

## **Liberal Strategies for Combating Joblessness in the Twentieth Century**

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Most discussions of policy options for combating joblessness focus on the conflict between conservative and liberal proposals.(FN1) This is both understandable and appropriate, since it is out of the conflict between Right and Left that the nation's actual responses to the problem are forged. There are differences of approach within opposing camps, however, as well as across party lines, and the development of alternative policy preferences among liberals or among conservatives may be just as important in shaping public policy over the long run as the more dramatic evolution of debates between liberals and conservatives.

Conservative policy preferences for combating joblessness have been surprisingly consistent throughout the twentieth century. Indeed, a unified conservative approach to the problem can be traced back to the fourteenth century in Anglo-American employment and social welfare law [Harvey forthcoming]. In contrast, liberal policy preferences have been marked by their diversity. In this article, I will identify three different approaches to combating joblessness that have dominated liberal reform agendas in the United States at different times since the Great Depression. Although not inconsistent with one another, these strategies generally have not been pursued simultaneously. I will argue that this has been a mistake, that the three strategies are complementary, and that a reform program that combines all three would overcome limitations that each of the strategies exhibit when pursued separately.

The first strategy is the one that dominated New Deal responses to the problem of joblessness during the 1930s. I will call this the "New Deal" strategy. It was founded on the belief that the economy was suffering from a job shortage that required both a program of labor market reforms to stimulate consumption and a set of social welfare reforms to meet the needs of jobless individuals for work and/or income. Based on this view of the problem, a multifaceted reform agenda was pursued. This reform agenda included the establishment of social insurance programs for persons not expected to work and legislation designed to strengthen the bargaining power of labor; but the foundation

of the strategy, as well as its first line of defense against the problem of joblessness, was the establishment of public job creation programs to provide work for the unemployed [Vittoz 1987, 81-82; Rosenof 1975, 39-43; Burns and Williams 1941; National Resources Planning Board 1943].

The second strategy for combating joblessness pursued by liberals during the twentieth century is also based on the view that joblessness is caused by a shortage of jobs. But this strategy has sought a solution to the problem in the application of Keynesian macroeconomic policies, rather than in labor market reforms and direct job creation. Inspired, or at least strongly reinforced, by the publication of Keynes's General Theory, this "Keynesian" strategy became popular within the Roosevelt administration beginning in the late 1930s as a less controversial way of closing the economy's job gap. Fiscal stimulation could be provided through initiatives such as the New Deal's employment programs, if that were politically feasible, but other forms of government spending would serve the purpose just as well. With World War II providing a practical demonstration of the effectiveness of the strategy, Keynesianism quickly supplanted direct job creation as the dominant liberal strategy for combating joblessness [Mucciaroni 1990, 17-32; Weir 1992, 27-60; Stein 1990, 131-96].

The third strategy for combating joblessness pursued by liberals in the twentieth century differed from the first two in that it focused not on reducing the aggregate level of joblessness in the economy, but rather on the redistribution of employment opportunities among population groups. This third approach to the problem of joblessness, which I will call the "structuralist" strategy, dominated the liberal reform agenda of the 1960s. It was predicated on the view that the economy was producing adequate numbers of jobs in the aggregate (or could be made to do so through the application of Keynesian fiscal policies) but that a series of structural barriers existed that disadvantaged certain individuals and groups in their search for work. The barriers attacked were of three general types. The first consisted of geographic barriers that physically isolated certain groups of workers from available jobs--in Appalachia or urban ghettos, for example. The second set of barriers were educational ones that prevented certain groups of workers from qualifying for available jobs. The third set of barriers consisted of various forms of invidious employment discrimination [Sundquist 1968, 57-110; Mucciaroni 1990, 32-42].

Based on this view of the problem of joblessness, liberals pushed a reform agenda in the 1960s that sought to achieve equal employment opportunity but did very little to reduce aggregate levels of joblessness. That job was relegated to the macroeconomic policy arena, and when Keynesianism fell on hard times in the 1970s, liberals were left

without a strategy for addressing aggregate job shortages. Structuralist reform efforts designed to equalize employment opportunities (and implicitly also to redistribute the burdens of joblessness) began to stand alone as the liberal response to joblessness. This one-legged strategy for combating joblessness still dominates liberal policy advocacy today.

I am not criticizing any of these strategies. The New Deal strategy, the Keynesian strategy, and the structuralist strategy all pursue important policy goals, but they are different goals, and I think it is important to be aware of those differences.

