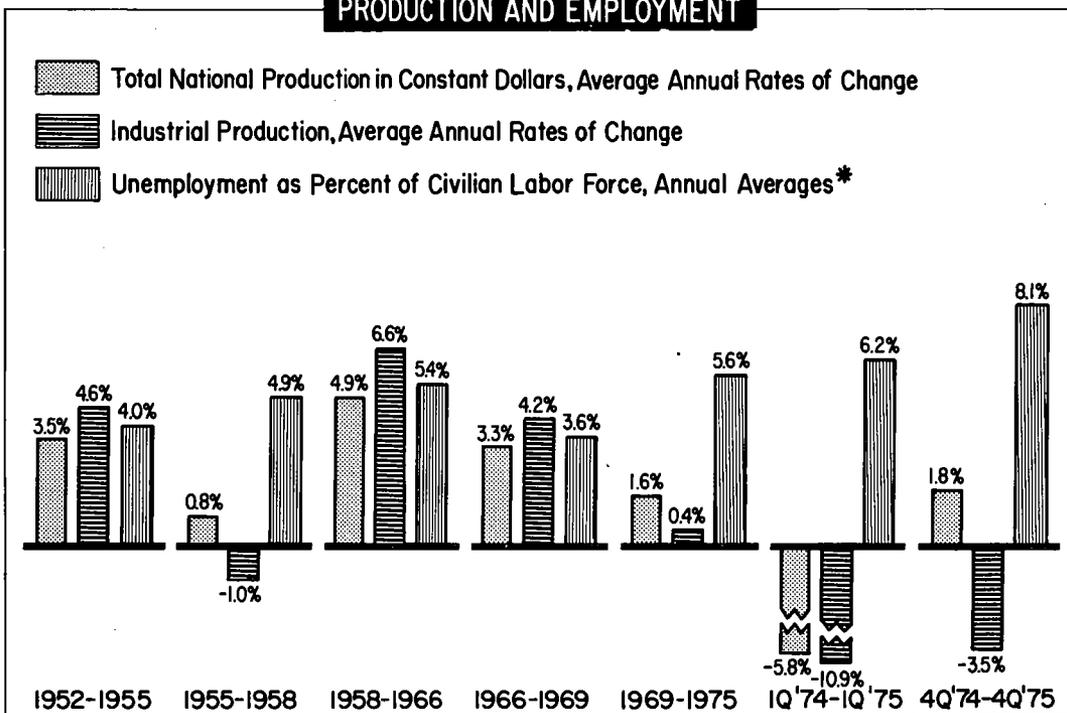


^{1/} Interest costs, calendar years; budget outlays, fiscal years. 1975 interest costs and 1975 budget outlays estimated.

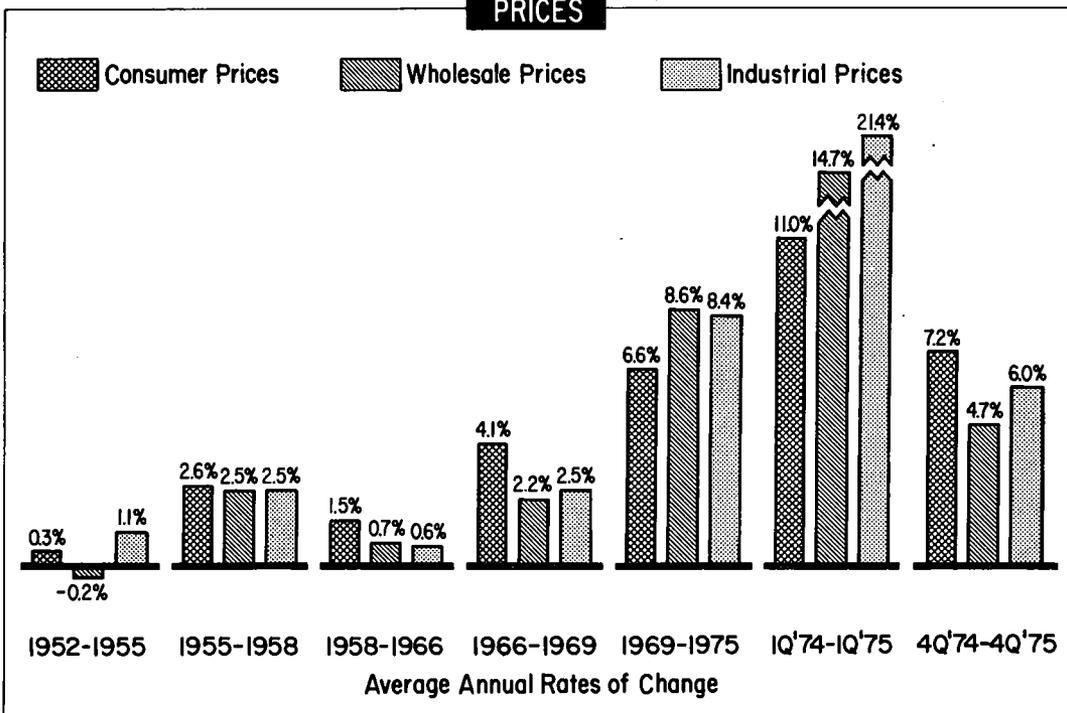
^{2/} Proposed in fiscal 1976 Budget.

