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RED TAG

THE WHITE HOUSE

WASHINGTON

March 15, 1976

MEMORANDUM FOR:

BILL SEIDMAN
JIM LYNN
JIM CANNON

THRU:

MAX L. FRIEDERSDORF
VERN LOEN

FROM:

CHARLES LEPPERT, JR. *CLJ*

SUBJECT:

H. R. 50, Full Employment and Balanced
Growth Act of 1976

Attached for your information is a copy of H. R. 50, the Humphrey-Hawkins jobs bill.

Also attached are the following:

- (1) A comparison of H. R. 50 with previous versions,
- (2) Summary of H. R. 50,
- (3) Questions and Answers in re H. R. 50, and
- (4) Press Release - Humphrey announces participants in National Conference on Full Employment.

H. R. 50 is scheduled for mark-up in the House Committee on Education and Labor Subcommittee on Equal Opportunities on Monday, March 15, 1976. The bill then goes before the Subcommittee on Manpower, Compensation, Health and Safety which has 90 days to act and report the bill to the full House Committee on Education and Labor.

Attachments

cc: Jack Marsh
Tom Loeffler
Bill Kendall
Joe Jenckes

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.



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 ^{18 months} 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.



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.



QUESTIONS AND ANSWERS IN RE H.R. 50

Does the reduction of unemployment to 7.6 percent in February 1976 lessen the necessity for H.R. 50?

Certainly not. Unemployment of 7.6 percent is nothing to write home about. Besides, the true level is at least 10.5 percent, when account is taken of the dropouts and the full-time equivalent of part-time unemployment. More important, the purpose of H.R. 50 is not just to speed up the current recovery, although it would help a lot with that. The main purpose is to give us the huge and lasting benefits of regaining and then maintaining full employment, instead of continuing the frequent cycles of stagnations and recessions and inadequate upturns. Five such cycles caused us to forfeit more than 3.3 trillion 1975 dollars of G.N.P. and 61 million man- and woman-years of employment opportunity during 1953-1975 inclusive, and to forfeit more than 900 billion 1975 dollars of G.N.P. and almost 23 million man- and woman-years of employment opportunity during 1969-1975 inclusive.* None of the four previous upturns at its peak brought us anywhere near back to full employment, and most of the forecasts now are that the current upturn at its peak will show more unemployment than at the peak of any of the four previous upturns.

We have conservative estimates that continuation of recent and current national economic policies would cause us to forfeit more than 1.1 trillion 1975 dollars of G.N.P. during 1976-1980 inclusive, and to forfeit almost 17 million man- and woman-years of employment opportunity. We must put an end to this kind of roller-coaster economic performance by moving unemployment steadily downward to not more than 3 percent by the end of calendar 1980 at the latest, and by establishing the policy foundations for continuous full employment thereafter.*

What policies and programs would H.R. 50 use to accomplish the full employment objective?

H.R. 50 would require the President to submit annually to the Congress, in conjunction with his or her Economic Reports, a long-range Full Employment and Balanced Growth Plan. This Plan, instead of making forecasts of what is going wrong, would set interrelated goals for employment, production, purchasing power, and proper attention to national priorities, targeted to not more than 3 percent unemployment within four years of enactment of H.R. 50, say, end of calendar 1980. The President would need to include in the Plan his recommendations on the policies and programs needed to achieve the goals. H.R. 50 also provides for much more effective processing of the Plan by the Congress than has been applied to the processing of the Economic Reports of the President to date.

H.R. 50 requires that first emphasis be placed upon expansion of private employment opportunity, encouraged by improvements in monetary and fiscal policies. There are provisions in H.R. 50 for bringing the Federal Reserve System into support of this target.

Subordinate to this major emphasis upon expansion of private employment, H.R. 50 provides for the use of the Federal Budget to help serve the great priorities of our economic and related social needs, such as energy, resource development, food supply, mass transportation, housing, health, and education. Similarly, H.R. 50 provides for Federal assistance to the States and localities and the private sector, to help deal with such special problems as youth unemployment, cyclical unemployment, chronically depressed areas, etc. But both of these efforts would have a high "multiplier" effect upon private employment. Even on the public employment side, both of these efforts would mean administration mostly at the State and local level rather than at the Federal level, and mean far more expansion of State and local jobs than of Federal jobs. As a last resort, to provide employment opportunity for those not finding employment under other provisions of H.R. 50, it provides for reservoirs of public and private nonprofit employment projects, operated or approved by the Federal Government. But these would provide only a small fraction of the additional jobs, and even most of the jobs so provided would not be Federal jobs. The

*See Chart 1.



general philosophy of H.R. 50 is to accent private expansion of jobs, moving next to State and local expansion, and only as a last resort to Federal direct provision of jobs.

