PATH TO FULL EMPLOYMENT CONFERENCE
14-15 June 2001

Full Employment in the United States
History and Prospects

Sumner M. Rosen
Vice-Chair, National Jobs for All Coalition and
School of Social Work, Columbia University
Full Employment in the United States - History and Prospects

Sumner M. Rosen

1. Introduction

The effort to embed a commitment to full employment as a national public policy in the United States began in earnest in the closing years of World War II, a landmark era for virtually every dimension of public and private life. Analysis of the key phases in this effort can help to assess both the progress that has been made and the prospects for the future.\(^1\) Intellectual work has made important contributions, connected with activities in other spheres of public life. A base has been built that links academics, activists, sectors of organized labor, human rights advocates and political figures, and in recent years has established international connections in recognition of the role that global factors play in economic and political affairs.

2. The Moral Imperative

Secular and religious voices have long advocated measures that would counter the power of industrial and financial capital with policies to protect workers, children, the aged and others from the burdens of unemployment, exploitation, poverty, homelessness and other ills. *Rerum Novarum*, the 1891 papal encyclical, was the first of many statements by the Catholic Church calling for a balance between economic progress and social protection. In the United States the most recent and most eloquent of these was the 1986 pastoral letter of the U.S. Conference of Catholic Bishops, *Economic Justice For All*, which states that “full employment is the foundation of a just society”. Similar statements have been made by other religious denominational bodies.

3. The Post-War Discussion

The prospect that the end of World War II would replace war-time prosperity, including overfull employment for the first - and only - time in U.S. history stimulated extensive discussion about public policies that could sustain the high levels of employment that had greatly improved the living standards and economic well-being of millions of workers who had historically been consigned to poverty and insecurity.

Bertram Gross, a founding member of the National Jobs for All Coalition (NJFAC), drafted the memorandum for the U.S. Senate that was intended to provide the basis for legislation that would commit the federal government to full employment policies. At the same time John Maynard Keynes was developing proposals to ensure economic stability in the international post-war economy; sustaining full employment was at the center of this work.

The compromises required to enact the 1946 Employment Act exposed its limitations as the post-war prosperity was ending in the early 1970s. The need to revise and strengthen the law led Congressman Augustus Hawkins of California to commission a study that would guide revisions designed to restore the original vision in time to mark the 1976 bicentennial

---

\(^1\) I have served from the beginning as vice-chair of the National Jobs For All Coalition, founded in 1994. The work of the coalition of necessity serves as the centerpiece of this paper.
of the Declaration of Independence. As this work developed Nat Weinberg, assistant to Walter Reuther, President of the United Auto Workers, observed that revision involved reform of every important economic institution, public and private. As in other comprehensive efforts to enact effective public policy, the required scope of change aroused sufficient resistance to ensure that the resulting law - the Full Employment and Balanced Growth Act of 1978, often referred to as the Humphrey-Hawkins law for its two principal sponsors in the Senate and House of Representatives, made only modest improvements. Parallels can be seen to the shortcomings of the ambitious architecture that Keynes envisioned, including the failure to establish an International Trade Organization to ensure orderly exchanges in the global economy. For Keynes full employment was at the heart of his vision for a post-war economic order.

1993 saw still another proposal to rewrite the law; new voices were involved along with the late Bertram Gross and other veterans of earlier efforts. It soon became clear that despite economic difficulties the Clinton administration had no interest in encouraging or supporting new legislation. The decision to organize the NJFAC was a response to this and earlier lessons: without a base of popular support, such efforts could not survive the opposition of business and the relative indifference of a weakened and defensive labor movement.

