From Here to Full Employment

William Darity Jr., January 2012

Samuel Z. Westerfield Address

In late November 2011 the Southern Economic Association meeting was held simultaneously with the African Studies Association meeting in Washington DC. A small group of us had lunch with Joseph Inikori, the foremost economic historian of the African continent, a dear friend and a wonderful scholar. But Joseph, who is Nigerian, related a problematic event to us. In 1974, he told us, that the US State Department sponsored a convening of Nigerian and US scholars to examine comparatively the Nigerian Civil War (the Biafran secession) and the American Civil War (the Confederacy's secession).

After the Nigerian Civil War, the winning side, the side seeking to maintain a unitary Nigeria, was hugely conciliatory toward the secessionists. Indeed, the non-retaliatory posture asserted by General Gowon may have constituted a shining moment that even surpassed his prosecution of the war itself.

Joseph then observed with some degree of pride that here was an instance, had the chronology been reversed, where the United States could learn much from the Nigerian example. I suspect that there are many instances where the United States could learn much from the Nigerian example, but I am afraid this was not one of them. I contend that, if anything, the United States was not sufficiently vindictive toward the former Confederacy. Reconciliation in the United States in the aftermath of the Civil War required trampling upon the inclusion of the ex-slaves as full citizens. Nigeria's Civil War did not involve the question of the postwar status of ex-slaves as a matter for resolution. Reconciliation in Nigeria did not require the construction of a white democracy – the living, breathing oxymoron that evolved in postwar America.

The making of a white democracy was the consequence of a retreat from substantive Reconstruction. Charles Lane (2008 pp.3-4) has observed, "The work of [John Hope] Franklin, [Kenneth] Stampp, and [Eric] Foner properly emphasized the political and economic weaknesses of Reconstruction, such as the Radical Republican Congress' failure to distribute land to Southern blacks, or the Grant Administration's evolution from a revolutionary force to a patronage machine.

"However, Reconstruction not only failed because of such flaws in its design; it failed because it was resisted. It was resisted bitterly in the Courts, where Southern lawyers made use of every conceivable cause of action – plausible or not – to tie Republican state governments in knots and to generate favorable propaganda. And it was resisted through cruel but sophisticated paramilitary campaigns, starting with the Ku Klux Kan's rampage throughout the Southeastern states in the late 1860s and culminating in the Red Shirts' seizure of power in South Carolina in 1876. Southern litigation and Southern terrorism attacked Reconstruction at its weakest points: a post-Civil War constitutional structure whose new rules of state-federal relations were open to judicial interpretation, and a Northern

political climate in which sympathy for beleaguered freedmen did not exceed the desire to avoid a new Civil War."

Lane (2008 p.4) concluded, "The Confederate State of America lost the Civil War, but the South won Reconstruction."

The USA's long tradition of violating or grossly manipulating its own laws, particularly when those laws are intended to improve the lives of black folk, including their incorporation fully into American citizenship, is evident in stark fashion here.

Congress *did* pass a land redistribution act on behalf of the ex-slaves – the first Freedman's Bureau Act—but the land redistribution dimension of the act never was implemented and enforced. General Sherman's Special Field Orders No. 15 granting 40 acres to ex-slaves along the Georgia and South Carolina coast was reversed by the end of 1865 upon direction by President Andrew Johnson. General Oliver O. Howard, after whom Howard University is named, unhappily was dispatched to inform the ex-slaves that the land they had been granted was being restored to former slaveholders.

The 14th Amendment, one of the three Reconstruction era amendments to the US Constitution, was intended to provide protection for the ex-slaves from the predations of the Southern white terrorist movement was transmuted into a mechanism for protecting corporations when the US Supreme Court turned them into "persons." (Mitchell and Harpalani, forthcoming).

The 1954 Supreme Court decision to desegregate schools was waylaid by nearly two decades of "massive resistance". Then it was further undermined by the use of racialized tracking to create internal learning segregation within putatively integrated schools. The net effect has been gross black student underrepresentation in high level classes and gross black student overrepresentation in slow learner classes (Darity and Jolla 2010). Garner and Lipsky (1998, p.3) have observed that, "Not only are black students segregated from the general education population in self-contained special education classes, substantial research indicates that these are classes characterized by lower expectations; curricula that are less demanding than those taught to students in general' and lesser outcomes (student learning, dropout rates, graduation rates, post-secondary education and employment, living in the community).