Do you have any estimates as to where the additional jobs would be provided under H.R. 50?

H.R. 50 is a measure to commit us by law to a full employment policy, to define quantitatively what full employment means, and to provide a number of standards in this connection. But the implementation through specific policies and programs is properly left, and necessarily so, to the President and the Congress, both on an annual and a long-range basis. Therefore, it is in a sense premature, and a misunderstanding of H.R. 50, to ask for detailed specifications of where the jobs would be provided, or exactly what programs would be adopted, or what the costs would be.

Nonetheless, for purposes of perspective, we have estimates of the number of additional jobs, and their distribution, required to reduce unemployment to 3 percent by the end of calendar 1980, which would be consistent with the timetable in H.R. 50 for reaching this mandated goal, if enactment is not later than the end of calendar 1976. It is estimated that total nonagricultural civilian employment by the end of 1980 would need to be somewhere in the neighborhood of 10-12 million higher than in early 1976. It is further estimated that there would be about three times as many additional private jobs as additional State and local jobs. There would be about nine times as many additional private jobs as additional Federal jobs. Within this total, there might be one million additional reservoir or last resort employment projects, financed entirely or largely by the Federal Government, but most of these jobs, as I have said, would be State and local or private nonprofit rather than Federal jobs.

Any idea that the H.R. 50 is designed mainly to use the Government as an employer of last resort, and to have many millions of additional Federal jobs is completely erroneous, in terms of the specifics and spirit of H.R. 50. However, and properly so, H.R. 50 does recognize the bedrock and civilized responsibility of the Federal Government to provide jobs for adult Americans able and willing to work, but not otherwise obtaining such jobs.

How much would H.R. 50 cost in operation?

As we have already stated, the costs would be determined by the actual policies and programs developed by the President and the Congress, year by year. It would, therefore, be entirely improper for H.R. 50 to contain cost figures. But it is only fair and proper for the proponents of H.R. 50 to reveal to the Congress and the American people their own appraisals of the outside costs of H.R. 50 in the accomplishment of its targeted objectives.

First of all, we must say a few words about costs in general. To say that increased spending is detrimental per se is entirely superficial, because every addition to production or employment increases spending. It involves more spending to employ a person full time at useful work than to pay unemployment insurance or welfare; it involves more spending to build a home or a factory than not to do so; it involves more spending to close the huge current gap between actual G.N.P. and our capabilities for full production. It is equally superficial to measure real costs by trends in Federal spending alone. Account must be taken of the beneficial effects of wisely designed 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 tax revenues, decreases in the interest burdens imposed upon the Federal Budget and others by excessive interest rates, and most important of all the beneficial effects upon the lives and living conditions of people. We must factor in all of these elements, if the costs of H.R. 50 are to be viewed in a sensible light.



We have had prepared some careful quantitative estimates as to the benefits and costs upon enactment of H.R. 50. As we have already said, these estimates are not and should not be included in H.R. 50, which properly leaves it up to the President and the Congress to determine the course of action in reaching full employment, subject to the mandate that it be reached within four years of enactment of H.R. 50. Nonetheless, Our estimates have value, for the purpose of dispelling some very erroneous ideas about the benefits and costs of H.R. 50.

If H.R. 50 becomes law by the end of calendar 1976, our total national production during the four calendar years 1977-1980 inclusive would represent an annual average of 150-255 billion fiscal 1977 dollars higher than would result under a projection of real G.N.P. growth in accord with current national policies and programs. We designate this G.N.P. difference as the incremental growth benefits of H.R. 50. This estimate of incremental growth benefits is very conservative. It is based upon a much more optimistic forecast of the future results of current national policies and programs than most of the current forecasts, including some by the Administration itself. A Joint Economic Committee study, for example, has come up with estimates of a difference much larger than ours. It is also based upon the assumption that, under current Administration policies, there would be no more periods of stagnation or recession under the policies of the current Administration -- an assumption which many excellent economists do not accept.