4. Efforts and Achievements Since 1994

Articulating a version of full employment consistent with major changes that have taken place in both the national economy and in international economic relationships required serious analysis. In the U.S. women in increasing numbers joined a labor force hitherto predominately male. The international division of labor was rapidly changing, and capital, even when using advanced technology, could be invested in many places in the world. New Initiatives for Full Employment (NIFE), an informal discussion group organized in the mid-1980s needed a better vehicle for organizing and articulating the analysis that was needed if the group hoped to be taken seriously by both friends and skeptics. Fortunately the appropriate vehicle was available in the University Seminars established in 1946 at Columbia University. A university seminar on full employment was approved and began its work in 1987. The immediate stimulus was a view articulated by influential voices in the American left that the power of the corporate sector backed by conservative, anti-labor voices on the right, precluded any prospect of full employment; instead, these voices argued, progressives should focus on ensuring a generous and adequate level of social support through enlargement of the welfare state; they saw in the expansion of benefits to single mother families in the 1960s a strategy that they thought would work.

The weakness of this strategy seemed clear, and still does, to the founders of the NJFAC; a society that will not ensure full employment at decent wages for all who need and wish to work is not likely to endow and support a level of expenditures for social welfare and social insurance that requires a strong and effective state empowered to levy and dispense the tax levels needed to provide decent standards of living for its dependent and vulnerable citizens. Accordingly we began to discuss, write, exchange views, convene conferences and to create an inventory of analytic work that dealt with the changes as well as with the underlying continuities about the economy, the labor force, and the factors that determine
the level of employment and joblessness.\footnote{2} We focused on demonstrating that full employment was conceptually feasible and politically possible, the necessary precondition for both an economy of opportunity and security, and a system of social welfare that protected people at all levels from the risks of modern competitive economies.

A modest, stable base of organizations and individuals makes it possible to disseminate our work and to build relationships with organizations that can mobilize and build political influence, reach the mass media, strengthen the intellectual and analytic foundations, and broaden the base of support.\footnote{3} Our organizing strategy included outreach to advocates focused on important social problems, among them poverty - especially among blacks and hispanics, urban unrest, homelessness, rising levels of imprisonment, and doubts about the long-term viability of social security insurance for the aged. We argued that each of these, and other social concerns were exacerbated by persistently high levels of joblessness and that joining our struggle would help to address these issues.

The much-hyped economic expansion of the 1990s persuaded many, pundits and people, that American capitalism had found the secret of permanent prosperity, but the collapse of the speculative bubble and the prospect of increasing levels of joblessness have sobered public understanding and opened new doors of opportunity to organize and mobilize. We pointed out, as did others, that the decade of the 1990s omitted many and consigned others to involuntary underemployment, left real wages stagnant or declining for many workers, increased inequality in wealth and income shares, failed to change the long-standing low levels of economic opportunity and reward for blacks and other minorities, and failed to lift millions from poverty. The welfare “reform” legislation of 1996 pushed millions of unskilled and inexperienced single mothers, most with small children, into the bottom tiers of the labor market. Lower rates of economic growth and even modest levels of recession, reinforced by the erosion of historic provision of social welfare support will increase the numbers of those at risk or in real difficulty. These developments should provide more receptive audiences for the message that full employment at a decent wage, and with adequate income support programs, require a renewed public policy commitment.

Such a commitment is the necessary precondition for other public policy measures needed to promote and preserve equity and to reduce deeply-rooted inequities in the distribution of income and wealth. Erosion of labor market regulation, and the persistent weakness of organized labor in its negotiating relationships with employers help to explain why so there was so little progress in the high growth decade of the 1990s; it was only toward the end of that decade that modest progress was made in the real wages and employment security of workers in the lower quintiles, especially blacks and other minorities. Slower rates of growth and increases in unemployment levels are likely to end or reverse this progress unless labor’s organizing and negotiating strength can be increased, and labor market measures - minimum wage, unemployment insurance, occupational health and safety regulation, etc. - can be strengthened. They depend on the balance of political forces on which labor and other advocates can press for legislative and regulatory reform.