The New Deal strategy can be characterized as an effort to ensure the availability of jobs paying wages capable of supporting a dignified existence for every individual who wants to work. The New Dealers first described this goal as the provision of "employment assurance" [Committee on Economic Security 1985, 23-4, 27-30]. In the 1940s, the goal came to be understood as a commitment to securing the right to employment--an old socialist goal embraced by President Roosevelt in his 1944 State of the Union Message to Congress [Rosenman 1950, 13:32-42] and in Article 23 of the Universal Declaration of Human Rights [United Nations 1948; Harvey 1993].

The goal of liberal Keynesianism--as opposed to a more conservative Keynesianism that merely seeks to dampen business cycle fluctuations [Mucciaroni 1990, 20-32; Weir 1992, 27-61]--is the achievement and maintenance of "full employment." The breadth of this goal, of course, depends on how full employment is defined. The definition generally accepted in the 1940s, when the term was first popularized by William Beveridge [1945] and others, was the existence of more job vacancies than there are job seekers [Beveridge 1945, 18]. Although Congress rejected an express commitment to this goal in the Employment Act of 1946 [Bailey 1950], it did gain legal approval at the international level. Article 55 of the United Nations Charter obligates all member nations (including the United States, which ratified the Charter in 1945) to promote "full employment" both singly and in cooperation with one another.

Unlike the New Deal and Keynesian strategies, the structuralist strategy for combating joblessness does not aim to reduce aggregate levels of unemployment. Its goals are the achievement of equal employment opportunity and, by that means, the reduction of poverty and social inequality. The equal opportunity goal that the structuralist strategy pursues has come to be viewed as a core value of democracy in the late-twentieth century. It is recognized as a human right in Article 2 of the Universal Declaration of Human Rights [United Nations 1948], and, according to some interpretations, it also is guaranteed by the U.S. Constitution [Black 1997].

These three goals--securing the right to employment, achieving full employment,

and guaranteeing equal employment opportunity--all are important, but they are not interchangeable. Equal employment opportunity could be achieved without securing either the right to employment or full employment. In theory, the economy could experience depression levels of unemployment while still ensuring all job seekers an equal chance of being hired when job vacancies occur.

Similarly, the economy could achieve full employment, as Beveridge defined the term, without securing either the right to employment or equal employment opportunity. Full employment could coexist with widespread employment discrimination based on race, gender, or other suspect classifications, and with substantial inequalities in the availability of education and training among population groups. Full employment at the aggregate level also is consistent with the existence of job shortages in particular regions or communities.

Securing the right to employment is a more encompassing goal. It necessarily implies the achievement of full employment or its functional equivalent, and it also necessarily implies that individual job seekers would not be denied employment because of where they lived, their educational status, or their membership in particular population groups. Still, invidious discrimination might exist in hiring for particular jobs, the setting of terms of employment, in working conditions, and in opportunities for advancement.

My point is that progressives should be pursuing all three policy goals. Moreover, I think many of the failures of liberal employment policy--especially during the past several decades--can be attributed to the failure of liberals to pay appropriate attention to all three goals. In particular, there is good reason to doubt the effectiveness of the structuralist strategy for equalizing employment opportunities unless it is combined with policies that either eliminate or dramatically reduce the economy's aggregate job gap.(FN2)

The first reason is the peculiar way in which labor market queues work. Labor markets tend to reward success with more success and punish failure with more failure. Under conditions of full employment, this tends to sort workers among jobs, but under conditions of less than full employment, it creates special disadvantages for jobless individuals who are seeking work, even in the absence of structural impediments to their employment. Unemployed job seekers are sometimes described as "queuing" for jobs, but hiring queues function differently from most waiting lines. The distinguishing characteristic of most queues is that people move from the back to the front of the line as they wait. Hiring queues tend to move in the opposite direction. The longer job seekers remain jobless, the less attractive they are likely to become to potential employers. The most attractive candidates are likely to be those who have not even joined the hiring

queue--currently employed persons who are looking for a new or second job. And available data suggest there may be as many of them as there are unemployed job seekers [Bureau of Labor Statistics 1997]. This does not mean that structurally disadvantaged job seekers cannot find work, but it makes it harder for them. This also does not mean that efforts to help jobless individuals overcome structural barriers to equal employment opportunity will fail, but it means that such efforts must overcome the natural tendency of labor markets to favor the already advantaged with more success. The larger the economy's aggregate job shortage, the longer hiring queues will be, and the farther back in line unemployed job seekers, especially disadvantaged job seekers, are likely to find themselves.

Second, to the extent that special efforts to help disadvantaged job seekers do succeed, the population most likely to sacrifice jobs to the newly employed consists of workers who are only marginally better situated and who probably have very similar personal characteristics to the assisted population. A redistribution of the burdens of joblessness among the lowest strata of the labor force is not likely to reduce the social harms caused by the problem. The severity of this problem is linked to the size of the economy's job gap, because that is what determines the intensity of the competition for available jobs among unemployed and marginally employed workers.