Now as to costs, as conventionally measured, we have projected that the Federal Budget during the fiscal years 1977-1980, under current national policies and programs, at about the same real average annual growth rate as during the past three years. We have then compared this with some estimates we have had made, as to how much Federal Budget outlays would need to grow, through fiscal 1980, to help achieve full employment by the end of calendar 1980, and to cover all of the costs of all of the Federally conducted or assisted programs contemplated by H.R. 50. This is merely to give perspective, as we have already stated; the President and the Congress, not we, would determine actual Budget outlays, even with H.R. 50 on the books. We designate the difference between the two Budget projections referred to above as the incremental Federal Budget costs of H.R. 50. Our estimates in this respect are also very conservative, because the difference between our estimates of Budget outlays to accomplish the purposes of H.R. 50 and the projections of the current Administration's Budget policy are smaller than many economists insist are necessary to help restore reasonably full economic health within a tolerable number of years. The incremental Budget cost, i.e. the difference between our estimates of needed Budget outlays and the projection of the current Administration's Budget policy comes to 20-40 billion dollars on an average annual basis during the four fiscal years 1977-1980 inclusive. Even this is an overstatement of the incremental Federal Budget costs which H.R. 50 would entail, because our conservative estimates are that the incremental increase in tax revenues (at existing tax rates) which would result from reaching full employment by 1980, in contrast with the tax revenues which would result from the current Administration's policies, would be well in excess of 20-40 billion dollars a year on the average. Thus, even from the viewpoint of the Federal Budget, H.R. 50 would be a bargain. But far more important, the incremental Federal Budget increases of 20-40 billion dollars a year, which I estimate might be attributable to H.R. 50, would be only about one-fifth of the incremental national production benefits attributable directly to H.R. 50. And this takes no account of the benefits, social and human, in terms of full employment and the great priority programs which H.R. 50 would help so much to serve.



What would H.R. 50 do to the Federal deficit and to the Federal debt?

A strong and steady movement toward full employment is the only way to reduce and then remove the Federal deficit. A comparison of the period 1947-1953 with the period 1969-1975 illustrates dramatically that a very strong employment and production performance yields a Federal surplus, and that a very weak performance causes a large deficit.* The average annual deficit of 32.4 billion dollars during the fiscal years 1971-1977 (1977 est.), and the horrendous Federal deficit of 76 billion (est.) in fiscal 1976 have resulted from the high idleness of workers and other productive resources. The Federal Budget and G.N.P. projections which we have made above, toward reaching full employment by the end of 1980, would result in a Federal deficit during the fiscal years 1977-1980 averaging annually less than one-third as high as during 1971-1977. Under these projections, it is estimated that the deficit in fiscal 1977 would be very much lower than the 43 billion dollars estimated by the President, and the Budget would be practically balanced by fiscal 1979, and show a surplus in the neighborhood of 10 billion in fiscal 1980 (and about 14 billion in calendar 1980). Such can be the results of the increased Federal tax revenues, at existing tax rates, which we will have when we no longer try to squeeze the blood of Federal revenues from the turnip of a starved economy.

Federal Budget outlays in ratio to G.N.P., correspondingly, would drop from 23.5 percent in fiscal 1976 to 20.8 percent in fiscal 1980. And for much the same reasons, the ratio of the gross Federal public debt to G.N.P. would drop from 30.4 percent in fiscal 1976 to 23.2 percent in fiscal 1980.**

What effect would H.R. 50 have upon inflation?

H.R. 50 rejects categorically the discredited "trade-off" idea that higher unemployment reduces inflation, and vice versa. A careful study of the record from 1952 through 1975 shows conclusively that we have come closest to price stability when the record of real economic performance in terms of growth and employment was best, and suffered the worst inflation when the real economic performance was worst.*** The reduction of inflation during the most recent months, compared with the double digit inflation from first quarter 1974 to first quarter 1975, has come when real production was advancing and unemployment being reduced, and when we were no longer confronted by the types of food shortages and Arab actions which contributed greatly to the double digit inflation. The most recent price trends fortify the record of more than two decades, to the effect that the surest and safest way to combat inflation is to bring about full economic restoration. We firmly believe that 3 percent or probably less annual inflation will be the rule when we maintain full employment and full production on a sustained basis. Nonetheless, short of direct controls which would be undesirable at this time, H.R. 50 proposes a variety of strong measures to restrain inflation.

*See Chart 2.

