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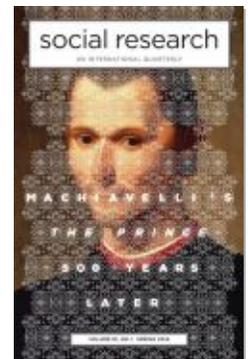
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Jobs Instead of Austerity: A Bold Policy Proposal for Economic Justice

IN THE LATE 1970S, AMID HIGH INFLATION AND SOARING POVERTY rates, the decade-old Congressional Black Caucus actively sought to confront the spiraling economy's disproportionate impact on African Americans.¹ One of their founding members, Congressman Augustus F. Hawkins of California, teamed up with Senator Hubert Humphrey of Minnesota to write the *Full Employment and Balanced Growth Act*, better known as the Humphrey-Hawkins Act of 1978. With support from religious leaders, minority advocacy groups and other congressional allies, including the newly formed Congressional Hispanic Caucus,² the act was passed by Congress and signed into law by President Jimmy Carter on October 27, 1978.

The Humphrey-Hawkins Act immediately empowered the federal government to spend proactively to increase consumer demand. Drawing from the tradition of Keynesian economics, the act sought to stimulate the private sector to achieve its primary goal of full employment for every able American. However, a lesser-known provision of the act stated that if the private sector failed to respond adequately, the public sector would take responsibility for providing the missing work. Critical components of the new law were specific

goals for unemployment and inflation, with all federal programs and policies required to work toward achieving a 3 percent adult and 4 percent overall jobless rate within five years and inflation rates of 3 percent by 1983 and 0 percent by 1988 (Schantz 1979). Though the specific goal for unemployment was clearly stated as an interim and not final goal, this implicit rejection of the idea that 4 percent unemployment is full employment has, unfortunately, become a widely ignored aspect of the act's history. Eventually, the overriding concern with inflation became the main focus of both political parties, with the struggle against unemployment dissipating as a priority (Ginsburg 2011).

Over 30 years later, the United States sits at the supposed edge of the "Great Recession," triggered by the housing crisis of 2007. Despite claims of economic recovery, mass long-term unemployment remains high for skilled and unskilled alike, with African Americans and Latinos bearing a disproportionate burden. The latest figures provided by the Bureau of Labor Statistics (February 2013) noted that the overall black and Latino unemployment rate was estimated at 13.8 percent and 9.6 percent respectively, compared to 6.8 percent for whites and the overall national rate of 7.7 percent. The figures from the Bureau of Labor Statistics in 2012, broken down by educational attainment, more fully underscore the reality. For example, in 2012 the unemployment rate for whites with less than a high school diploma was 11.4 percent, but for African Americans with less than a high school diploma the rate was estimated at 20.4 percent. The unemployment rate in 2012 for whites with a bachelor's degree or higher was 3.7 percent, but for African Americans and Latinos it stood at 6.3 percent and 5.1 percent, respectively. We must cautiously note, however, that this disparity is not simply an effect of the aforementioned Great Recession. Indeed, the overall unemployment rate for African Americans has historically been roughly double that of whites and roughly 1.5 times greater for Latinos (Bureau of Labor Statistics 2010).

All of this comes amid a barrage of reports underscoring the overall economic fallout of the last decade: homelessness is at an all-time high in certain US urban centers, real wages on average are the lowest they have been on record, and income and wealth disparities continue to widen (Markee 2013; Knight 2013; Isodore 2012). A recent analysis of the *UN Economic Commission for Latin America and the Caribbean* underscored this reality, illustrating that US inequality now ranks in the middle among Latin American countries, with the wealthiest 20 percent earning 16 times more than the poorest 20 percent (ECLAC 2012; Isaacson 2013). More group-specific: before the Great Recession, the typical black and Latino family had less than 10 cents for every dollar in wealth of the typical white family. After the recession, that gap nearly doubled, with the typical black and Latino family possessing about a nickel for every dollar in wealth possessed by the typical white family (Taylor et al. 2011), with a recent report from the Institute on Assets and Social Policy at Brandeis University finding that the total wealth gap between black and white families has tripled since 1984, increasing from a \$85,000 difference to a \$236,500 difference.³