"The special education system first disproportionately identifies black and poor youth as 'losers" and then promotes their failures in a separate special education [raising] serious questions about misidentification, misclassification or inappropriate placement in special education programs and classes."

So it should come as no surprise that the USA has been in violation of another important law that could potentially have disproportionate benefits for black America, the Full Employment and Balanced Growth Act of 1978, known popularly as the Humphrey Hawkins Act. The law mandates that if the private sector does not generate sufficient jobs to achieve full employment, the public sector should provide the missing work. President Obama could have acted to create a large scale jobs program in the midst of the current crisis by invoking the obligation mandated by the Humphrey-Hawkins Act.

One of my distinguished predecessors as a Samuel Z. Westerfield award recipients, Bernard Anderson, was instrumental in crafting the Full Employment and Balanced Growth Act of 1978. Members of the National Economic Association (NEA) -- then the Caucus of Black Economists -- were deeply involved in the genesis of the bill. As early as 1972 the *Review of Black Political Economy* published a document called "An Economic Bill of Rights." It was the product of the Black Economic Research Center's Special Study Group on Problems of Poverty and Racism. The members of the Study Group and the authors of of the report were Marcus Alexis, Duran Bell, Robert Browne, Vernon Dixon, Karl Gregory, J.H. O'Dell, and, of course, Bernard Anderson.

On pages 6-13 of the "An Economic Bill of Rights" (Special Study Group 1972), maintenance of conditions of full employment is advanced as a fundamental right. Indeed, the premise that full employment is a basic right is a cornerstone principle of the Humphrey-Hawkins Act. But the Act's mandate never has been met. Like the provision of 40 acres of land to ex-slave families, the Full Employment and Balanced Growth Act of 1978 remains a law not implemented.

To meet the mandate of the Humphrey-Hawkins Act and achieve the right to full employment – to bring national policy into conformity with national law – the United States should establish a federal job guarantee for all citizens. Since the onset of the current economic depression, it has been a particularly appropriate time to take such a measure, but it is a measure that should be in place in both good times and bad times to the advantage of all Americans who face the threat of joblessness. Personally, I have been advocating this policy forcefully for four years. Some nonblack scholars like Randall Wray (1997) at the University of Missouri at Kansas City and Philip Harvey (2005) have been staunch advocates of such a policy for many years. But I want to remind everyone here that the essential idea can be found 40 years ago in "An Economic Bill of Rights" produced by a team of black economists who were among the founders of the NEA.

In the context of the current crisis, the US Bureau of Labor Statistics (BLS) reported some seemingly good news yesterday. The national unemployment rate fell to 8.5 percent in December from 8.7 percent in November. Of course, BLS also reported simultaneously that the black unemployment rate rose form 15.5 percent to 15.8 percent over the course of the same two months. I do not want to quibble over small monthly variations in the unemployment rate when the aggregate rate (and the rate for black Americans) patently is disastrously high. The economy is not generating a sufficient number of new jobs to offset the dramatic loss in jobs that took place during 2008-2009, despite some pundits claims that the economy is in a "recovery" phase. Indeed, I mentioned the oxymoronic notion of a "white democracy" earlier in my remarks; another oxymoron is the widely touted notion of a "jobless recovery."

Gallup's ("U.S. Underemployment" 2011) estimates of the status of joblessness paint an even more pessimistic picture of a landscape of ongoing economic stagnation. Gallup calculates an underemployment rate, the sum of the unemployment rate and proportion of persons in the labor force working part time who would prefer full time work, at 18.4 percent in mid-December 2011. That is a share of the work force that approaches 30 million people. Moreover, among the unemployed close to

half have been out for work for at least half a year; the mean duration of unemployment is approximately 40 weeks.

In addition to the income losses, the stress induced health damages of unemployment are immense. Those exposed to persistent unemployment suffer from sleep disorders, depression, and higher levels of substance abuse (Rabyn 2009). The destruction to families and children also has proven devastating in ways that are sometimes surprising. For example, a team of colleagues at Duke (Oltmans-Ananat et al. 2011) have found that one year of statewide job losses of 2 percent can lead to a 16 percent rise in the share of schools not making Annual Yearly Progress under the No Child Left Behind legislation.