**See Chart 3.

***See Chart 4.



COST OF DEPARTURES FROM FULL ECONOMY, 1953-1975

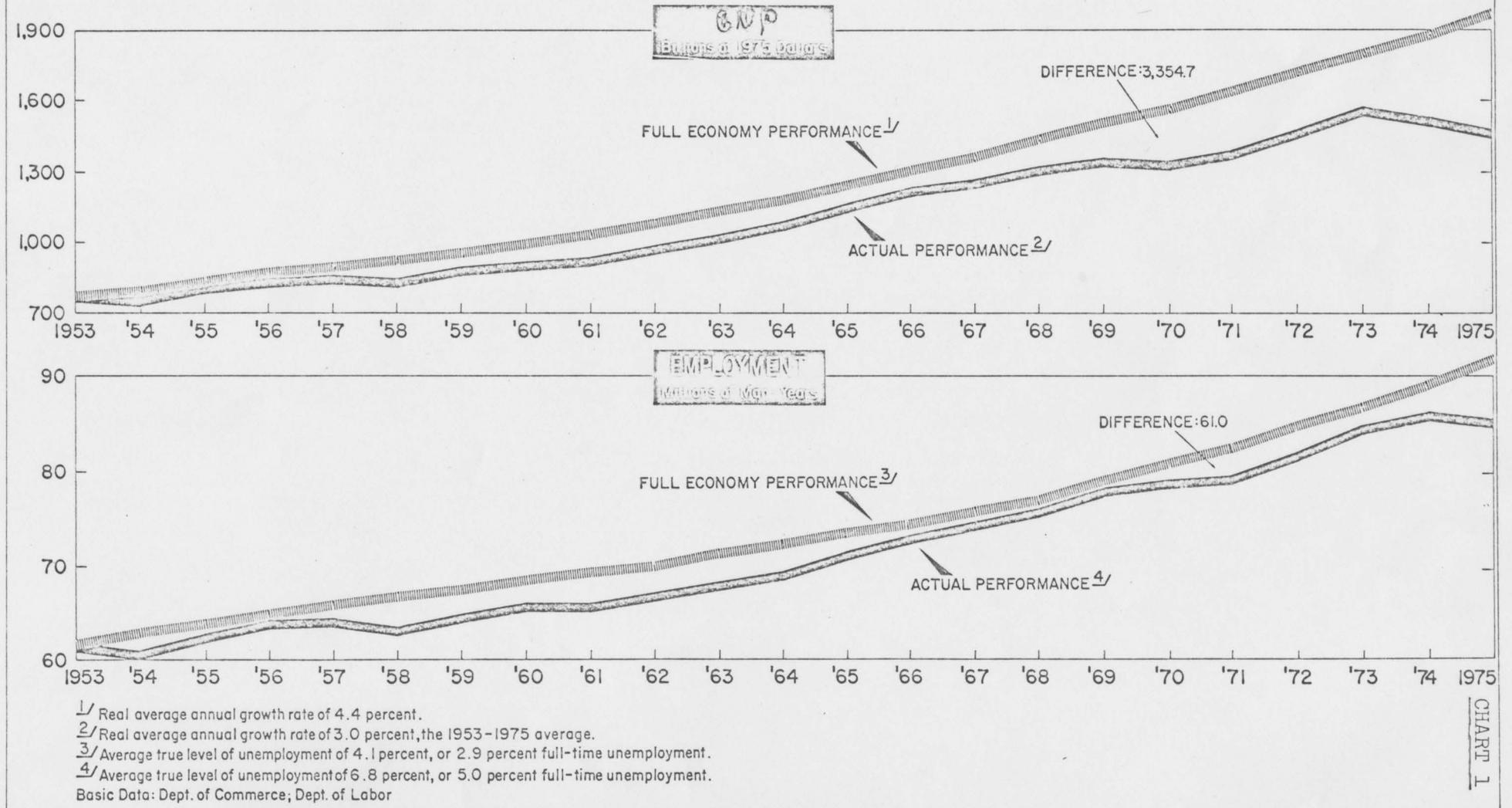


CHART 1



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



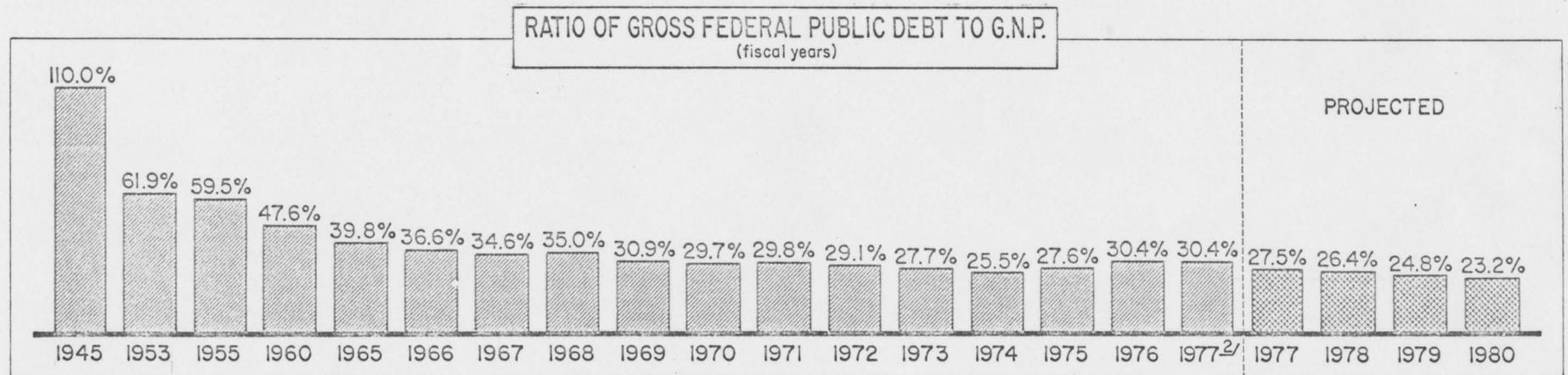
