A Commission Report

THE FEDERAL ROLE IN THE FEDERAL SYSTEM: THE DYNAMICS OF GROWTH

Reducing Unemployment: Intergovernmental Dimensions of a National Problem

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
Washington, D.C. 20575 • February 1982

A-80

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Preface

The Advisory Commission on Intergovernmental Relations was established by P.L. 380, which was passed by the first session of the 86th Congress and approved by the President on September 24, 1959. [Section 2 of the act] sets forth the following declaration of purpose and specific responsibilities for the Commission:

> Sec. 2. Because the complexity of modern life intensifies the need in a federal form of government for the fullest cooperation and coordination of activities between the levels of government, and because population growth and scientific developments portend an increasingly complex society in future years, it is essential that an appropriate agency be established to give continuing attention to intergovernmental problems.
>
> It is intended that the Commission, in performance of its duties, will:
>
> (1) bring together representatives of the federal, state, and local governments for the consideration of common problems . . .
>
> (5) encourage discussion and study at an early stage of emerging public problems that are likely to require intergovernmental cooperation.
>
> (6) recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government . . .

Pursuant to its statutory responsibilities, the Commission has from time to time been requested by the Congress or the President to examine particular problems impeding the effectiveness of the federal system. Section 145 of the 1976 extension legislation for General Revenue Sharing (P.L. 94-488) mandated that the Commission:

> . . . study and evaluate the American federal fiscal system in terms of the allocation and coordination of public resources among federal, state, and local governments, including, but not limited to, a study and evaluation of: (1) the allocation and coordination of taxing and spending authorities between levels of government, including a comparison of other federal government systems . . . (5) forces likely to affect the nature of the American federal system in the short-term and long-term future and possible adjustments to such system, if any, which may be desirable, in light of future developments.

The study, *The Federal Role in the Federal System: The Dynamics of Growth*, of which the present volume is one component, is part of the Commission's response to this mandate. Staff were directed to: (a) examine the present role of the federal government in the American federal system; (b) review theoretical perspectives on American federalism, the assignment of functions, and governmental growth; and (c) identify historical and political patterns in the development and expansion of national governmental domestic activities. This case study on the federal role in unemployment policy is one of seven prepared by Commission staff pursuant to this assignment.

Abraham D. Beame
Chairman

Acknowledgments

This report was prepared by the Government Structure and Functions section of the Commission staff under the supervision of David B. Walker, assistant director, and David R. Beam, project manager. Responsibility for research and writing was shared by Timothy J. Conlan, senior resident, and David R. Beam, senior analyst. The manuscript was ably typed by Delores Dawson and Martha Talley.

Other members of the Commission staff, including Cynthia C. Colella, Charles Richardson, and Carl Stenberg, reviewed the initial draft and made useful comments. Helpful criticisms also were provided by Roger H. Davidson, John A. Garraty, Eli Ginzberg, Sar A. Levitan, and Randall B. Ripley.

Contents

Graphs, Tables, Figures, Map and Chart

Graphs

Tables

Figures

Map

Chart

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Chapter 1

Reducing Unemployment: The Changing Dimensions of National Policy

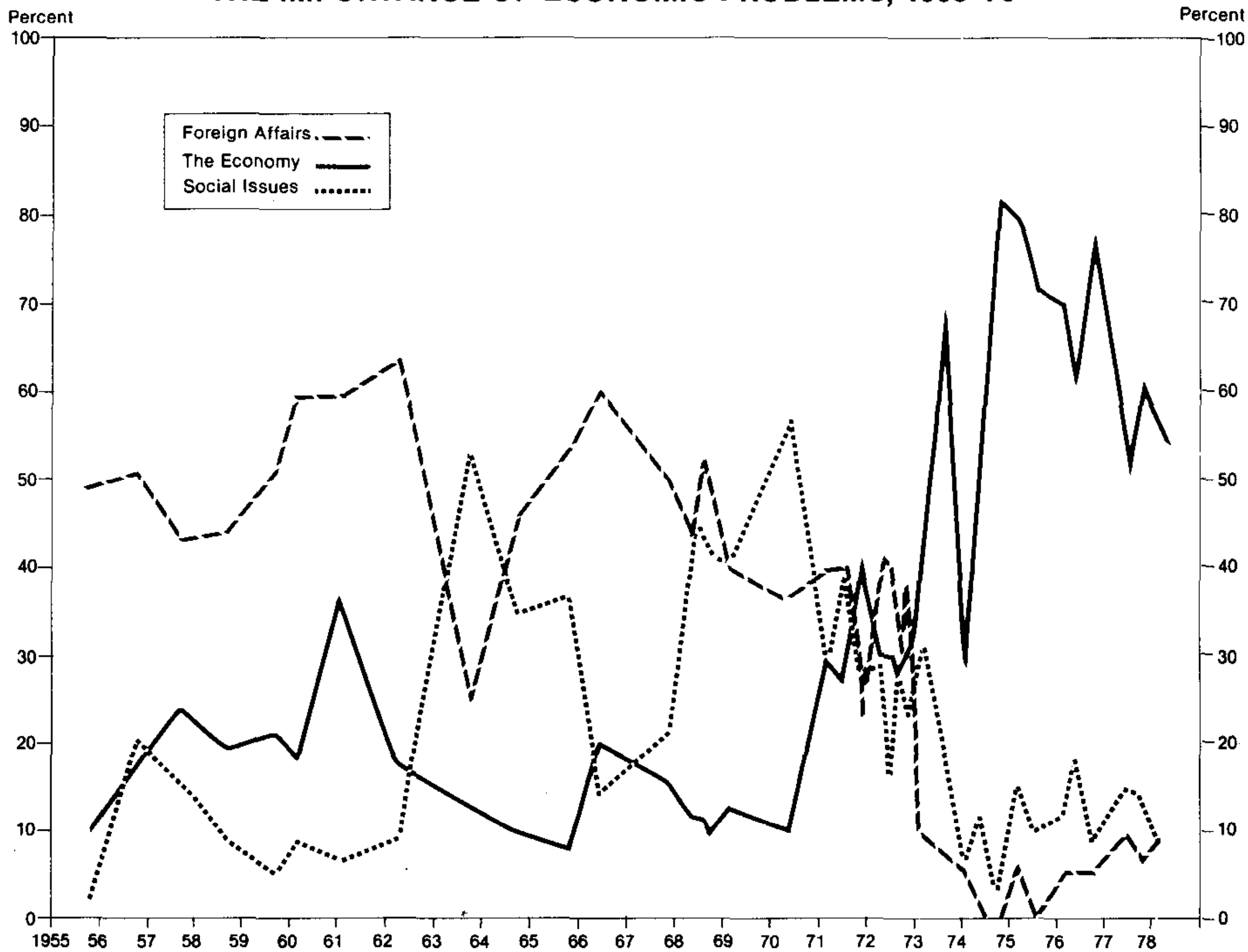
UNEMPLOYMENT AS A FEDERAL CONCERN

Managing the economy to achieve low levels of unemployment and inflation is a preeminent responsibility of the national government. Indeed, in the economics literature, the stabilization of employment and prices is often described as one of the primary functions of a central government.[1] Political scientists agree, and point out that Presidents devote more time and energy to "aggregate economics" than to any other concern of domestic policy.[2] Furthermore, the general public seems to evaluate its national representatives rather heavily according to their success in lowering unemployment and inflation rates. (*Graph 1* shows the relative priority attached to economic performance during the 1955-78 period.) Changes in economic conditions seem to be translated directly into drops or rises in Presidential popularity and may influence election outcomes.[3]

Yet, it has not always been so. Prior to the 1930s, unemployment was not widely regarded as a governmental concern, and most of the major federal programs in this field have originated during the past two decades. Moreover, although unemployment issues have become a major focus of national politics, the actual operation of unemployment programs has always been—and continues to be—heavily intergovernmental. As in many other domestic fields, the federal government does not act on individuals, either alone or directly. Although Washington provides fi-

Graph 1

PUBLIC VIEWS ON THE IMPORTANCE OF ECONOMIC PROBLEMS, 1955-78*



*Question: "What do you think is the most important problem facing the country today?"
SOURCE: *Public Opinion*, May/June 1978, pp. 30-31.

nancial assistance, state and local governments have major administrative responsibilities. These have increased in pace with the evolving national commitment to aid those who are jobless.

PROGRAM DEFINITION

No precise definition of federal employment-related programs is possible. Given the complex linkages of the components of the modern economy and the size of the public sector, it must be said that "any legislation that influences economic activity will indirectly cause unemployment to rise or fall." This includes *most* legislation in *most* fields, especially those involving large-scale public works facilities (transportation, defense, environment, housing) and income transfers. The effect of public actions in these areas on local or national employment conditions is often considered in the course of political debate.

