GUARANTEED EMPLOYMENT?

It was thirty years ago that Congress passed an employment act that committed the nation to seek "maximum employment, production, and purchasing power." Yet today, we have the highest rate of unemployment since the 1930s. Small wonder that there's a credibility gap, and clamor for redoubled efforts to find solutions to this most troublesome and intractable aspect of the American economy.

There are many things that can and should be said by way of "explanation" of the current problem: that other industrialized countries have been experiencing much the same difficulties; that centrally planned economies achieve the appearance of "full employment" only at the cost of state-regulated job assignments and the inefficiency of hidden unemployment; that the economic cost of unemployment in this country has been substantially cushioned by extended unemployment benefits; that even with our present high levels of measured unemployment, the proportion of the population employed is nearly as high as at any time in the past; that the federal government will spend close to $3 billion this year to support some 320,000 public service jobs; that we have experimented with job training and retraining programs with only limited success; and so on.

It's not, in other words, that there has been a callous disregard of the problems of the unemployed. On the contrary, the record indicates that in our efforts to alleviate the problem of unemployment, we have at times created problems of a different sort. I have particularly in mind
the inflationary pressures generated by stimulative monetary and budgetary policies designed to reduce unemployment during periods of recession, but which, in retrospect, turn out to have been excessive. Thus, while there is clearly a role for countercyclical policies by the government and the Federal Reserve, I believe it is also clear that such policies alone, aimed as they are at boosting total demand in the economy, cannot guarantee "full employment" as most people understand it, without causing destabilizing rates of inflation.

Is there no hope, then, that we can look forward to better days ahead? I think we cannot only hope, but expect, a much better performance from our economy over the months and years immediately ahead than we experienced during the period we have just been through. The first half of the 1970s saw our nation exposed to a greater number of shocks than anyone could have expected, or are likely to recur: the devaluation of the dollar, the unwinding of the Vietnam war, Watergate, major bankruptcies and near bankruptcies, world boom, foreign crop failures, oil price cartels, double digit inflation, etc. We are already well on our way to recovering from the deep recession that followed the distortions and trauma of these shocks. Employment is up by 3.3 million people from its recession low in March 1975. And prospects are for the recovery to continue, provided we don't try once again to buy our way out with a "quick fix" of excessive money growth or deficits.

But recovery is not enough. Major structural problems will remain even after the recession as such is behind us. Even in periods of high employment, the rate of unemployment among minorities is double the
national average -- and among teenagers, triple the national average (e.g., 19.2% in April). Certainly, we must continue to search for training programs that offer promise, possibly by subsidizing periods of apprenticeship with employers in the private sector. At the same time, we must recognize that some people will simply not be able to catch up with the job demands of an increasingly technological society. There is no way, under such circumstances, that the government can guarantee "meaningful" or well paying jobs for all. Indeed, the rising minimum wage, however well intended, virtually guarantees that a portion of unskilled workers will not be able to find employment in the private sector where they could, in effect, finance their own investment in job skills.

On this basis, a strong argument can be made for a youth minimum wage, lower than the general minimum. This proposal is not new, but has been controversial, partly on grounds that it potentially allows exploitation of teenagers. But a far greater inequity arises, it seems to me, when employers, who might otherwise provide jobs for young people without many skills, are precluded from doing so by the barrier of the minimum wage.

While the government cannot afford to provide public service jobs at going wage rates for all who might like them -- one estimate is that it might cost $30 billion per year to try to do so -- there is a much stronger argument for the government to be the "employer of last resort" for teenagers, and perhaps others, who cannot find employment in the private sector. The model of the Civilian Conservation Corps is frequently cited in this connection. Pay should be low -- in fact, below the minimum wage in private industry -- but with incentives for training and assistance in finding better jobs elsewhere. In this sense, full employment is not beyond our reach.