\footnote{2} Some of the results of this work will be found in the list of sources at the end.
\footnote{3} Among the sources of serious intellectual work are the Center for Full Employment and Price Stability, the Jerome LevyEconomics Institute at Bard College, and the Graduate Faculty of Political and Social Science at the New School University.
5. The Difficulties Ahead

Public attitudes are not easily or quickly changed, except when crisis is real, widespread and enduring. Political parties adjust slowly; popular movements that matter take time to grow and learn how to be effective. Any effort to mobilize in support of a full employment agenda has its work cut out for it. Among the difficulties it faces are these:

1. The labor movement was badly weakened by post-war divisions, cold war pressures, and the combined opposition of well organized corporate power and Republican administrations. Until 1995 its leadership showed more solidarity with Polish freedom fighters than with the unorganized workers in the U.S. or social movements that focused on civil rights, womens’ rights, and opposition to the war in Viet-Nam. Changes in top leadership after 1995 brought new energy to organizing and political work, and healed some of these divisions, but progress has been modest at best. The AFL-CIO has reached out rhetorically to other progressive forces but its modus operandi remains insular; responses to the policy initiatives put forward by the NJFAC and other organizations seldom go beyond the level of symbolism. The AFL-CIO had little to say about the drastic reform in welfare proposed by a Democratic president; it remains mute on the question of full employment policies; it plays little role in the national debate about the costs and lack of access to health care; only recently did it embrace the cause of reform of laws that have failed to protect the rights of immigrant workers. It has not regained membership lost in the past thirty years, and faces continued resistance from employers. Its loose structure of autonomous affiliated unions is vulnerable to manipulation by conservative forces offering plausible short-term increases in jobs. Its new links to other progressive political organizations that share distrust of international corporate strategies are fragile. In contrast to business, labor lacks strong connections to the intellectual resources that can provide strategic insight about the economy and other basic forces.

2. At the heart of the post-war social contract that shaped the post-war economy and society was the commitment by employers to stable terms and conditions of employment for the majority of workers mostly men. Job tenure was long, often life-long. Public provision of retirement benefits was for many union families secondary to the pension that employers provided. Unionization was not always welcome but, after the dramatic conflicts of the 1930s and 1940s, accepted by employers large and small in the large mass-production industries that dominated the economy.

This meant that full employment policies would concentrate on those excluded from this social contract - blacks and other minorities, workers in unorganized sectors like banks, insurance, real estate, health care - or those in the organized sector who lost their jobs and economic security because of cyclical downturns or structural changes, like the steady decline of steel and electronics. Effective fiscal and monetary policies, supplemented by active labor market programs, would constitute the heart of full employment policies. Domestic Keynesian measures were the principal policy measures to be deployed.

The period after the end of post-war growth in the early 1970s saw the systemic
erosion of this social contract. Osterman and others have documented the steady decline in job tenure, higher rates of job change, the erosion of employer-provided benefits, and the steady increase of temporary agencies as a major link between job-seekers and jobs. This changes the policy mix; at least as much attention must be paid to job retention and protection as to the provision of jobs for those who lose them, and the protection through social welfare and social insurance programs from the consequences of job loss or job change. Added to this is the need to slow or reverse the downward movement of earnings by workers downsized by corporations that systematically use technology, an increased pace of work, deskilling, broadened job categories and other measures to reduce the rolls without loss of production.

Public policy will need to engage the question of corporate accountability for the social consequences of private decisions that leave workers, families and communities high and dry as a result of changes in where, how and by whom work is done. The erosion of the “core” workforce and expansion of the “periphery” is designed to reduce the employer’s responsibility for the needs and destiny of the workers whose work creates the value that is sold in the marketplace. Ideas like the requirement that employers must “stay or pay” belong in the public policy inventory of advocates for full employment.

3. In the U.S. and in the U.K. the Reagan and Thatcher administrations marked the capture of the policy center by the ideological right and the marginalization of what had hitherto constituted the intellectual and political center to left-of-center mainstream. From the mid-1960s, with lavish financial support, conservative thinkers and advocates followed a careful and effective strategy intended to discredit and marginalize not only the Marxist left but the Keynes-Polanyi social democratic consensus that laid the foundations for the New Deal, and to redefine the political center with the values of the market, freedom of business from regulation, minimal government budgets, and ending progressive taxation.

