

August 29, 1945

Chairman Eccles

Recent Developments Regarding

Kenneth B. Williams

the Murray Full Employment Bill.

No official redraft of the Murray Bill has been introduced. However, there is no doubt but that substantial revisions in language, if nothing else, will be made later. Several amendments were introduced by the Republican Senators when they joined the Democrats as co-sponsors. These amendments included definitions of full employment and of investment; made consultation with interest groups mandatory; indicated a long range program for agriculture; and stated that it was contrary to policy to maintain domestic employment by exporting unemployment.

Pressures for revisions are coming from both the left and the right. Some groups want the Bill strengthened by including specific programs to implement the Bill; others want it weakened so as to limit the Government responsibility for employment.

Hansen, on July 28, prepared an unofficial redraft of the Bill, incorporating the ideas of several economists around Washington. A copy of Hansen's draft is attached. Its language is broader and less Keynesian than the official draft; the Republican definitions of full employment and investment are included in it; the forecasting requirement is minimized; and advance planning of public projects is specifically authorized.

My guess is that the Bill will be passed in some form. Open opposition to it seems to be concentrated in groups that are not too strong politically. Since the Bill does little except provide for recognition of Government responsibility for full employment, a vote for the Bill can hardly hurt but a vote against it may be politically dangerous. It is quite possible to vote for this Bill and against every measure introduced later to make it effective.

The Bill appears to have the backing of the President and the Administration. The President indicated after Japan capitulated that the Bill ranked next in order of importance to the liberalization of the unemployment compensation program and he wanted it brought to the floor as soon as possible. Vinson, Byrnes, Anderson, Wallace, Smith, Clark, and other presidential advisers are backing the Bill in principle. Moreover, the Bill has attracted bi-partisan support. In the House over 100 representatives, including eight Republicans (Clare Luce for one) are jointly sponsoring the Bill with Patman. In the Senate, four Republicans--Merse, Tebey, Aiken, and Langer--have joined Wagner, O'Mahoney, Thomas, and Murray as co-sponsors.

Hearings on the Bill were first held on July 30 and 31 with the sponsors speaking in its behalf. Senators Wagner, Murray, O'Mahoney, and Thomas, and Representative Patman discussed the need for full employment and the importance of passing the Bill. Repeated reference was made to the results of the British election in this connection.

Hearings were scheduled to be resumed on October 9 but with the sudden end of the war, they were pushed up to August 21, in the hope that the Bill could be ready for Senate consideration as soon as Congress reconvenes. The present schedule calls for this set of hearings to end this week. Among others, the following people have testified recently:

General Bradley stressed the importance of employment opportunities for returning veterans. Bradley, however, said he did not feel qualified to pass on the Bill as such. The principles of the Bill were endorsed, however, by representatives of the Veterans of Foreign Wars, the Disabled American Veterans, and the American Veterans Committee.

Willard Therp read a statement for Secretary Byrnes which endorsed the principles of the Bill and pointed out a domestic program to keep employment up was essential to world collaboration for peace and prosperity. Economic instability and mass unemployment in the United States would drive other nations toward restrictive and discriminatory trade practices.

Philip Murray asked for speedy enactment of the Bill but emphasized that it did not go far enough in this age of atomic power and was only a part of the urgent legislation needed to prevent hardship and provide for full employment. He stressed especially the right of every citizen to a job at a high income commensurate with the work performed.

Secretary Anderson endorsed the principles and purposes of the Bill and indicated its importance for agriculture.

Ralph Flanders agreed with the principles of the Bill but objected to interpreting it as a spending bill in which Government responsibility should be discharged largely by the timing and volume of its expenditures. Much more important and essential are the other steps mentioned in the Bill to be taken to encourage business expansion and new investment. He thought the right to a job should be linked to the duty of organized labor not to upset wage-cost-price relationships so as to create unemployment.

Attorney General Tom Clark expressed agreement with the objectives of the Bill and stressed the role of anti-trust action in the full employment program.