The United States needs to form a National Investment Employment Corps (Darity 2010) to provide work for all who want to work. States and municipalities would develop inventories of needed work to produce a job bank. Jobs could address both the physical and human infrastructure needs of the nation, including the building, repair and maintenance of roads, bridges, dams, mass transit systems, and school facilities. Employees of the National Investment Employment Corps could be put to work to rejuvenate the crippled postal system. Personnel could be trained to provide high quality child care for very young children, thereby facilitating parents capacity to take work. The precedent for a massive jobs program for infrastructure development is embodied in the Works Progress Administration and the Civilian Conservation Corps adopted during the Great Depression 80 years ago.

Much of the current effort to restore employment has been driven by stimulus packages and other indirect approaches toward job creation that essentially seek to bribe the private sector into doing the right thing. The federal job guarantee makes the government the direct employer for all who need a job.

What would be the cost of such a program? All employees could be assured of a minimum annual salary of $20,000 plus benefits including federal health insurance. A job ladder could be introduced that would provide opportunities for advancement. If the mean expense per worker was $50,000 (salary, benefits, materials) it would cost $750 billion to put 15 million persons to work. It is less than the total amount of the first stimulus package Congress enacted during the early years of the downturn. It is vastly less than the $10-$30 *trillion* doled out to the banks by the Federal Reserve (Wray 2011).

Moreover, the existence of a federal job guarantee would minimize the need to bail out the banks in the first place. We could reduce dramatically the moral hazard problem associated with *de facto* insuring their bad lending practices and fraudulent impulses. The National Investment Employment Corps would constitute employment insurance for the 99 percent rather than malfeasance insurance for the 1 percent. Government would become the employer of last resort instead of lender of last resort. This is the program that should be the *centerpiece* of an agenda for the Occupy movement.

The federal job guarantee would function as a classic automatic stabilizer. Its provision of employment would expand on the downswing and contract on the upswing of the business cycle.

Some have advocated a federal jobs program that would be temporary and targeted at areas with high unemployment. But the proposal for a National Investment Employment Corps is for a permanent and universal program. It is a proposal that would enable a wide array of so-called "entitlements" to be eliminated or reduced. It could restore tax bases at the state and local levels. It would restore the payroll tax basis for the Social Security system. It is precisely the proposal that has been endorsed by the Congressional Black Caucus (2011) in the report prepared by their Commission on the Budget, Deficit, Economic Crisis and Wealth Creation.

For those politicos like Newt Gingrich and Rick Santorum who rail about welfare inducing people not to work, the job guarantee would enable us to tell who among the able-bodied really do not want to work. An informative precedent for the incentive effects and general beneficial outcomes of a federal job guarantee is the *Jefes y Jefas* program in Argentina (Tchervena and Wray 2005). The Congressional Black Caucus

The federal job guarantee also would salvage the beleaguered American middle class. A couple could earn a gross income of at least $40,000. The salaries earned by employees in the National Investment Employment Corps would moderate the ongoing home foreclosure crisis.

It also would provide an assurance of employment for members of stigmatized groups. The black-white unemployment rate gap is a powerful index of the degree of discrimination in the USA. Devah Pager's field experiments in New York City and Milwaukee reveal that the odds of a call back for a job interview for a white male with a criminal record is greater than the odds of a call back for a black man without a criminal record. Bureau of Labor Statistics (2011) data consistently show that the unemployment rate for blacks with some college education is higher than the rate for whites in the same age range who have dropped out of high school. The federal government functioning as employer of last resort can eliminate the discriminatory unemployment penalty faced by blacks.

A final observation: the Humphrey-Hawkins Act mandates both full employment and price stability, often objectives seen as incompatible. But with government as the direct employer of the jobless as the avenue for meeting the full employment goal creates far less inflationary pressure than stimulus packages and bank bail outs. With the federal job guarantee both demands of the law could be met simultaneously.

It is time to guarantee full employment for all Americans. It is time to eliminate the threat of unemployment for all Americans. Like the early members of the NEA proposed, it is high time to make full employment an article of the nation's bill of rights.

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