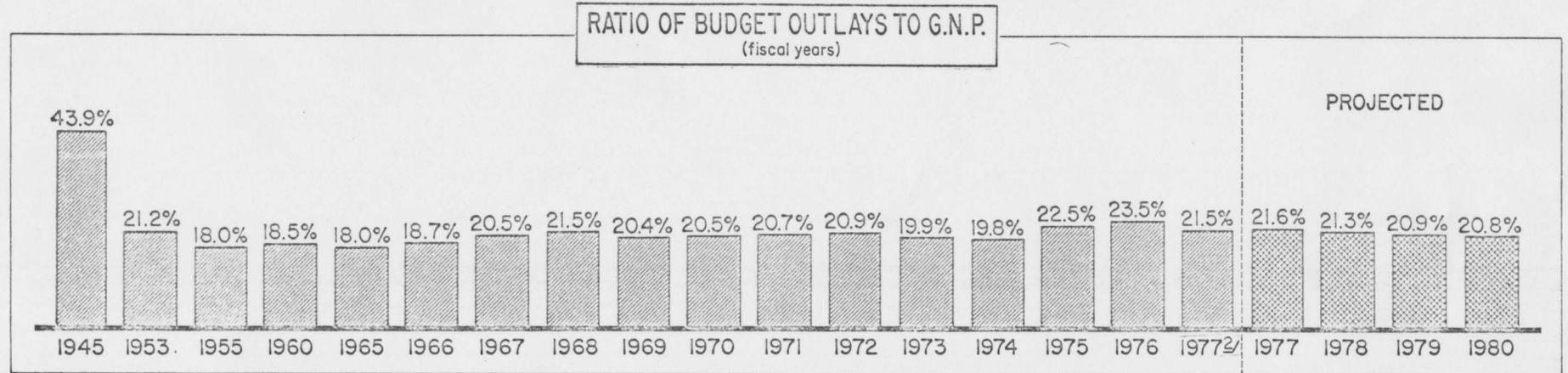
^{1/}To allow for momentum effects of policies, the first year of one Administration is also treated as the last year of the preceding Administration. All 1975 figures, except Federal Budget, estimated.