Beardsley Ruml expressed sympathy with the objectives of the Bill but stressed the urgent need for implementing it with other legislation which would incorporate his usual schemes of:

- (1) taking the deflation out of social security;
- (2) developing a Federal public works and conservation program to help stabilize the construction industry;
- (3) adopting a tax program to stimulate employment;
- (4) coordinating Federal lending activities at home and abroad with general Federal fiscal policy; and
- (5) adopting a program to maintain a prosperous agriculture.

Without the enactment of such specific measures, Ruml thought the Murray Bill attempts to do too much. Using his usual semantics, Ruml claimed to want to strengthen the Bill by weakening some of the phraseology such as "the right to work", "the assurance of employment", and the definition of full employment.

F. R. VonWindegger, a St. Louis banker, thought the Bill should be strengthened since the Bill as now worded reads like a banker's conception of how such a bill should be written. He thought passage of the Bill would safeguard the country against any threat of communism.

James P. Warburg urged the passage of the Bill.

Harry Schacter, President of the Kentucky Merchants Federation, said he would support the Bill with all the vigor he could command.

Clarence Avildsen, head of the Republic Drill and Die Company of Chicago, said the Bill represented a policy that should have been adopted a long time ago.

Secretary Wallace was strongly in favor of the Bill and stressed that it would greatly help business. He thought the Bill charted a conservative course between "do nothing" and a planned economy which would destroy private enterprise.

Ira Mesher, President of the National Association of Manufacturers, said he wanted full employment but he was against the Bill. He attempted to show that predictions a year or two ahead are impossible and contended that official predictions by the President would themselves bring booms and depressions and thus make the situation worse.

William Green and John L. Lewis endorsed the Bill as part of a more comprehensive legislative program.

William Kleitz of the Guaranty Trust Company, objected to the Bill because it would bring dictatorship and destroy the private enterprise system. He did not believe that booms and depression could be avoided and he thought the most Government could do was to smooth the fluctuations a bit.

My own view is that it is important for the Bill to be passed. I find it difficult to become concerned about the precise phraseology or definitions contained in it. It seems to me that essentially the Bill is enabling legislation or a charter that does nothing specific. All it does is commit Congress to acceptance of responsibility for national economic conditions. As such, specific implementation cannot be spelled out word for word in any one bill. What action is taken later to make the Bill effective will depend upon the political and economic forces at work at the time. In an issue as fundamental as this, no Congress can tie the hands of future Congresses. Each Congress and each Administration will interpret the Bill, if passed, to suit the situation as they see it at the time.

If my view is correct, it suggests that the main problem in phrasing the Bill is to make sure that:

(1) A commitment to the principle of Government responsibility for employment is established;

(2) The language is broad enough to permit any specific action that may be needed to be taken under the Bill;

(3) That the President and Congress are not committed to any specific economic doctrine, set of statistics, or definitions that may become meaningless or restrictive later; and

(4) That a sounding board is provided for bringing the problems of obtaining full employment frequently and effectively to the attention of the American people.

Viewed in this way, it seems to me, "full employment" is not a precise statistical or economic concept but is largely a political matter. On almost all occasions, I should expect some groups to claim the existing level of employment is not "full employment", while other groups will claim the same level is "full employment" or over-employment. I do not think that any bill can resolve these basic differences of economic interest and judgment. But this Bill does provide a forum for

expression of views and a means through which the people can make their judgment. In the end, "full employment" for this purpose will come to be the level of employment that accords at the time with popular belief that further Governmental action to increase employment is not needed.

During the remainder of the week, Schwellenbach, George Harrison of the railroad unions, Gess of the National Grange, and Bishop Sheil of Chicago, LaGuardia, Mayer Kelly, Harold Smith, Paul Hoffman, Secretary Vinson, OWMR Director, Snyder, and Senator Downey, along with some less prominent people are scheduled to testify.

Attached is a summary of the replies of the heads of the Federal agencies to Senator Wagner's questionnaire of March 3.

Attachments 2

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