A narrower definition might include only those federal activities bearing most directly on the special

Table 1

FEDERAL OUTLAYS FOR UNEMPLOYMENT PROGRAMS 1978–80

(dollars in millions)

Major Missions and Programs	1978 Actual	1979 Estimate	1980 Estimate
Training and Employment			
General training and employment programs	$ 2,393	$ 2,644	$ 2,432
Private sector program	—	50	150
Public service employment	5,764	5,465	4,930
Youth programs	1,475	2,242	2,131
Older workers	134	210	219
Work incentive program	364	372	378
Federal-state employment service	653	745	762
Subtotal, Training and Employment	10,784	11,729	11,002
Unemployment Compensation*	11,769	10,296	12,410
Area and Regional Development			
National Development Bank (proposed)	—	4	195
Rural development and business assistance	516	666	475
Economic development assistance	326	348	431
Local public works	3,057	2,051	319
Inland energy impact	—	—	76
Coastal energy impact	**	11	54
Indian programs	746	782	730
Regional commissions	372	400	412
Other programs	127	150	134
Offsetting receipts	– 295	– 350	– 353
Subtotal, Area and Regional Development	4,850	4,062	2,473
TOTAL†	$27,403	$26,087	$25,885

*Includes outlays from both federal and state sources.
**$500 thousand or less.
†Totals may not add due to rounding.

SOURCE: Office of Management and Budget, *The Budget of the United States Government: Fiscal Year 1980*, Washington, DC, U.S. Government Printing Office, 1979, pp. 195, 211, 251.

needs of the unemployed themselves. Among these are: (a) training and employment programs, including temporary public service jobs; (b) unemployment compensation; and (c) area and regional development programs to create jobs in economically depressed areas. Total outlays for these three sets of programs, as indicated in the U.S. budget, totaled an estimated $25.9 billion dollars in FY 1980, as shown in *Table 1*. Training and employment programs, along with unemployment compensation, account for more than four-fifths of these funds. Regional development, in comparative fiscal terms, remains "small potatoes."

In keeping with this narrower definition, this case study excludes from consideration programs of a broad educational nature (including vocational education), as well as programs aimed specifically at narrow clienteles (such as veterans and the physically disabled), even though neither is entirely irrelevant. It also omits many regulatory programs that bear on what may be termed the "conditions" of employment, including collective bargaining legislation, the minimum wage, wage and price controls, antidiscrimination policies, protective legislation for women and children, occupational safety and disease laws, and so forth.

As defined here, therefore, federal unemployment policy includes some 16 major enactments since 1933.[4] (These are listed in *Figure 1*.) Two bursts of activity are apparent: one during the New Deal (1933-35), the other associated with the New Frontier and Great Society (1961-65). Each period established important new national commitments to aid the unemployed.

The chief legacy of the former period is the system of unemployment insurance that now provides coverage to about 97% of all wage or salary employees. The latter initiated a substantial network of manpower (or employment and training) programs, with outlays rising from about $81 million in 1963 to over $11 billion in 1980. Because of the need to reauthorize, refine, reform, or supplement past programs, as well as the generally poor performance of the national economy, unemployment-related legislation also has appeared regularly on the nation's political agenda since 1970.

More broadly, there have been four general overlapping stages in the development of federal unemployment policy. Each, through a ratchet-like process, established new continuing commitments. In general terms, these policy stages were:

- "alleviative" policies, 1933-present;

Figure 1

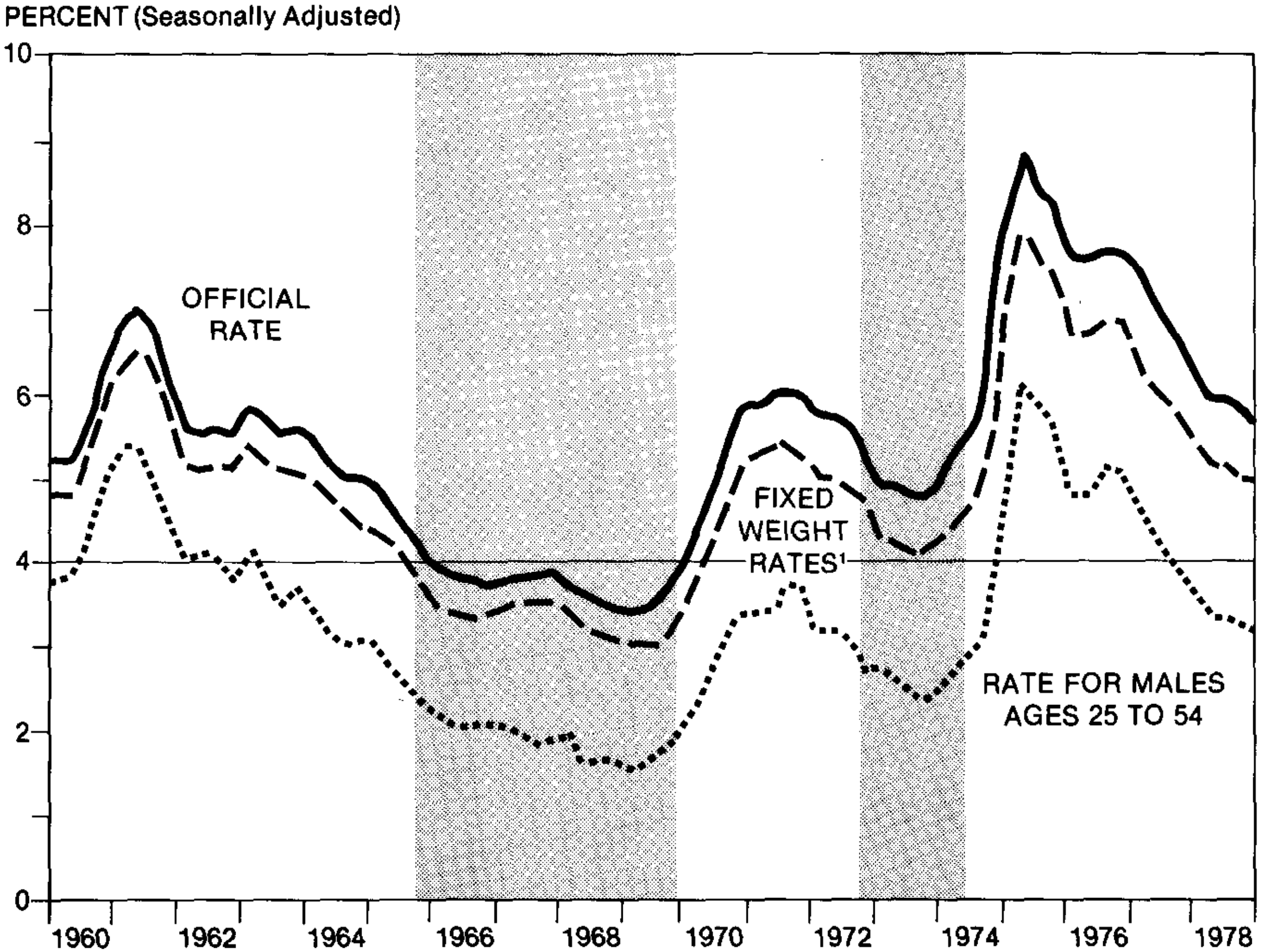
PRINCIPAL FEDERAL UNEMPLOYMENT LEGISLATION, 1933-78[1]

1933	*Federal Emergency Relief Act* *Wagner-Peyser Act* (Employment Service)
1935	*Social Security Act* (Unemployment Insurance) Works Progress Administration
1946	*Employment Act*
1961	*Area Redevelopment Act*
1962	*Manpower Development and Training Act* *Public Works Acceleration Act*
1964	*Economic Opportunity Act*
1965	*Appalachian Regional Development Act* *Public Works and Economic Development Act*
1971	*Emergency Employment Act*
1973	*Comprehensive Employment and Training Act*
1976	*Public Works Employment Act*
1978	*Full Employment and Balanced Growth Act* *Youth Employment and Demonstration Projects Act*

[1]Many of these statutes are included in Committee on Labor and Public Welfare, *Compilation of Selected Federal Laws Relating to Employment and Training*, U.S. Senate, 94th Cong., 2nd Sess., August 1976.

Graph 2

SELECTED UNEMPLOYMENT RATES, 1960-79



¹The fixed-weight unemployment rate is constructed under the assumption that the composition of the labor force with respect to seven demographic groups remains unchanged over the period since 1956.
Note. Shading indicates periods of accelerating wages.

SOURCE: Council of Economic Advisers, *Economic Report of the President: 1979*, Washington, DC, U.S. Government Printing Office, 1979, p. 64.

- "fiscal" policies, 1946-present;
- "structural" policies, 1961-present; and
- "public employment" policies, 1971-present.

Each stage will be described in turn in the course of this case study.

A CONTINUING PROBLEM

Federal unemployment policy remains a highly complex and controversial field. Despite a host of policy initiatives, the nation has not achieved the stable economic performance that had been intended and expected. *Graph 2* illustrates the trend in unemployment over the period 1960-79. Only between 1966-69 did the official unemployment rate dip to the 4% level, which is widely accepted as a desirable target. Furthermore, since 1973 the nation has also experienced excessive rates of inflation.