To add insult to injury, corporate profits are at their highest level on record. The wealthiest top 1 percent of earners, those earning above \$1 million, receive an average of \$96,000 a year in the form of tax subsidies and savings, and 53 percent of all subsidies go to the top 5 percent of taxpayers. In contrast, the bottom 60 percent of taxpayers receive only 4 percent of the benefits, with the bottom fifth of taxpayers receiving 0.04 percent of benefits—an average of \$5 per taxpayer (Woo et al. 2009). Current estimates of this regressive, asset-promoting budget—which includes such items as mortgage interest deductions, exclusion of investment income on life insurance and annuity contracts, reduced rates of tax on dividends and long-term capital gains, and exclusion of capital gains at death—exceed \$400 billion.

Despite these blatant inequities and the irony that the black and Latino unemployment rate today is near the same level it was

when the Humphrey-Hawkins Act was passed, there is little discussion in Washington, D.C. over a basic right to employment. In 2011, US Representative John Conyers from Michigan introduced a bill entitled the Humphrey-Hawkins 21st Century Full Employment and Training Act to establish the National Employment Trust Fund with the goal of reaching full employment. The Humphrey-Hawkins 21st Century Full Employment and Training Act has gained little traction in Congress. Meanwhile, the president has neglected the possibility of implementing a similar national policy. Instead, the president, along with Democrats and Republicans, seems to have embraced the Tea Party narrative that spending cuts are a necessary ingredient to revitalize the economy and lessen the national debt.

Loosely known as “austerity economics,” the Tea Party narrative involves spending cuts on essential social safety nets and public services while raising taxes to pay back creditors. But if we have learned anything from recent events in Europe, “austerity economics” yields disastrous consequences, plunging countries into worsening unemployment, record poverty rates, and growing civil unrest. According to Eurostat, as of January 2013, the unemployment rate in Spain was 26.2 percent, and for individuals under 25 the rate was 55.5 percent. As astonishing as those figures are, the data on Greece are even more sobering, with an overall unemployment rate of 27 percent, and 59.4 percent for individuals under the age of 25. As the realities of “austerity economics” continue to wreak havoc, even institutions such as the International Monetary Fund have been forced to admit that they did not fully understand how austerity efforts would undermine economic growth (Schneider 2014). A recent IMF working paper states:

Underestimating fiscal multipliers may cause unpleasant surprises . . . using the debt ratio as an operational fiscal target presents risks. If country authorities focus on the short-term behavior of the debt ratio, they may engage in repeated rounds of tightening in an effort to get the debt

ratio to converge to the official target, undermining confidence, and setting off a vicious circle of slow growth, deflation, and further tightening (Eyraud and Weber 2013).

In essence, this “tightening” has led to more job loss, and the potential for more job loss means less tax revenue for the essential public services families and businesses depend on to thrive.

In a hearing before Congress regarding the potential effects of sequestration, Douglas Elmendorf, the director of the Congressional Budget Office, estimated that 750,000 jobs could be lost as a result of cuts in 2013 (*Huffington Post* 2013). With the likelihood that more than half of the nation’s 2.1 million government workers may be scheduled for furlough (Jelinek 2013) in a public sector that has already shed more than 600,000 jobs since the election of President Barack Obama in 2008, the potential differential impacts on a federal workforce, which is less white and male than the overall workforce, are evident (Yoder 2012). Austerity-driven cuts to community health centers, Section 8 vouchers, Head Start, WIC programs, along with reductions in unemployment insurance payments, would have differential, detrimental impacts on working, poor communities of color. In lieu of austerity economics, a permanent, full-employment policy would simultaneously address long-standing patterns of racial inequality and prevent another economic recession.

And yet, despite overwhelming empirical evidence to the contrary, there is an increasingly popular “postracial” narrative accepted by whites, blacks, conservatives, and liberals alike asserting that labor market discrimination and other racial structural barriers are largely things of the past and that race is no longer a defining feature of one’s life chances (Hamilton and Darity 2010). Consistent with the postracial narrative, the remaining racial differences are supposedly driven by self-sabotaging attitudes and behaviors of the underperforming groups themselves. Rather than acknowledging an “increasing” significance of race, particularly as measured by the

widening racial wealth gap cited earlier, the dominant narrative is a “declining” significance of race.