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

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



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



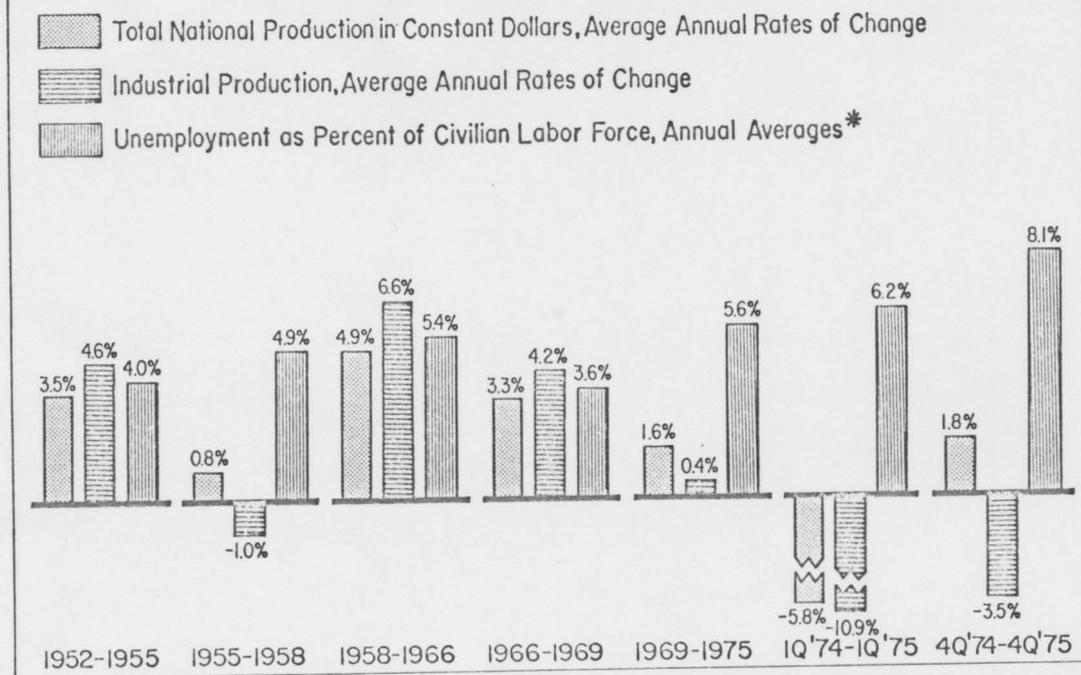
^{1/} Projections for Budget, Public Debt, and G.N.P. in accord with "model" Budget and G.N.P. goals.

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

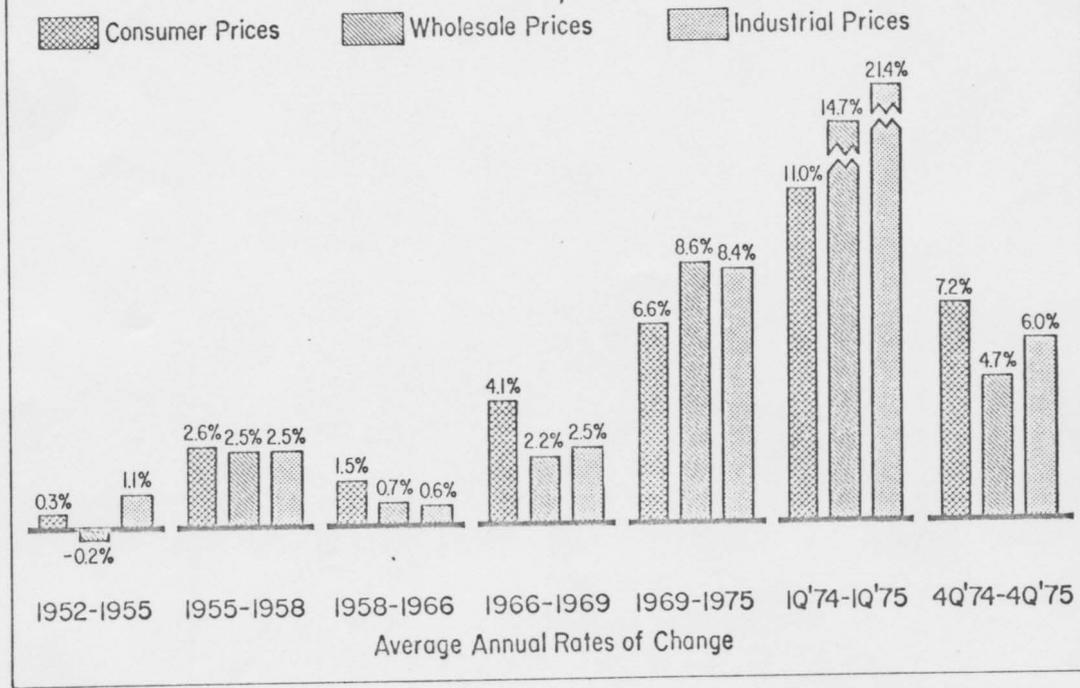


RELATIVE TRENDS IN ECONOMIC GROWTH UNEMPLOYMENT, & PRICES, 1952-1975^{1/}

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.

Source: Dept. of Labor, Dept. of Commerce, & Federal Reserve System