RELATIVE TRENDS IN ECONOMIC GROWTH UNEMPLOYMENT, & PRICES, 1952-1975^{1/}

PRODUCTION AND EMPLOYMENT



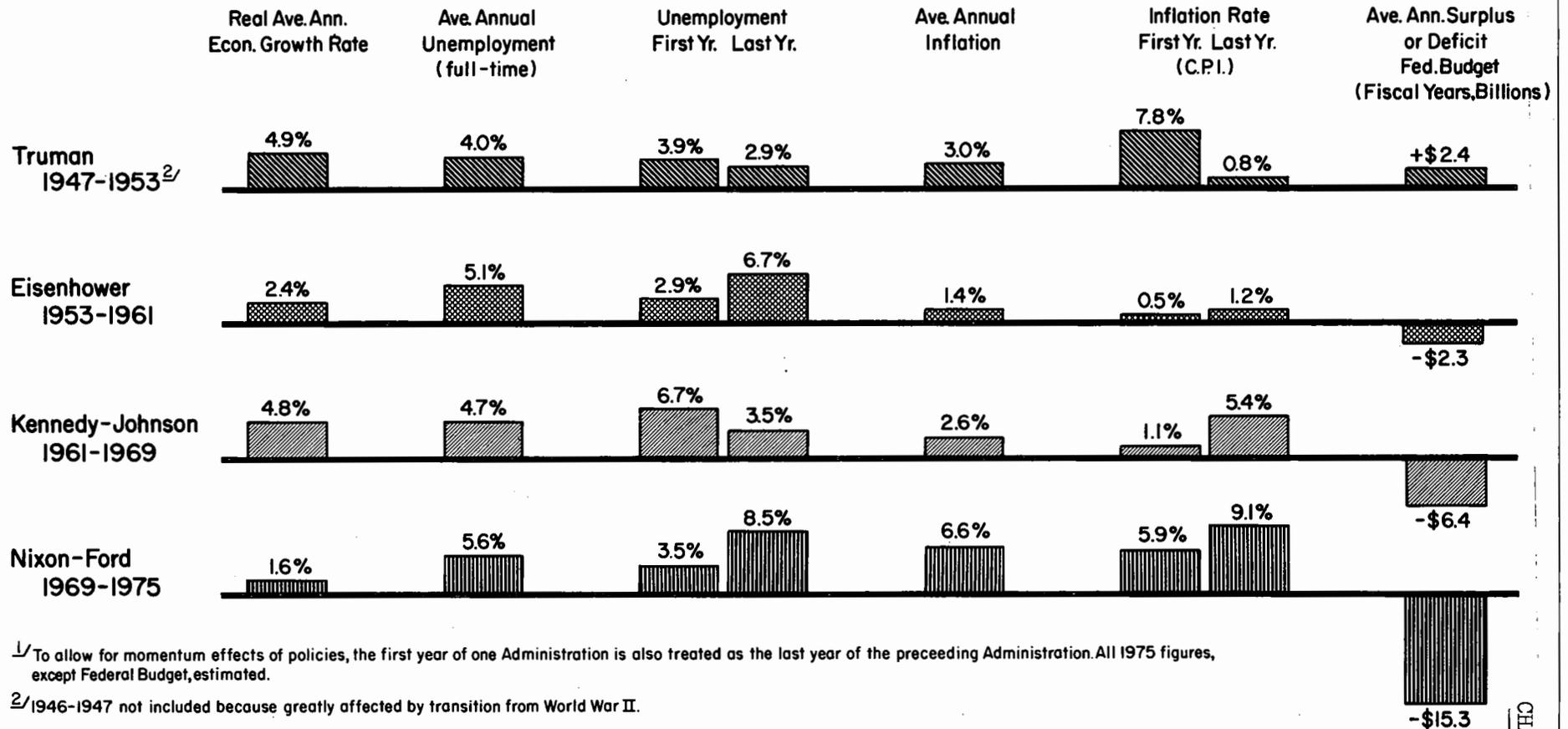
PRICES



^{1/} All 1975 figures estimated.