In policy practice, the postracial narrative translates to a shift from public responsibility for the economic conditions of blacks and other racialized groups demonstrated by race-based interventions to a position that aforementioned groups need to take “personal responsibility,” change their behavioral values, and stop playing the “victim card,” emphasizing “perceived” discriminatory barriers as the culprit of socioeconomic circumstances (Hamilton and Darity 2009; Aja 2012).

The National Investment Employment Corps (NIEC) is a race-neutral alternative to austerity economics that would not only provide economic security, mobility, and sustainability for all Americans but also address the long-standing pattern of racial inequality, particularly in the realm of unemployment. Consistent with the ideals of the 1978 Humphrey-Hawkins Act, a permanent federal government job guarantee program would move the country to full employment, while at the same time removing the threat of unemployment and ensuring the opportunity to work for a livable wage and decent pay is a citizenship right for all Americans. A federal job guarantee program would mitigate the immense damage that persistent unemployment does to the human spirit and alleviate its extensive costs to individuals, families, and society as a whole (Diette et al. 2012).

If the National Investment Employment Corps were implemented, pay would range from a minimum of \$20,000 to a maximum of \$80,000, each job also providing benefits (including medical coverage and retirement support), opportunities for advancement, on-the-job training, and professional development. A national program of job assurance would provide meaningful employment in a variety of “public works” projects while potentially serving as the stimulus for the types of innovative, green technologies the president has often touted. States and municipalities could develop inventories of needed jobs for all who are able to work, matching skilled and unskilled laborers alike with full-employment opportunities. The program could give

priority to the most urgent projects to aid the most distressed communities. Jobs would address physical and human infrastructure needs including building, repair, and maintenance of bridges, dams, roads, parks, museums, mass transit systems, school facilities, health clinics, and child care centers. In a recent March 2013 report, the American Society of Civil Engineers (ASCE) gave the country a grade of D+ on its physical infrastructure, indicating that a total investment of \$3.6 trillion is required by 2020 in order to deal with the backlog of overdue maintenance across our infrastructure systems.

The cost of an NIEC would be less than the first stimulus package enacted by Congress and vastly less than the \$10 to \$30 trillion awarded by the Federal Reserve to the very same investment banking community that caused the economic crisis in the first place. We calculate that if 15 million people were employed at \$50,000 per year, per person, the total expense of the program would be \$750 billion. Consider that in 2011 alone, federal antipoverty programs (Medicaid, unemployment insurance, for example) cost approximately \$746 billion (Wasson 2012).

A federal job guarantee would dramatically reduce current anti-poverty expenditures and is, by comparison, far more productive in use for both physical and human capital development. The net expenses of a job guarantee program could also be minimal given the potential cost savings from other social programs. With the federal government serving as employer of last resort, unemployment compensation funding could be slashed and antipoverty program funding for free and reduced lunch subsidies and food stamps could be greatly reduced since a job guarantee works to eliminate both working and jobless poverty simultaneously.

The National Investment Employment Corps would be a better job creator than the indirect incentive effects of stimulus measures and tax incentive strategies aimed at encouraging the private sector to provide jobs, given that it serves as a direct mechanism for job creation while also triggering a multiplier stimulus effect across a panoply of activities that takes place in the economy. The private sector would

benefit in myriad ways, not just by stabilizing consumption demand but also through vertical linkages of sales of supplies and materials to the NIEC for public projects. New leverage for unions would also be created, since the jobs offered by the NIEC would set an effective minimum floor on the quality of employment.

Furthermore, the income paid to the employees of the NIEC would restore tax bases at the state and municipal levels, alleviating their current budget crises. The federal job guarantee would serve as an implicit “public option” leading to health coverage of millions of uninsured Americans.

Other benefits include the elimination of a number of market interventions, including minimum wage laws, financial regulation, and associated enforcement expenses. Minimum wage laws could be eliminated since the minimum salary offered by the National Investment Employment Corps would set the floor on the wage standard. This would reduce concerns about strengthening and constantly updating financial regulation in order to keep up with constantly evolving, economically harmful private-sector products and practices aimed at eluding regulation: the presence of job guarantee would mitigate the adverse effects of fluctuations in speculative investment markets on personal employment and income for the public at large.