As *Graph 2* also suggests, unemployment rates have differed for various segments of the labor market. Since 1960 the rate for experienced workers with continuous labor force attachment, such as males aged 25-54, has been considerably lower than that of the labor force as a whole.[5] The burden of contemporary unemployment, then, is highly differentiated, falling much more on some groups (and geographic areas) than others. In December 1978, the unemployment rate was 5.9% for all workers, 2.5% for married men, 16.5% for teenagers, and 7.7% for female heads of families. For black teenagers, the rate was about 35%.[6] Many economists believe that the expansion and changing composition of the labor force, including the growing number of young people and married women seeking jobs, has contributed to the excessive level of unemployment overall.[7]

The failure to attain widely accepted national objectives has been a serious jolt to the political system and—by no means less so—to the economics profession. Established theories and policies have been increasingly challenged, eroding the consensus of the late 1960s. Some critics contend that recent problems are exacerbated by weaknesses in federal unemployment programs or related domestic policies. The confidence that marked this academic discipline in the 1960s has given way to confusion and condemnation. The professional experts, according to one of their colleagues, now "make the oddest statements and promulgate undue quantities of faulty prophecy and policy prescription."[8] Other economists state their analytical concerns with greater delicacy, but also admit to shortcomings or unanticipated consequences in past federal actions.[9]

On the other hand, expectations are greater than they were in the past. There certainly are important areas of long-run progress. The nation has not seen a repetition of the Great Depression of the 1930s, and unemployment now is cushioned by a variety of systems for income maintenance. Altogether, a record level of 59.1% of the population holds jobs, up from 54.9% in 1960.[10] This improved performance seems to owe much to the development of new public sector programs and new theories of economic policymaking initiated in the New Deal years and thereafter.

FOOTNOTES

[1]Wallace E. Oates, *Fiscal Federalism*, New York, NY, Harcourt Brace Jovanovich, Inc., 1972, pp. 3-32.
[2]Thomas E. Cronin, *The State of the Presidency*, Boston, MA, Little, Brown and Company, 1975, pp. 14-15.
[3]See Bruno S. Frey, "Keynesian Thinking in Politico-Economic Models," *Journal of Post Keynesian Economics*, 1, Fall 1978, p. 78; and Edward R. Tufte, *Political Control of the Economy*, Princeton, NJ, Princeton University Press, 1978.
[4]John A. Garraty, *Unemployment in History: Economic Thought and Public Policy*, New York, NY, Harper & Row, Publishers, 1978, p. 8.
[5]Council of Economic Advisers, *Economic Report of the President: 1979*, Washington, DC, U.S. Government Printing Office, 1979, p. 63.
[6]*Ibid.*, pp. 217-18.
[7]For a discussion, see Eli Ginzberg, "The Job Problem," *Scientific American*, November 1977, pp. 43-51.
[8]Robert N. Lekachman, *Economists At Bay: Why the Experts Will Never Solve Your Problems*, New York, NY, McGraw-Hill Book Company, 1976, p. 2; see also Guy Routh, *The Origins of Economic Ideas*, New York, NY, Random House, 1977.
[9]Robert M. Solow, "What We Know and Don't Know About Inflation," *Technology Review*, December/January 1979, pp. 30-46; Arthur M. Okun, "The Great Stagflation Swamp," *The Brookings Bulletin*, Fall 1977, pp. 1-7; and Robert L. Heilbroner, "Reflections: Boom and Crash," *The New Yorker*, August 28, 1978, pp. 52-73.
[10]Council of Economic Advisers, p. 217.

Chapter 2

Origin in the Great Depression

The origin of the federal role in dealing with the problem of unemployment can be traced largely to a single event: the Great Depression of the 1930s. Under crisis conditions, in which the rate of unemployment reached 25%, the national government sought to identify and initiate appropriate responses.

This task was not assumed altogether willingly. Although from the contemporary perspective economic management may seem as essential and altogether natural a federal responsibility as national defense, this was not true five decades ago. The recognition that large-scale involuntary unemployment could occur, that it might also be prevented or ameliorated, and that the federal government had a crucial role to play, involved a slow but extensive "learning process" for professional economists, public officials, and the general public alike. Widespread consensus on these points was not attained until the end of the 1960s.

To a greater degree than in most fields, then, the history of unemployment policy has been inextricably linked with academic theorizing. Ideas have been as important as interests, and probably more so. John Maynard Keynes—the principal contributor to the revolution in economic thought—once suggested that

> . . . the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the

> world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. . . . I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.[1]

Keynes' own work provides an impressive case in point.

It must be remembered that the principal contributors to classical economics—Smith (1776), Malthus (1789), Ricardo (1817), Say (1803)—did not anticipate, and could not have explained, widespread joblessness. Such idleness as occurred was regarded as quite exceptional and more a personal than a social problem.[2] Indeed, the term "unemployment" did not come into widespread use until 1890, and the first *Encyclopedia Britanica* article discussing the topic did not appear until 1911.[3] This classical interpretation—although increasingly remote from reality as the nation became industrialized—dominated economic thought until the social force of the Depression, and thereafter the intellectual force of Lord Keynes displaced it.

Consequently, throughout the 19th century the problem of unemployment was essentially indistinguishable from the problem of economic destitution. Following the example of the Elizabethian Poor Law of 1601, local public assistance in the United States sometimes took the form of work relief, either to test the "worthiness" of the applicant or to enhance self-respect. While the welfare rolls did rise and fall with periodic depressions, these did not prompt any clear distinction between "employment services" on the one hand and "charity" on the other.[4]

The first differentiation appeared with the creation of a public employment office (or employment exchange) by the State of Ohio in 1890. A number of other states and municipalities followed this precedent, particularly during the depression of 1914-15. Shortly thereafter, the need to allocate manpower resources during World War I led to the creation of the U.S. Employment Service within the Department of Labor. However, these funds were exhausted shortly after the armistice, and Congress rejected a proposal for continuing grants-in-aid to states for the operation of their employment offices. As a consequence both the Employment Service and state agencies "were generally dormant" until the 1930s.[5]

The need for a more vigorous governmental posture became clear only during the Great Depression. While the nation had suffered from repeated economic setbacks in the past, including several of considerable severity, the Great Depression was unprecedented in its force.

Although the Depression is often described in terms of unemployment, that was only one of several dimensions. It laid waste the entire economy, affecting those who retained jobs—usually at reduced wages—as well as the propertied and agricultural classes. In rough terms, it may be said that there were four forms of deprivation concentrated in (but by no means confined to) specific sectors: (a) the working class, who lost their *jobs;* (b) the upper class, who lost their *investments*; (c) the middle class, who lost their *savings* and *homes;* and (d) the farmers, who lost their *land*. Directly or indirectly, nearly everyone suffered.[6] Economic historian Robert L. Heilbroner has outlined the dimensions of the calamity in these terms:

> To begin with, Gross National Product fell precipitously from $104 billion in 1929 to $56 billion in 1933. Almost one dollar's worth of final output out of every two disappeared. As a result, unemployment soared. In 1929, the unemployed had numbered 1.5 million. By 1933 the number rose eightfold until one person out of every four in the entire national labor force was without a job. In the nation as a whole, residential construction fell by 90 percent; there were virtually no houses built. Nine million savings accounts were lost as banks closed their doors. Eighty-five thousand businesses failed. In Pennsylvania in 1932 it was reported by the state department of labor that wages had fallen to 5 cents an hour in sawmills, 6 cents in brick and tile manufacturing, 7.5 cents in general contracting. In Tennessee, women in mills were paid as little as $2.39 for a 50-hour week. In Kentucky, miners ate the weeds that cows ate; in West Virginia, people began to rob stores for food. In California, a child starved to death and was discovered to have been living on refuse.[7]

Like the event itself, the governmental response to the Depression was unprecedented. In the space of just five years, the search for economic recovery shattered long-standing Constitutional, economic, fiscal, and political commitments. From these four perspectives—although perhaps not from a social standpoint—the New Deal was a revolution,[8] as illustrated by the following quotations:

> The "great retreat" by the Supreme Court in the spring of 1937 marked the beginning of a new era in federalism. . . . [I]t now seems indisputable that there has occurred a permanent enlargement in the extent of federal power. Entire new areas of sovereignty hitherto entrusted to the states or to no government at all are now the subject of extensive federal regulation and control. . . . "Dual federalism" is apparently dead beyond revival.[9]

> It is clear that by the end of the 1930s the role of government in the economy had changed fundamentally. Not only had it increased as a result of efforts to get the economy out of the Depression; it had increased also on the assumption that the welfare of the society could be improved by government intervention to reorganize and reallocate resources in particular areas, in contrast to the way in which the markets would have allocated them.[10]

> Measured in terms of cash expended for federal grants to state and local government, the New Deal programs dwarfed anything that had been undertaken before. . . . [T]he magnitude of the New Deal's grant programs was far greater than is usually recognized. The dollar amount of payments for 1939 was not equaled again until the 1950s, when gross national product was about three times as large as in 1939.[11]