* These annual averages (as differentiated from the annual rates of change) are based on full-time officially reported unemployment measured against the officially reported Civilian Labor Force.

U.S. ECONOMIC PERFORMANCE, UNDER VARIOUS NATIONAL ADMINISTRATIONS WITH VARIOUS APPROACHES TO NATIONAL ECONOMIC POLICY^{1/}



^{1/}To allow for momentum effects of policies, the first year of one Administration is also treated as the last year of the preceding Administration. All 1975 figures, except Federal Budget, estimated.

^{2/}1946-1947 not included because greatly affected by transition from World War II.

Source: Economic Reports of the President, and Economic Indicators.

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FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1976

SUMMARY AND SECTION-BY-SECTION ANALYSIS

Summary

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.

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.

March 10, 1976

The New "Full Employment and Balanced Growth Act of 1976"
in comparison with its previous versions

In August 1974 the first version of this legislation was introduced as the "Equal Opportunity and Full Employment Act of 1976." The House sponsors were Rep. Augustus Hawkins (Cal.) and Rep. Henry S. Reuss (Wis.), supported by over 90 other House members. The chief Senate sponsor was Sen. Hubert H. Humphrey (Minn.). The identical bill was reintroduced in January 1975 as H.R. 50 and S. 50.

In March 1975 a major broadening was suggested. This appeared in the form of a House Subcommittee Print of March 20, 1975.

As pointed out in the following summary, the new substitute version retains some features of previous versions, offers many new features and changes or eliminates some of the older provisions. For the sake of brevity, neither the details of each provision nor the reasons for the changes are given.

I. Features common to all versions

All versions of the bill have strengthened, extended or updated the Employment Act of 1946 in the following manner:

1. Declaring and establishing the right of all adult Americans able, willing and seeking work to opportunities for useful paid employment at fair rates of compensation. This restores a provision of the original Full Employment Bill of 1945 which, although approved by the Senate, was stricken out by the House.
2. Putting full employment, production and purchasing power back into the Employment Act's declaration of policy and its mandate concerning the President's Council of Economic Advisers.
3. Providing for annual transmission to Congress of a Presidential program for general stimulus of the entire economy, i.e., a primary (or first-resort program) for full employment, production and purchasing power.
4. Providing supplemental (or last resort) machinery in the Department of Labor for government-financed employment opportunities through reservoirs of public and private employment projects.
5. Providing special protection for people who have hitherto been excluded from employment on the ground of sex, age, race, color, religion or national origin.
6. Providing specific attention to the problem of inflation, a subject not dealt with in either the original Full Employment Bill of 1945 or the Employment Act of 1946.
7. Strengthening the role of the Congress--and particularly the Joint Economic Committee--in the development of the many policies and programs required to maintain full employment without inflation.

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8. Recognizing that a number of years will be required to attain genuine full employment without inflation.

II. New features not in previous versions

1. Emphasis on balanced growth as well as full employment (Sec. 1, 101, 102, 104).
2. Comprehensive set of anti-inflation policies tied in with general fiscal and monetary policies (Sec. 106 and 107).
3. Comprehensive counter-cyclical policies, including counter-cyclical grant program for State and local governments (Sec. 202 and 203)..
4. Special financial provisions for assistance to depressed regions and inner cities (Sec. 204).
5. Integration, improvement and expansion of existing youth employment programs (Sec. 205).
6. Promotion of economy and efficiency in government through zero-base budgeting in Federal budget and review of government regulations (Sec. 105).
7. Transmission of each year's Full Employment and Balanced Growth Plan to Governor of each State, with possibility of public hearings on same at State level (Sec. 104-G).
8. Appointment of a 12-person Advisory Committee on Full Employment and National Growth to assist the Council of Economic Advisers in helping prepare the President's Economic Report and Full Employment and Balanced Growth Plan (Sec. 109).
9. Integration of work of Joint Economic Committee and the Budget Committees of each House in preparing the annual concurrent budget resolution (Sec. 303 and 304).

III. Changes in various features of previous versions

1. Short title changed to "Full Employment and Balanced Growth Act of 1976" from "Equal Opportunity and Full Employment Act."
2. The primary (or first resort) economic program described as "Full Employment and Balanced Growth Plan" instead of "Full Employment and National Purposes Budget" or "Full Employment and Production Program."
3. The number of high-priority areas in the primary economic program reduced in number and presented in more consolidated form without specific targets: (i) energy, transportation, food, small business and environmental improvement; (ii) health care, education, day care and housing; (iii) Federal aid to State and local governments; and (iv) national defense and international affairs.
4. The goal of reducing officially measured unemployment to 3% of civilian labor force to be reached in 4 years instead of shorter period.