Third, if jobs are scarce, efforts to increase the employment of disadvantaged individuals are likely to elicit nullifying counterresponses from more privileged workers. The counterresponse may take benign forms, such as increased investment in education, but they also may take less benign forms, such as growing resentment directed at disadvantaged groups and increased opposition to access-broadening initiatives. Opposition by white male workers to the use of hiring preferences to increase the employment of minority and women job seekers illustrates this kind of reaction. Whether it takes benign or destructive forms, the efforts by more privileged workers to "keep ahead" in the competition for available jobs are likely to frustrate efforts to increase the job security of less-advantaged workers.

Finally, to the extent the distribution of joblessness is a product of discriminatory hiring practices, the existence of a significant job gap makes it much harder to alter employer practices. A surplus labor supply provides both a cover for discriminatory hiring practices and an economic cushion that allows employers to indulge their biases. Proving discriminatory treatment is very difficult when large numbers of workers apply for a small number of jobs and are evaluated according to multiple, incommensurable hiring criteria. This may be one reason for the prevalence of discriminatory firing cases over discriminatory hiring cases in employment discrimination litigation [Donohue and

Siegelman 1991]. The existence of labor surpluses also permits employers greater latitude in deciding where to locate their businesses, avoiding minority populations if they want, without fear of not being able to recruit adequate numbers of workers [Holzer 1996, 131]. As the economy's job gap shrinks, the economic pressure on employers not to discriminate increases, and the deterrent effect of anti-discrimination law probably becomes more effective.

For all of these reasons, it may be unrealistic to expect dramatic results from structuralist strategies to assist disadvantaged workers in a job-short economy. In the 1960s, the importance of simultaneously pursuing both structuralist and Keynesian policies for combating joblessness was generally accepted by liberals even if direct job creation initiatives were rejected. But since the 1970s, liberals have tended to fall back onto the advocacy of structuralist measures alone--except during recessions when Keynesian and even New Deal impulses temporarily reassert themselves.

I believe progressives need to renew their commitment to all three strategies for combating joblessness and to emphasize the need to pursue all three strategies simultaneously. Structuralist initiatives are important, but they cannot succeed by themselves; and Keynesian or neo-Keynesian macroeconomic policies--however useful they may be in reducing aggregate unemployment rates--are probably not an adequate substitute for the New Deal's direct job creation strategy. You do not have to believe in a 6 percent "non-accelerating inflation rate of unemployment" to doubt the ability of macroeconomic policies to drive unemployment below 2 percent--the likely full employment level [Clark et al. 1949, 14; Harvey 1989, 12-13; Abraham 1983; Holzer 1989]--without igniting politically problematic inflationary tendencies. And even if we could drive unemployment below the 2 percent level by Keynesian means, it would not secure the right to employment for reasons I have mentioned above.

A recovery of the New Deal commitment to direct job creation may be essential to the development of an economically and politically successful strategy for combating joblessness. First, direct public job creation may provide a mechanism for achieving the functional equivalent of full employment without the inflationary side effects associated with Keynesian macroeconomic policies [Harvey 1989, 75-78]. Second, as Randall Wray [1998] and others have pointed out, configured in certain ways, direct public job creation should actually counteract the inflationary tendencies normally associated with Keynesian macroeconomic policies. Third, direct public job creation could neutralize the negative effects that job shortage conditions have on the effectiveness of structuralist policies for achieving equal employment opportunity. Fourth, direct public job creation can itself function as an effective structuralist policy--for example, by providing

additional resources to support community development programs, by providing alternative means of compensating victims of unprovable employment discrimination, and by providing alternative vehicles for delivering job training services. Finally, as explained above, direct public job creation is the only strategy I have discussed that can promise to secure the right to employment.

None of these strategies is new. All three are firmly rooted in the American progressive tradition. What I am suggesting is that we recover all three legs of that tradition and work together to develop a coherent and articulated strategy for combating joblessness.

## **FOOTNOTES**

1. In this paper, I will use the terms "liberal" and "conservative" as they are used in ordinary political discourse in the United States to distinguish between "Left" and "Right" positions within the political mainstream.

2. Evidence that the number of job seekers normally exceeds the number of job vacancies by a large margin and that this job gap persists across all phases of the business cycle can be found in the results of job vacancy surveys occasionally conducted in the United States [Abraham 1983; Holzer 1989, 1996; Employment and Training Institute 1993].

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