> In 1932 the country, in the midst of a Great Depression, used a demoralized and disorganized Democratic party to produce the greatest reversal of public policy in American history. . . . The Democratic party in the 1930s became the reluctant instrument of a revolution that it did not plan and did not produce. It is hard to imagine a party less prepared for its new responsibilities than the Democratic party was at the time of Franklin Roosevelt's first inaugural. The fact that the country used the Democratic party to produce the first party turnover in more than a generation contributed greatly to the development of a new concept of the party system, a renewed interest in the idea of party responsibility.[12]

Each of these four interrelated revolutions left a permanent mark on the American system of government. In many fields, New Deal measures still provide the foundation for the nation's public policy. From a long-run perspective, however, the more fundamental change was in the realm of ideas, not practice. Although this change occurred more slowly, in retrospect the national experience begun during the Depression clearly stimulated a dramatic change in the "paradigm" of political thought. These new ideas, in turn, legitimized a new, activist federal role, far beyond that of the New Deal itself. Arthur A. Ekirch, Jr., an historian of the Depression years, indicates

> In the slow process of social and economic recovery after the Great Crash of 1929, many of the historic postulates of the American dream underwent a drastic shift. Swept aside with the simple mass faith in the idea of inevitable progress were the easy shibboleths of the cult of prosperity set forth by a number of the leading business and political figures of the 1920s. In their place, the regulation and reform of the American economy, through the aegis of the federal government under stronger presidential leadership, became the new reigning belief and political philosophy. . . .

> Whatever the final verdict of history, it seems likely that the New Deal will rank, and be remembered, as a revolutionary era in American thinking. . . . More than in any other comparable period of the American past, the years from 1929 to 1941 transformed the traditional values and attitudes of the American people, conditioning them to look, as never before, to the national state as the basic arbiter and fundamental factor in their lives.[13]

In the final analysis, then, the *real* "New Deal" was in human minds.

THE SEARCH FOR RECOVERY: UNEMPLOYMENT AND THE NEW DEAL

An Activist Thrust

Economic recovery—getting America "back to work" in the broadest sense—was the principal goal

Figure 2

PRINCIPAL NEW DEAL MEASURES, 1933-38

"Bank Holiday"	March 1933
Federal Emergency Relief Act, creating	May 1933
Federal Emergency Relief Administration (FERA)	
Agricultural Adjustment Act, creating	May 1933
Agricultural Adjustment Administration (AAA)	May 1933
Tennessee Valley Authority (TVA)	June 1933
Home Owners' Loan Corporation	June 1933
National Industrial Relations Act, creating	
National Recovery Administration (NRA)	June 1933
Federal Deposit Insurance Corporation	November 1933
Civil Works Administration (CWA)	
Securities and Exchange Commission (SEC)	June 1934
Works Progress Administration (WPA)	May 1935
Wagner Act, creating National Labor Relations Board (NLRB)	July 1935
Social Security Act	August 1935
Public Utility Holding Company Act	August 1935
Bankhead-James Farm Tenancy Act, creating	July 1937
Farm Security Administration (FSA)	
Fair Labor Standards Act	June 1938

SOURCE: Bernard Bailyn, et. al., *The Great Republic: A History of the American People*, Boston, MA, Little, Brown and Company, 1977, pp. 1082, 1097.

of the New Deal. The battle was fought on many fronts, and it included more than a dozen statutes of paramount significance as well as a host of lesser, but still important, ones. The frantic "100 days" following the inauguration of President Franklin D. Roosevelt on March 4, 1933, included 15 Presidential messages and the enactment of 15 major laws. A second wave of major legislation occurred in 1935, near the end of Roosevelt's first term in the White House. (*Figure 2* lists a number of the key economic measures.)

None of this legislative activity followed any clear plan, theory, or design. The new President, like most other leaders at the time, had no ready solution to the nation's economic crisis in mind. When he took office in 1933, Roosevelt certainly contemplated neither massive increases in federal spending and indebtedness nor the erection of a national welfare state, although many critics and supporters believe that both were the eventual outcomes of his tenure. On the contrary, Roosevelt's election campaign had stressed the need for a balanced budget and economies in government—goals that were then very widely shared. Robert L. Heilbroner has noted,

> It is curious that the Roosevelt Administration had little clear idea of how to remedy this situation when it first took office. Neither. . . did the business community. Indeed, for nearly everyone, economists included, the only "remedy" for the Depression was thought to be a balanced budget for the government.[14]

Yet the magnitude of his electoral landslide, the large Democratic majorities in the Senate and House, and the features of his own political personality gave Roosevelt unprecedented flexibility. Another economic historian, W.W. Rostow, observes that: "The Depression brought to power Franklin Roosevelt with an initial mandate to act in almost any direction he chose, so long as he lifted the nation from the trough of depression."[15] Rostow adds that, "so far as unemployment was concerned, [Roosevelt] lacked a program," although he formulated one quickly.[16]

By temperament and background a "doer," as well as a superb leader, Roosevelt quickly devised a series of responses. "What set Roosevelt so sharply apart from his predecessor was his willingness to experiment with a great variety of schemes to achieve [his] goal."[17] The new President

> . . .gathered around him in the executive branch—and released in the Congressional branch—every variety of activist. There was no national plan, but there was a competitive contest to apply every partial insight or national experience which seemed relevant to the nation's crisis. Roosevelt's first term was a climatic bringing together—an orchestration—of men, ideas, and policies formed over the previous half-century's national debate, study, experiment, and experience.[18]

The resulting social experiments brought the federal government into a host of new domains. Still, they did not represent a sharp break from the American reform tradition to which Roosevelt himself belonged. Many New Deal measures

> . . .were essentially a broadening of those that had been developed in most of the major industrial states during the Progressive Era. Then, for the first time, serious efforts were launched to cope with such effects of industrial urban living as child and female labor, inadequate housing, low wages, excessive hours, dangerous working conditions, industrial accidents, and lack of retirement benefits. Although no state provided solutions for these problems in this period, the attempts at least established precedents for more comprehensive measures in future years.[19]

Thus the "new" in New Deal described its nationalizing spirit, rather than its basic ideas or programs.

The Directions of Policy

Because of its diversity and pragmatic spirit, it remains difficult to characterize fully and accurately the programmatic thrust of the New Deal. However, political scientist Samuel H. Beer—once an aide to "brain-truster" Thomas G. Corcoran—believes that its programs clustered around the twin problems of economic concentration and economic insecurity.[20] An equally prominent younger scholar, Theodore J. Lowi, suggests that the significant policy changes moved from the more traditional subsidy (or distributive) programs toward newer ones involving economic regulation and income redistribution.[21] These views are not identical; still, although Beer is concerned with *problems* and Lowi with *means*, the two interpretations do have something in common.

Chronologically, the New Deal legislation occurred in two major waves, often termed the "first" and the "second" New Deal. The principal measures of 1933 and 1934 were aimed at reorganizing, through federal regulation, crucial ailing sectors of the economy: industry, agriculture, banking, home building, and the stock market. Other bills provided temporary emergency relief benefits. Although radical from the perspective of the traditional limits on federal activity, these measures were clearly intended to bolster the operation of the private enterprise system, not to revamp or replace it.[22]

In formulating these measures, Roosevelt sought to draw on past experience, as he did in other policy areas. Yet the experience with the problem of economic management was quite limited. Only the World War I mobilization seemed relevant. Hence, in devising his major regulatory measures,

> Roosevelt reached back to the last great national crisis the nation had faced, the First World War, and created the National Recovery Administration (NRA) on analogy with the War Industries Board.[23]

Roosevelt hoped that negotiated price stability and wage increases would spur recovery. Had these regulatory measures worked, in historian Paul K. Conktin's view, much of the later New Deal—including the major welfare and relief programs—"would have seemed unnecessary."[24] But, based on a false premise, the first New Deal failed, and probably slowed down the process of recovery:[25]

> By late 1934, NRA was a shambles, the victim of the businessmen's self-serving codes, widespread violations of these same rules, and bitter criticism from almost every section of American society. The Depression refused to lift. Though unemployment had

declined since the darkest months of early 1933, it was about as bad as it had been the day Roosevelt was elected. Net farm income was a dismal 50% of its level in 1929, and the food shortages caused by a cruel drought on the Great Plains accounted for most of the price increases since 1933. Only corporate profits were making strong gains in 1934.[26]

Then, in 1935, the Supreme Court declared the NRA unconstitutional; early in 1936, it rejected the similarly constituted *Agricultural Adjustment Act*.

If the first New Deal embodied Lowi's "regulatory" policies, the second New Deal concentrated to a greater degree on "redistributive" measures. This altered the tenor of the political debate. Roosevelt clearly turned toward the left in 1935 and 1936—to a certain degree in policy substance, and even more so in rhetoric. The failure to achieve recovery, and the President's falling political stock as he faced reelection, encouraged this new direction.