The effectiveness of this effort is reflected in the role that institutions like the Heritage Foundation, the Cato Institute, and the American Enterprise Institute have played at the national level, and in the work of the Manhattan Institute in New York, the capital of the global economy. They redefined the terms of political discourse and were closely involved in designing and executing policies at the national, state and local levels. The end of the cold war and of the Soviet Union had little effect in moderating this style of discourse and argument; in the post-cold war years the ideologues of the right have set as their goal the dismantling of as much of the New Deal structure as they can. Proposals to private social security and contract with religious institutions to provide publicly funded services are the cutting edge of this effort. Its intellectual message recalls historic mistrust of the Soviet Union, long before the Cold War began, and the conflation of a state committed to social values with the anti-communist hysteria of the 1940s and 1950s.

4. Excellent work by economists who understand the destructive and divisive consequences of neo-liberal policies has not as yet had significant impact on the

---


5 Manpower became the largest employer in the world in the 1990s.
academic economics mainstream dominated by neo-classical models and assumptions in the U.S. The adherents of this school of thought largely edit the journals, control the important professional conferences, recruit for official positions in Congress and the White House, and influence the decisions of the important funding sources; they largely dominate the choices of Nobel laureates in economics. The economics departments of the major universities provide little space or welcome for dissenting views.

Such views, though still rare, can be forceful and persuasive. James Galbraith, for example, argues that erosion of the high employment levels achieved in the post-war decades was the major cause for increases in income inequality and erosion of wage levels:

“The essential things, before anything else, are to keep reducing the rate of unemployment, to drive down the rate of interest. For these purposes, the control of monetary policy is the critical task....Until that power is again harnessed to the effective pursuit of full employment, as it was during the 1940s and in the 1960s, we are unlikely to see a return to anything resembling a middle-class wage structure...I call on those who read these pages...to consider the possibility of a politics of full employment, low and stable interest rates, stronger economic growth, higher minimum wages, and declining inequality.”

The book is a telling critique of the failure of the U.S. economics mainstream to focus on the central importance of the historic role of full employment as the centerpiece of macro policy.

Proposals to coordinate Keynesian policies of demand expansion across national lines have been explored by several writers, among them Robert Blecker and Lord John Eatwell; there is more work to be done along these lines. More clarification is needed to help determine the scope and limits of monetary and fiscal policies, especially those of major powers like the U.S, and how best to promote coordinated policies across national boundaries; proposals for a Tobin tax on speculative flows of short-term capital have begun this mapping task.

5. The left in the US remains focused on issues that deal more with the fruits of economic malaise than with its causes: race, gender, prison abuses, tenants rights, gay rights, welfare reform, sweatshops and other corporate and government misdeeds. These are not unimportant but they fail to engage the central failures of economic policy and performance. The public organs of the left speak largely to the converted; voices of the left are seldom seen or heard in mass media.

6. Prospects for National Renewal

There is little solid ground for optimism, especially in the short run. Despite a closely

---

6 Columbia University is included in this characterization. William Vickery, who was awarded the Nobel prize in 1996, was an ardent advocate of what he called “chock-full” employment; he had few disciples and little influence in the work of the department of economics.

contested election the conservatives have solidified their hold on national policy making and execution, and a divided Congress has shown little stomach to contest most of the early Bush administration initiatives. But the level of activity is rising in cities and towns, on university campuses and in other grass roots places. Anti- sweatshop campaigns, campaigns to enact living wage ordinances in many cities, and union-led campaigns to secure “justice for janitors” - mostly immigrants from Mexico and Latin American - are energizing popular and student organizing. The growing concern about the effects of corporate and financial dominance on economic security, opportunity and employment provides an important potential for effective organization and mobilization. These effects can be highlighted as the fruits of the ideological hegemony under which corporate interests were able to block unionizing efforts, keep wages low, and garner the lion’s share of the gains from a decade of high economic growth. The disenchantment with these results provides the soil in which serious organizing and mobilization could develop, though as yet only a few of these seeds have begun to bear fruit. The forces that gathered in Seattle, Washington and Quebec City have demonstrated both continuity and increasing sophistication, and the message has reached the leaders of the World Trade Organization and other officials in governments and in the corporate sector.