To be clear, this policy recommendation is not meant to act as a temporary program contingent on emergency conditions. Instead, it is to function as an automatic, permanent stabilizer in good and bad times insofar as the number of people put to work in the NIEC rises during downturns and falls during upswings. Thus, like the cost of the program, it will expand and contract countercyclically. It would structurally change the US economy away from low-wage jobs—a sector in which an increasing global economy is making the United States increasingly less competitive—toward more moderate and high-wage jobs.

More important, the program would serve as assurance of employment for members of stigmatized populations historically and

presently subject to discriminatory employment exclusion. Devah Pager's audit study in Milwaukee, for example, revealed that among males of comparable age and employment qualification, white applicants received more employment callbacks than their black counterparts. Even more alarming, the study also found that whites with criminal records were more likely to get callbacks than black males with no criminal record, although this latter effect was not statistically significant (Pager 2003). Indeed, even among only white males, having a criminal record reduced the odds of receiving an employment callback by half. It is noteworthy that these audits took place in Wisconsin, a state that outlaws employer use of a criminal record as criterion for employment in most jobs.

In another example, Guiliano, Levine, and Leonard (2008), using personnel data from a large US retail firm, undertook an examination of whether the race of the hiring manager affects the racial composition of new hires, finding significant differences between the hiring patterns of non-black managers and black managers, with non-black managers hiring more whites and fewer blacks than do black managers. Also, Bureau of Labor Statistics indicate that among 18- to 25-year-olds, white high-school dropouts yielded an unemployment rate 10 to 12 points lower than blacks who have completed some college. The evidence suggest that even when blacks are able to avoid incarceration and acquire education, they are employed at lower rates than white formerly incarcerated and lower educated counterparts. Thus the full-employment national jobs program envisioned here would provide employment for all—black, white, Latino, Asian, Native American, male or female, with or without a criminal record.

Globally, programs similar to a federal jobs guarantee have proven to be effective. In 2002, Argentina implemented the Plan Jefas y Jefes de Hogar Desocupados (Program for Unemployed Female and Male Heads of Households), providing a payment of 150 pesos per month to a head of household for a minimum of 4 hours of daily work in community

services, small construction, or maintenance services. The program provided jobs to 2 million workers, with indigence rates among participating households falling by nearly 25 percent and the unemployment rate dropping from 21.5 percent in May 2002 to 15.6 percent in May 2003 (Tcherneva and Wray 2005); the program's multiplier effect was conservatively estimated at 2.57 (Harvey 2007). India's National Rural Employment Guarantee Scheme, which was implemented in 2006, guaranteed households the legal right to be employed up to 100 days a year. For individuals, the program entitled them to receive wages if no work is made available to them within two weeks of an application. Liu and Deiniger (2010) estimate that the short-term effects of the Indian program on participating households were positive and greater than program costs.⁴

Non-white racial groups that are currently and chronically affected by higher unemployment rates will suffer the most from federal job- and budget-cutting austerity economics. Yet, the president and Democratic members of Congress hold the mandate, given the overwhelming support that they receive from African Americans and Latinos, to combat persistent unemployment in those communities. Instead of supporting and implementing the dangerous contours of austerity economics, we need a plan that moves us toward full, permanent employment as mandated by Humphrey-Hawkins. A federal job guarantee would not only address long-standing unjust and discriminatory barriers that keep large segments of stigmatized populations out of the labor force, but also reverse the rising tide of inequality for workers in general by strengthening their labor market bargaining power and eliminating the threat of unemployment for all Americans.

NOTES

1. For instance, while the unemployment rate hovered between 12 and 14 percent during the mid-1970s, by 1978 rates widened between blacks and whites dramatically, with a black and "other race" unem-

ployment rate 2.4 times higher than the rate for whites (Bureau of the Census 1979).

2. The Congressional Hispanic Caucus was organized in 1976 by five Hispanic congressmen: Herman Badillo (NY), Baltasar Corrada del Río (PR), Kika de la Garza (TX), Henry B. Gonzalez (TX), and Edward Roybal (CA).
3. Note that the Taylor et al. (2011) study is based on data from the Survey of Income and Program Participation while the data from the Institute of Assets and Social Policy is based on data from the Panel Study of Income Dynamics.
4. India's National Rural Employment Guarantee Scheme has not existed long enough to evaluate the long-term effects.

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