The most important policy outcomes were the greatly expanded system of relief under the Works Progress Administration, the *Wagner Act* creating the National Labor Relations Board, and especially the *Social Security Act*. All were signed in 1935. The latter, by creating a program of unemployment compensation, remains the New Deal's greatest continuing legacy in the unemployment policy field.

The new rhetoric appeared in 1936, first in Roosevelt's January State of the Union message, and even more so in his June renomination acceptance speech. Both were marked by attacks on the "economic autocracy," the "men of entrenched greed," the "economic royalists," and the resulting "economic tyranny."[27] Yet, while these speeches colored the Presidential election and historical memories of Roosevelt's character, by that time the major legislative work of the New Deal had been largely completed.

The Political Foundations

There can be no doubt that Roosevelt responded to the concerns of the public in formulating his unemployment and recovery policies. Indeed, his election in 1932 and his reelection in 1936 reflected the popular discontentment with Hoover's governmental leadership and the later endorsement of Roosevelt's own. E.E. Schattschneider has written,

> In 1932 the country, in the midst of a great depression, used a demoralized and disorganized Democratic party to produce the greatest reversal of public policy in American history. . . . The election of 1932 was much more than the defeat of a political party; it was something very much like the overthrow of a ruling class.[28]

At the same time, Roosevelt did not simply follow public opinion or obey the electorate's mandate. On the contrary, as Beer observes,

> . . . it is wholly uninstructive to hypothesize that the majority that swept Roosevelt into the White House in 1932 entertained a view of the general principles that were later embodied in the programes and policies of the New Deal.[29]

How could they have? None of the major policies had been described during the course of the campaign. Although public opinion—mobilized by the demogoguery of Huey Long, Dr. Francis E. Townsend, and Father Charles Coughlin—did encourage the "shift to the left" beginning in 1935, Roosevelt's 1936 reelection at most simply ratified his past energetic experimentalism. In policy terms, it was another "blank check."[30]

Hence, it must be said that the political party realignment which occurred in the New Deal years was "elicited" from the electorate—to use Samuel Beer's careful phrasing—rather than created by it.[31] Intentionally or not, Roosevelt constructed a new Democratic coalition by his selection of policies:

> Laying a base for a new Democratic party mainly in the cities of the north, Roosevelt added to traditional elements, such as the south and certain big city machines, new strength from organized labour, farmers, recent immigrants, Negroes, old people, and intellectuals. It was a coalition which neither Roosevelt nor anyone else planned or even foresaw, but which came into existence in step with the various programes of the New Deal. Typically for each of the constituent groups there was a program or set of programes that not only favoured the interests of the group, but also often defined those interests in a way not previously conceived by the group and its spokesmen.[32]

The political transformation of the New Deal, then, involved the interplay of programs and interest groups against a background of electoral pressure for action—almost *any* action—and for strong Presidential leadership. The latter Roosevelt offered willingly. Some interest groups were better organized and more influential than others, however. According to James T. Patterson, lobbying was particularly important on Capitol Hill:

> . . . when strong pressure groups such as farmers or veterans threatened the hapless Congressmen with electoral extinction. As one contemporary observer commented, Roosevelt's chief difficulties with Congress in 1933 emanated from such pressure groups. The President, he said, could "do little more than keep order in the bread line that reached into the Treasury."[33]

The ties cemented between organized labor and the Democratic party were perhaps the most important political outcome. These were to be of great significance in shaping employment-related (and other domestic) legislation in later years. Largely because of the passage of the *Wagner Act* in 1935—the "Magna Carta" of organized labor—union membership jumped from 3.5 million in 1930 to 9 million in 1940.[34] Simultaneously, and in reaction, the Republican party moved to better represent opposing conservative and business interests. The party system was realigned along a social class, rather than a sectional line of political cleavage, with the "scope of government" becoming the major point of contention. James L. Sundquist comments,

> It was in the New Deal era that tight bonds were formed between organized labor and the Democratic party, that ties equally close if less formal and overt were formed between business organizations and the GOP, and that partisan politics for the first time since 1896 sharply accented class issues. An activist-conservative line of cleavage and a class-based rationale for the party system are two ways of describing the same structure, for it was the lower economic classes who wanted to use the powers of government for the relief of economic hardship and the reform of the economic system in their interests. The party conflict thus reflected at the same time a broad policy disagreement as to the role of government and a struggle between broad class and interest groups for the control of government.[35]

Although the problem of unemployment was a major concern throughout this period, its principal victims were surprisingly politically quiescent, a fact noted in most novels and social surveys of the era.[36] Few held government responsible for the problem, and the psychological pressures of unemployment discouraged, rather than stimulated, meaningful political activism. Deepening apathy and despair were common reactions. While protest activities were numerous enough to attract much attention and provoke concern and even fear, by and large they also were

> . . .sporadic, unfocused, and to a considerable extent merely rhetorical. A Washington reporter described the American bonus marchers of 1932 as "the army of bewilderment," their behavior marked by "a curious melancholy." When, gathered eight thousand strong before the Capitol, they learned that the Senate had rejected the bonus bill, they meekly accepted the suggestion of their leader that they sing "America," and straggled back to their pitifulshacks on Anacostia Flats.[37]

The same was true in most European nations. "Nowhere," Garraty writes, did the unemployed become

> . . . an effective pressure group or an independent political force. Political activism was incompatible with joblessness. Insecurity caused the unemployed to be fearful and dependent. Fear and dependence eroded their confidence and destroyed hope. Lack of confidence and hopelessness undermined their expectations. Typically, when workers lost their jobs they had not suffered enough to become rebels. By the time they had suffered they had lost the capacity for militant protest.[38]

INCOME MAINTENANCE FOR THE UNEMPLOYED

Temporary Work Relief

Several early New Deal programs sought to cushion the unemployed against financial hardship. These were "relief" programs, in the vernacular of the times, or "income maintenance programs," as they are now usually termed. Aside from cash payments or direct relief—considered in a separate case study

Table 2

WORK RELIEF AND PUBLIC WORKS PROGRAMS, 1932-43

Program	Dates of Operation	Peak Enrollment (thousands)	Aggregate Expenditures (millions of dollars)
State and local work relief under loans of Reconstruction Finance Corporation (RFC)	July 1932-April 1933	1,970 (March 1933)	$ 300
Civilian Conservation Corps (CCC)	April 1933-August 1942	505 (August 1935)	2,986
Early work projects of Federal Emergency Relief Administration (FERA)	May 1933-November 1933	1,718 (August 1933)	147
Civil Works Administration (CWA)	November 1933-May 1934	4,264 (January 1934)	952
Emergency Work Relief Program of the FERA (EWRP)	April 1934-December 1935	2,446 (January 1935)	1,195
Works Progress Administration (WPA; renamed Work Projects Administration, July 1939)	August 1935-June 1943	3,330 (November 1938)	13,407
National Youth Administration (NYA; Student Work Program and Out-of-School Work Program)	September 1935-June 1942	808 (March 1940)	534
Public Works Administration (PWA; federal and nonfederal projects)	September 1933-June 1942	541 (July 1934)	4,500

SOURCE: Jonathan R. Kesselman, "Work Relief Programs in the Great Depression," in John L. Palmer, ed., *Creating Jobs: Public Employment Programs and Wage Subsidies*, Washington, DC, The Brookings Institution, 1978, p. 158.