Intellectual and academic resources have also been organized and are at work. The most ambitious of these may be the nine-university consortium, Work in the Global Economy (WAGENET), headquartered at the University of Wisconsin in Madison, with affiliates in the U.S., Switzerland, Canada, Mexico, Brazil, Germany, and South Africa. This consortium held its first international conference in Madison in 2000.

The international activities of the AFL-CIO have been reorganized in the non-profit Solidarity Center, officially entitled the American Center for International Labor Solidarity. New levels of energy and activity are developing in international labor bodies, the ICFTU and the international trade secretariats (ITSs), and in regional labor organizations, most advanced in Europe. The International Labor Organization elected Juan Somavia of Chile as its new Director-General in 1999, the first head from a non-industrialized country since the ILO’s founding in 1919. The ILO monitors and publishes comprehensive data on developments in employment and unemployment as well as the full range of labor market conditions, industrial relations, child labor, occupational health and safety, education and training, etc. Its labor conventions specify the rights of workers and unions, applicable to all member states. Alone among UN-affiliated institutions the ILO’s governance structure includes representatives of national organizations of employers and unions as well as governments.

The ILO plays a leading role in organizing international conferences and activities that focus on the social dimensions of the global economy, and has been able to engage the key international economic agencies - the IBRD, the IMF and the WTO - in discussion about how governance of international economic relationships can integrate respect for the rights and needs of workers and unions. Concern about unemployment levels and a commitment to advocate measures that can increase employment levels and hold in view the goal of full employment in as many countries and at as high a level as possible is a continuing ILO priority; the ILO submitted its program “Towards Full Employment” for the 1995 Copenhagen World Summit for Social Development. The ILO is the agency best equipped and motivated to advocate on behalf of the employment goals that are stated in the Universal Declaration of Human Rights and in the UN covenants that advocate human
The ILO’s World Employment Report brings together data on labor market and employment levels everywhere, embodied in the overall goal of “Decent Work”, the rubric that defines the ILO’s priorities in the current decade. Its end is “to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.” Its scope includes all workers whether in the formal or informal sectors, and its mission includes “enlarge the world of work, not just to benchmark it. It is, therefore, as much concerned with the unemployed and with policies to overcome unemployment, as it is with the promotion of rights at work.”

These are some of the actors and institutions that are most concerned with the questions germane to the issue of full employment. Assessing the prospects for effective thought and action is difficult since much depends on the degree to which the forces now in ascendancy can remain united and effectively counter or coopt the gathering strength of critical analysis linked to organized opposition. Those who share the view that the neo-liberal consensus is vulnerable because of its concrete failures will continue their efforts, and strengthen the quality of the intellectual work that is needed as the strategic dimension of organized resistance.

7. Conclusion

The moral imperative arms and energizes advocates of full employment as a central factor in the larger struggle to protect and enlarge the rights and opportunities of working people. Advocates are strengthened by the growing evidence that the neo-liberal era has failed to realize the promises of modern economies for legions of workers, families and communities. Strengthened advocacy for economic and social rights as inherent in the broader human rights entitlement connects new forces and arguments to the cause.

The struggle for full employment as essential to economic and social justice has a long and honorable history; in the final analysis the question is the power of the working class, its institutions, allies and advocates, to achieve and exercise control over the forces that determine the prospects of work in a modernizing global economy. Analysis is needed at the national level, already well begun, and in the many dimensions of international cooperation, still relatively undeveloped. Intellectuals and advocates need to learn how to work effectively together, to delineate the appropriate division of labor, and to understand each other’s strength and role.

Works consulted

Twentieth Century Fund.

Websites:

NJFAC: www.njfac.org
ILO: www.ilo.org
ICFTU: icftu.org
Wagenet: www.wagenet.org