5. "Last resort" jobs from Full Employment Office to be distributed on basis of applicants' needs.
6. President's annual Manpower Report to include analysis of extent to which last-resort employment helps achieve affirmative action in quantity and quality of jobs.
7. The right to "opportunities for useful paid employment at fair rates of compensation" instead of the right to "equal opportunities..." (which might have been interpreted as opening the door to equally poor opportunities.
8. The Full Employment Office (instead of Job Guarantee Office) in the Department of Labor to operate federally, with such use of the U.S. Employment Service and C.E.T.A. facilities as the Secretary of Labor may arrange.
9. Federal Reserve Board to report independently on extent to which its policies support achievement of the goals in President's Full Employment and Balanced Growth Plan.

IV. Previous features eliminated

1. The subsection providing for judicial appeals by persons feeling that they have been deprived of their employment rights.
2. The imposition of the Act's full employment policies on the Federal Reserve System and other independent agencies of the federal government.
3. The section establishing a mandated program of full employment research under a National Institute for Full Employment Research.
4. The section mandating specific contents in the annual "Manpower Report of the President" and changing its name to "Labor Report of the President."
5. The holding of annual full employment conferences by Joint Economic Committee.
6. The mandated use of the local Planning Councils under C.E.T.A. as advisory boards in development of public and private reservoirs of employment projects.

Subcommittee on Equal Opportunities
Augustus F. Hawkins, Chairman
225-2201
225-1927

SUMMARY OF H.R. 50

The Full Employment and Balanced Growth Act is designed as the legislative foundation for America's economic policy and program in the decades ahead.

Under it, business, labor, agriculture and government at all levels would work cooperatively to formulate goals, policies and programs for promoting the healthy growth of the private sector and the more efficient provision of those services that only government can supply. The expanded production of useful goods and services would translate into practical reality the right of all adult Americans to opportunities for useful paid employment at fair rates of compensation. By 1980, at the latest, unemployment would be reduced to the minimum level of frictional unemployment consistent with efficient job search and labor mobility and in no event more than 3% of the civilian labor force.

A major provision of the bill provides for a "Full Employment and Balanced Growth Plan," which the President is to send to Congress every year. This plan is to include

- specific targets for full employment, production and purchasing power
- priority policies and programs for energy, transportation, food, small business, environmental improvement, health care, education day care, housing and other vital areas
- fiscal and monetary policies to promote full employment and balanced growth and to balance the Federal budget at full employment levels of Federal revenue
- comprehensive policies and programs to prevent or combat inflation
- an active role in full employment and balanced growth policy for the Board of Governors of the Federal Reserve System
- the promotion of more governmental economy and efficiency through intensive reviews of government regulations and the gradual introduction of zero-base budgeting

A 12 person Advisory Committee on Full Employment and Balanced Growth would assist the Council of Economic Advisers in helping prepare the President's Economic Report and Full Employment and Balanced Growth Plan.

More specifically, the bill also provides for

- comprehensive counter-cyclical policies, including a counter-cyclical grant program for State and local governments
- special provisions for assistance to depressed regions of the country and inner city areas
- integration, improvement and expansion of existing youth employment programs

more

-- supplemental (or last resort) provision of employment opportunities for those not able to find work elsewhere. This is to be done under Presidential direction by the Secretary of Labor through a new Full Employment Office in the Department of Labor and using reservoirs of federally operated public employment projects and private nonprofit employment projects.

Throughout the bill, first emphasis is placed on expansion of private employment opportunities, encouraged by improvements in monetary and fiscal policies. The second line of defense against unemployment is public activity at the State and local level. Federal employment projects are last resort.

The Bill also mandates a more active role for the Congress -- including its Joint Economic Committee and the Budget Committees of each House in reviewing the required reports and proposals of the President and the Federal Reserve System and in determining the specifics of goals, policies and programs for full employment and balanced growth. Each year the Congress is to debate and vote on a Concurrent Resolution approving, modifying or disapproving the President's Full Employment and Balanced Growth Plan. With the help of the Joint Economic Committee, the annual Concurrent Resolution on the Budget is to deal specifically with the employment, production and purchasing power goals implicit in its recommendations concerning the levels of Federal expenditures and revenues. To assist in these efforts, a new Division of Full Employment and Balanced Growth is set up in the Congressional Budget Office.

In general, the Bill extends and amplifies the economic planning policies and machinery established by the Employment Act of 1946.

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