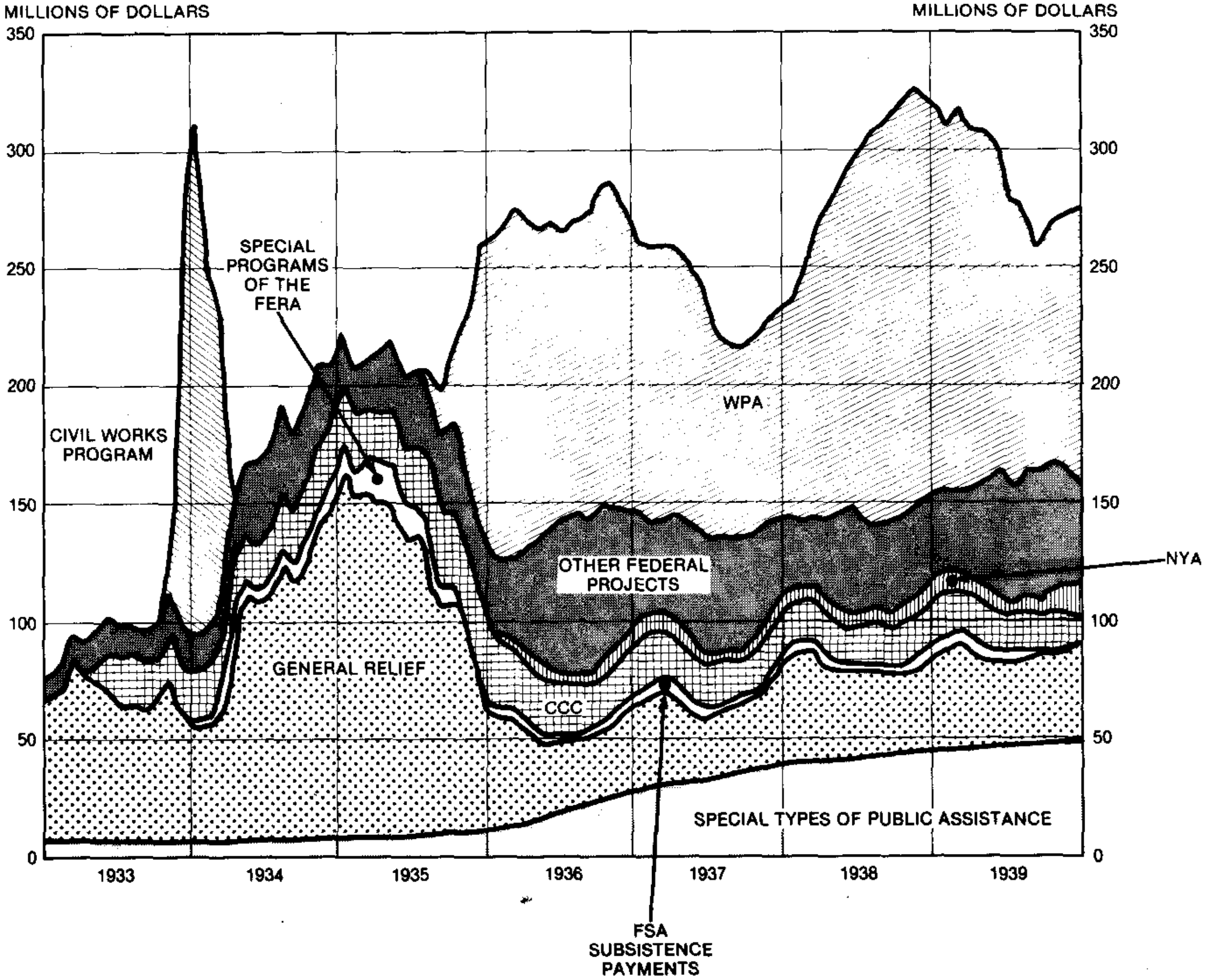
in this report—employment-related relief took two major forms: temporary and permanent. The temporary programs provided emergency employment opportunities in public jobs or public works projects. The major permanent program—"permanent" from the standpoint of the federal government, not the recipient—was the system of unemployment compensation or unemployment insurance created under the *Social Security Act of 1935*.

Beginning in 1933, and continuing over the next decade, the federal government established a whole series of work relief programs, as *Table 2* (and *Graph 3*) indicate. Upon assuming office, Roosevelt:

> . . .plunged the national government into the business of *relief*. The Civilian Conservation Corps (CCC) took thousands of unemployed young men off the streets and out of rural slums and put them to work on reforestation and flood and fire control. The Public Works Administration (PWA) and the Civil Works Administration (CWA) provided employment for millions of citizens in vast public works programs created to stimulate depressed industries, especially construction. The National Youth Administration (NYA) provided part-time jobs for high school and college students so that they could earn enough money to complete their education. The Works Progress Administration (WPA) provided jobs for the unemployed, including artists, musicians, and

Graph 3

PUBLIC ASSISTANCE AND EARNINGS OF PERSONS EMPLOYED UNDER FEDERAL WORK PROGRAMS, 1933–39



SOURCE: Joseph C. Brown, ***Public Relief: 1929-1939***, NY, Henry Holt and Co., 1940, p. x.

scholars, suited to their skills and experience.[39]

The new federal efforts supplanted the "work for relief" programs that had been instituted in many large cities in 1930-31. In that same period, several proposals were made for federal public works grants, but these had been resisted by President Herbert C. Hoover. When he left office, only a program of relief loans administered by the Reconstruction Finance Corporation was in operation.[40]

Among the early New Deal relief programs, the most important was the *Federal Emergency Relief Act* (FERA).[41] FERA funds, provided to state governments on a matching basis, could be used for either direct relief or work relief. The latter, however, was favored by both the President and FERA Administrator Harry Hopkins for psychological reasons: It helped to protect the recipient's self-respect.[42] The short-lived Civil Works Administration (CWA), in contrast, was a direct federal operation. Its workers—half drawn from the relief rolls and half from among the other unemployed—were on the federal government's own payroll.[43]

The largest of the work relief projects were those initiated under the Works Progress Administration (WPA), beginning in 1935. The WPA greatly expanded the work relief strategy of prior years. It increased tenfold the amount initially given to FERA, and absorbed about one-half of the government's *total* expenditures.[44] Indeed, the $4.9 billion Emergency Relief Appropriation—"to be spent as Roosevelt saw fit"—was at that time

> . . . the largest appropriation in American history and the largest accretion to the national debt. Roosevelt used it to consolidate and expand numerous early, temporary relief programs, which had served up to 30 million people. About $1,500,000,000, the largest single block went to Harry Hopkins and to a new relief organization created by executive order, the huge Works Progress Administration (WPA). In turn, the WPA used most of its share, plus endless new appropriations, for work programs for the unemployed.[45]

Large as it was, however, the WPA effort was considerably below the $6 to $10 billion scale some advocates had proposed.[46]

WPA differed from FERA in a number of respects. It provided work relief, rather than cash, and was administered by federal, rather than state, officials. No specific amount of state matching was necessary, but states were required to bear the full cost of general relief payments to the "unemployables." Thus the federal and state relief spheres were separated. The objective was the elimination of the bickering between the two govermental levels which had plagued FERA operations. Although a few Governors did object to the federal control of work relief funds, and many liberals felt that state relief efforts were wholly inadequate, the areas of tension were reduced considerably.[47]

Mixed Assessments

The WPA, in particular, was an "impressive achievement" as well as a "bold departure," in the opinion of historian William E. Leuchtenburg.[48] He offers this partial listing of its many varied accomplishments:

> The WPA built or improved more than 2,500 hospitals, 5,900 school buildings, 1,000 airport landing fields, and nearly 13,000 playgrounds. It restored the Dock Street Theater in Charleston; erected a magnificent ski lodge atop Oregon's Mount Hood; conducted art classes for the insane in a Cincinnati hospital; drew a Braille map for the blind at Watertown, Massachusetts; and ran a pack-horse library in the Kentucky hills.[49]

In a similar vein, Donald R. McCoy identifies relief as the greatest success story of the New Deal's "three R's": relief, recovery, and reform.[50] He notes that,

> The WPA's Federal Theater Project gave work to jobless playwrights, actors, directors, musicians, and other show people. Its plays, musicals, variety shows, and circuses were performed all over the country, thus boosting public interest in the thespian art. . . . Similar accomplishments were achieved by the WPA's Federal Art Project and Federal Writers' Project. Out-of-work artists and writers were enabled to ply their crafts. . . . The National Youth Administration was created to tend to the special problems of young people. . . . The NYA, during its seven years of existence, provided part-time work for more than 2,000,000 high-

> school and college students and assisted another 2,600,000 youth with vocational training or work-relief jobs. . . . The Works Progress Administration contributed mightily to the reshaping of the face of America, which was shared in by the Public Works Administration and the Civilian Conservation Corps.[51]

Even though they met a real need under emergency conditions, the work relief programs were never fully accepted. Roosevelt himself was of two minds on the matter. His goal was economic recovery, not an expanded federal "dole." In 1932 and 1933, Roosevelt was "frankly leery" of the idea of expanded public works, which was favored by a number of Congressional Democrats.[52] In the spring of 1934, he terminated the very popular Civil Works Administration out of alarm at its cost and in fear that it was creating a "permanent class of reliefers."[53] Even in 1935, he declared that,

> I am not willing that the vitality of our people be further sapped by the giving of cash, of market baskets, or a few hours of weekly work cutting grass, raking leaves, or picking up papers in the public parks. We must preserve not only the bodies of the unemployed from destitution but also their self-respect, their self-reliance and courage and determination.[54]

"The federal government must and shall quit this business of relief," he declared in his January 1935 message to Congress. In his mind, the WPA—like the *Federal Emergency Relief Act*—was a necessary but temporary expedient under conditions of economic crisis, to be terminated as promptly as possible.[55]

Criticism of work relief abounded, from both ends of the political spectrum. The American Federation of Labor (AFL) charged that the wage paid (about $50 a month) was undercutting union scales and advocated the use of the prevailing wage—a position adopted by many other liberals.[56] Militant workers in some cities organized themselves into unions and protested against the government's managerial practices, frequent dismissals, and failure to give work to all of the eligible unemployed.[57]

In contrast, Roosevelt's critics on the political "right" felt that an outright dole would be less expensive and equally effective as work relief.[58] They objected to make-work "leaf-raking" and idleness on the job and expressed concern that the WPA was becoming a political patronage operation.[59] The term "boondoggle" was coined as an expression of derision:

> During an aldermanic inquiry into New York City relief early in 1935—in which it was discovered that money was being spent for the teaching of tap dancing and the manipulation of shadow puppets, and for such academic enterprises as "a study of the predominating nonprofessional interests of teachers in nursery schools, kindergarten, and first grade" and "a study of the relative effectiveness of a supervised correspondence course in elementary Latin"—one Robert Marshall testified that he was a "training specialist" who taught the reliefers "boondoggles," explaining that this was an old pioneer term for useful everyday tricks of handicraft such as making belts by weaving ropes. The strange term entranced newspaper readers, and presently the conservative press everywhere was referring to relief projects of questionable value as "boondoggling."[60]

Roosevelt responded to such criticisms with conviction, however,

> Some people in this country have called it "boondoggling" for us to build stadiums and parks and forests and to improve the recreational facilities of the nation. My friends, if this stadium can be called boondoggling, then I am for boondoggling, and so are you.[61]

Still, it is true that the system of work relief was not altogether satisfactory. Although "magnificent" in principle, these extremely large programs did experience serious operational difficulties, and the quality of the jobs provided was often inadequate:

> Try as Hopkins and his aides might to make the work vital and prideworthy, the fact remained that it was made work, ill-paid, uncertain, undemanding of real quality of workmanship; and that the reliefers became perforce, by degrees, a sort of pariah class, unwelcomed by private industry, dwelling in an economic twilight.[62]

A recent economic analysis agrees that the work relief programs are best regarded "as primarily a camouflaged form of direct relief" and beset with many operational inefficiencies and inequities. Although the "work programs furnished widespread income support to unemployed needy households," Kesselman adds that,

> . . . payments were unrelated to the need of participating households and were more costly than direct relief. Because organized business and labor groups restrained work relief from competing activities, the projects yielded relatively few private consumption goods, the form of output having the most urgent value. Most output was in the enduring form of public works that have benefited generations less needy than the one that built them. The decision to maximize on-site employment undermined the efficiency of even the limited range of work relief projects. Relief employment provided substantial rents to workers with erratic or no employment in the private sector. Rationing the limited positions by certification and administrative devices imposed real resource and equity costs on the programs.[63]

Even on its own terms, the WPA fell short. As large as it was, the WPA "never came close to meeting Roosevelt's goal of giving jobs to all who could work." Of the some 10 million jobless, the WPA cared for not more than three million.[64] As a counter-recessionary measure, work relief also was at best a gap-filler, ineffective in spurring national economic recovery. When the decade ended,

> . . . personal income in the United States stood at only $72,900,000,000 in 1939, compared with $85,800,000,000 in 1929, although the population had increased by more than 9,000,000. Almost 9,500,000 people, or 17.2% of the labor force, were still unemployed in 1939, about three-quarters of those out of work in 1933. . . . Of the world's major industrial nations, the United States in 1936 was the least advanced toward recovery and by 1939 was the only one still seriously affected by depression.[65]

Still, whether effective or not, the ideas formulated in this period were to have a lasting impact on federal unemployment policy. Although the New Deal programs were suspended during the wartime years, public employment programs reappeared in the 1960s and 1970s. New Deal experience provided the prototypes for these more recent initiatives in several cases.

THE ENACTMENT OF UNEMPLOYMENT INSURANCE

To meet some objections to his relief programs, and to provide a more permanent form of assistance for the unemployed, Roosevelt sought and got a system of unemployment compensation, supported by unemployment insurance contributions.[66] Created by Titles III and IX of the *Social Security Act of 1935*, this was the only continuing program directed at the problem of unemployment to emerge from the New Deal.

The act built on the foundations of the *Wagner-Peyser Act*, which had created the U.S. Employment Service in 1933. This agency became the federal administrator for unemployment compensation. Under the grant-in-aid program authorized by *Wagner-Peyser*, the number of states with local employment offices rose from 23 in 1933 (chiefly in the industrial states) to 35 by 1935.[67]

Unemployment insurance (UI) differed from the earlier "relief" and current "welfare" programs in several respects. A clear philosophical distinction may be drawn between the noncontributory public assistance programs—among them Aid to Families With Dependent Children, Food Stamps, and Medicaid—and the contributory programs of social insurance—unemployment compensation, Social Security, and Medicare. In contrast to the relief programs of the New Deal, the newly emerging philosophy of social insurance stressed four principles:

- protection is provided as a matter of right, not as a "benevolence" of government;
- all citizens should be eligible for coverage, regardless of class or income level;
- benefits are closely related to an individual's contribution to the economy as indicated by wage rates; and
- both employer and employee contribute to the costs of protection.[68]

Unemployment insurance, then, was part of a new wave in federal unemployment policy and—according to proponents—an improvement of, and supplement to the earlier relief strategy. Secretary of Labor Frances Perkins, in a speech describing the principles of the *Social Security Act* (SSA), referred to unemployment insurance as a "substitute for haphazard methods of assistance in periods when men and women living and able to work are without jobs."[69] She also termed it a

> . . . companion measure to the *Works Relief Act* which does undertake to provide immediate increase in employment and corresponding stimulation to private industry by purchase of supplies.[70]

History

In some respects unemployment insurance was the most innovative program established by the *Social Security Act.* At the time of its adoption, only a single state—Wisconsin—had enacted a UI program. In contrast, most of the other titles of the SSA built on preexisting state or federal laws.[71] It also is noteworthy that the UI program employed a seldom used form of fiscal incentive to assure state action—the tax credit—rather than the more common grant-in-aid. For this reason, the program is "an important chapter in the history of federal-state cooperation."[72]

Still, the concept underlying UI was comparatively old. The basic model was borrowed from European experience. In the 1890s, municipal governments in several nations had begun to subsidize trade union unemployment benefit funds; France, starting in 1905, was the first nation to do so.[73] In 1909, Great Britain created a network of employment offices and, two years later, the first national unemployment insurance system financed through worker and employer contributions and state subsidies. Its provisions

> . . . established a compulsory system for workers in certain industries with high unemployment records; the total covered numbered about 2,250,000. Contributions were required from employers and employees, and a state subsidy amounting to one-third of the sum paid by the two groups increased the total available for benefits. This tripartite system of contributions became the distinguishing characteristic of the British plan. Although the emphasis of the act was on compensating the jobless, relatively strict limitations prevented unnecessary benefit payments, and modest incentive provisions allowed workers and employers with good employment records to claim refunds (a provision that was dropped in 1920). . . . [S]ubsidies were offered to trade unions. While it rejected prevention, the 1911 act was sound financially, limited, moderate, and based, insofar as possible, on insurance methods.[74]

The British UI system—enacted along with a program of national health insurance—had a profound impact worldwide, serving as a point of departure for reformers elsewhere. By 1925 there were 15 national unemployment insurance systems—eight voluntary and seven compulsory.[75] Within the United States, according to the historian Daniel Nelson, the adoption of the British system

> . . . acted as a catalyst on American reformers. Suddenly the precedent for a workable long-term (unemployment insurance) program existed. In the following years there appeared in the United States numerous assessments of the Ghent and the British plans. Relatively few Americans, perhaps, changed their ideas about unemployment, but among the small groups of scholars and writers who were interested in unemployment, the British act had a remarkable influence.[76]

The emergent American version of unemployment insurance differed from its European predecessor, however. The European approach emphasized the *worker* and his needs, while the American emerging variant stressed the responsibility of the *employer* to reduce unemployment. This view affected both early private unemployment insurance plans and ultimately the federal legislation.[77]

According to Nelson's detailed historical account, the key leadership in developing the UI idea in the United States came from the American Association for Labor Legislation (AALL), founded in 1906. Modeled after similar European organizations, the AALL was a proponent of labor legislation in general and social insurance in particular. Its *Practical Program for the Prevention of Unemployment,* adopted at a 1914 meeting, called for the establishment of unemployment insurance, the creation of employment offices, the use of advance planning of public works, and the "regularization" of employment by individual employers. Both before and after World War I, AALL representatives worked for the enactment of labor legislation in many states. Among the major figures in its membership of intellectuals, social workers, and reformers were John B. Andrews, Prof. John R. Commons, and Prof. Charles R. Henderson.[78]

Organized labor, on the other hand, was a key opponent of unemployment insurance until 1932. Like many businessmen of the period, the American Federation of Labor generally adhered to the doctrine of *laissez faire,* while protecting the worker through collective bargaining. One AFL resolution on the question stated that workers were

> . . .being asked by the promoters of compulsory unemployment insurance in the United States to yield up their birthright, to practically surrender in their struggle for liberty, by enactment of legislation deliberately calculated to give the employers increased control over the workers.[79]

It was not that the AFL membership or leaders were unconcerned about unemployment; quite the contrary. Their favored solution, however, was a shorter work week, which they believed would increase the demand for labor and lead to higher salaries. Although the AFL's general antigovernmental posture softened somewhat after the First World War, labor movement support for unemployment insurance in the 1920s was confined to its radical wing.[80]

A second stream of interest and support for UI came from progressive business circles, including the Taylor Society and the American Management Association. This new breed of "scientific managers" identified irregular employment and high levels of turnover as important causes of business inefficiency and, hence, lower profits. As a result of this assessment, a handful of company-sponsored unemployment insurance funds were created between 1916 and 1934.[81]

The earliest federal involvement with the question appeared in 1916, when a recommendation of the U.S. Commission on Industrial Relations urged the development of unemployment insurance plans and a Congressional resolution proposing a national unemployment insurance commission was introduced by New York's Socialist representative, Meyer London. However, any serious consideration of this proposal was barred by the "virulent attack" on compulsory social insurance (and socialism in general) by the AFL's Samuel Gompers.[82]

During the recession of 1920-22, the general idea was declared to be "worthy of the most careful consideration" by an expert Economic Advisory Council to the National Conference on Unemployment. That conference was organized largely by President Warren G. Harding's Secretary of Commerce, Herbert Hoover. In the pre-Depression era, Hoover was an important representative of the new "scientific" business philosophy. Over the years, he endorsed in some form every item included in the AALL's *Practical Program.*[83] But the national conference

> . . .was an unprecedented event and Hoover's greatest achievement in the field of unemployment policy. For the first time the outstanding American students of unemployment had been brought together under official auspices. Since Gompers and the AFL leadership, as well as most businessmen, opposed legislative programs to alleviate or prevent unemployment, there was no real possibility for a more advanced program. But the decision to establish a committee to study business fluctuations and unemployment problems indicated official interest in combating unemployment on a long-term basis.[84]

By the mid 1920s, this early interest had largely evaporated. America's postwar prosperity reduced support for social welfare legislation in general and unemployment insurance in particular. None of the some 20 bills introduced into state legislatures during the decade—generally by Socialist members—met with success. A similar fate befell the first national unemployment insurance bill, introduced in the House of Representatives by Wisconsin's Socialist Congressman, Victor Berger.[85]

The Depression Years

The onset of the Depression revealed the inadequacies of voluntary unemployment insurance schemes and other existing remedies and transformed public attitudes toward unemployment. The values of thrift and personal responsibility, grounded in an agrarian rather than industrial economy, were challenged and ultimately changed by the force of circumstances. At least from a long-run perspective, it may accurately be said that,

> . . .the depression of 1932 . . .proved to even the conservation elements in America that the forces of economic competition and change were too inherent in our system of

> political economy to rely upon prevention alone for the protection of our citizens against distress caused by loss of earnings. At long last, it was realized by many that the emphasis must shift, so far as the worker was concerned, to a system of benefits payable as a matter of right regardless of the degree to which the employer or the government succeeded in eliminating disastrous economic or physical hazards along the way. So many able, willing, and thrifty workers faced want and distress that the older concept of personal responsibility or blame for one's dependency was no longer tenable, at least as a general principle.[86]

Be that as it may, it also is true that the desirability of social insurance was not accepted quickly or universally. Between 1933 and 1935, "the strong suspicion of Americans toward any type of social insurance was a major obstacle" to UI. Furthermore, while the public at large was initially uncertain about the necessity of this new approach, its more ardent proponents were dangerously divided over its appropriate form. Many social reformers insisted on a strong national system like that in Britain, but reform-minded businessmen were unwilling to accept this strategy, as were many members of both the Congress and—it appeared—the judiciary. The leaders of organized labor, on the other hand, were both "independent" and in some respects "uncommitted" on this crucial organizational question.[87]

The political battle over UI began in earnest in the final years of the Hoover Administration. Sen. Robert F. Wagner (D-NY), again introduced a series of unemployment-related bills based on the AALL program, including, in 1931, a proposal for unemployment insurance. However, the newly created Senate Select Committee on Unemployment Insurance, chaired by Sen. Felix Herbert (R-RI), concluded that a federal system of unemployment insurance was both unconstitutional and unnecessary.[88]

Forsaking his own earlier views, President Hoover also opposed Wagner's various proposals. Federal unemployment insurance, he charged, would degenerate into a new federal dole. The rivalry between these two political leaders became intense, and Hoover—"irked by Wagner's aggressive and, in his opinion, partisan tactics"—rejected whatever Wagner opposed, at some cost to his own reputation as a progressive business leader.[89]

The issue was debated simultaneously at the state level. In 1931, 52 UI bills were introduced in some 17 states, and the first was passed by Wisconsin in early 1932. Advocates hoped that many other states would follow suit, but despite many proposals and several favorable study commission reports, no more state UI bills were adopted until 1935.[90] State reluctance in many cases was rooted in the economic realities of interstate competition for business and industry, as well as the magnitude of anticipated costs. States held back in fear that an additional tax on employers would put them at a competitive disadvantage in relation to their neighbors.[91] This failure to act, of course, was an additional spur toward federal intervention.

The 1932 election marked a dramatic shift in political alignment. The new President was a supporter of social insurance and had attacked Hoover on this score in his effort to secure a national reputation. Furthermore, the 1932 Democratic party platform had included a plank vaguely endorsing unemployment insurance legislation. Yet, as has already been indicated, Roosevelt turned toward other, more immediate relief and reform measures during his early months in office. In the first 100 days, "probably no issue of such potential significance [as UI] received less attention."[92]

What little interest there was in unemployment insurance came from long-time reformers on Capitol Hill and, most importantly, from Sen. Wagner.[93] Two unemployment insurance bills were introduced in the Congress in 1933, and four in 1934.[94] Sen. Wagner did secure passage of the *Wagner-Peyser Act* establishing the employment office system in 1933; eventually, this provided an administrative framework for the UI program. The *Wagner-Lewis Act*, introduced in 1934, foreshadowed the tax credit scheme, which was ultimately employed in the 1935 legislation. Although President Roosevelt initially supported this bill, various criticisms led him to withdraw his endorsement and to call instead for a more comprehensive study.[95]

The Administration moved to the forefront on the issue in June 1934. In a message to Congress, President Roosevelt called for "some safeguards against misfortunes which cannot be wholly eliminated in this man-made world of ours." He promised to devise a system that would "provide at once security against the great disturbing factors of life."[96] For this purpose, he formed a Committee on Economic Security (COES), composed of several Cabinet Secretaries, labor and relief experts, and external advisers. Over a seven-month period, the committee prepared a comprehensive bill including four programs of public assistance (for the elderly, handicapped, disabled, and dependent children), as well as old age and unemployment insurance. A federal program of health insurance also was considered, but not advanced.

From either a technical or political perspective, the committee had a difficult task. The multiplicity of views, the "suspicion" of many Congressmen, the "hostility" of the courts, and Roosevelt's own "indecision," all were threats to its success. Given these constraints, the committee sought to minimize the opposition to its proposals by presenting "a program that would alienate the smallest number of people."[97]

The legislative climate on UI during the 1933-35 period was influenced by the views of three groups, each of which favored the general concept in alternative forms. Many businessmen and their intellectual allies sought a prevention-oriented program tailored closely to the needs of each industry. The better managed industries, they believed, should not be forced to bear the costs of those experiencing higher rates of unemployment. This demand for flexibility ruled out any sort of uniform national program. In contrast, a group of social workers, intellectuals, and reformers desired a European-style national system with uniform benefit standards and widely shared costs. The third group, working within the Roosevelt Administration, took a pragmatic approach on these particulars, hoping to find a compromise position that would be acceptable to both sets of advocates.[98]

Within the COES, debate on unemployment insurance centered largely on the nature of federal and state roles. The committee's executive director, Edwin E. Witte—previously the head of Wisconsin's unemployment compensation agency—personally favored a national system based on the British model. He was a political realist, however, and worked for the success of a middle-of-the-road proposal.[99]

Roosevelt's personal position—although he was no expert on the technical questions—was apparently similar. The President once said that he favored a system of "cradle to grave" social insurance against unemployment, old age, and illness, operated by the national government itself "through the post offices." Yet he rebuffed proposals of this kind as impossible under the existing political and judicial climate: "We cannot," he told advocates, "eat the whole cake at one meal."[100]

A key feature of the COES proposal, taken from the earlier Wagner-Lewis bill, was its use of a tax credit (or tax offset) system. As ultimately enacted, the federal government levied a uniform payroll tax of 3% on employers with eight or more workers, but provided for a credit of 90% of this tax to employers contributing to a state unemployment compensation system. The uniform tax encouraged states to provide unemployment benefits without eroding their competitive economic advantage, and also permitted them a great deal of flexibility in determining the amount and duration of benefits.[101] To Witte and others, this approach was appealing because it seemed likely to be acceptable to the Supreme Court—a similar device had been tested in a previous case—and because it held out the hope of satisfying both groups of reformers. As a result, the Roosevelt bill included no benefit standards and almost no provisions for state compliance. It aimed at flexibility and a limited national role for reasons of both political and legal strategy.[102] Secretary of Labor Perkins explained this outcome in the following terms:

> Federal legislation was framed in the thought that the attack upon the problems of insecurity should be a cooperative venture participated in by both the federal and state governments, preserving the benefits of local administration and national leadership. It was thought unwise to have the federal government decide all questions of policy and dictate completely what the states should do. Only very necessary minimum standards are included in the federal measure leaving wide latitude to the states.
>
> While the different state laws on unemployment insurance must make all contributions compulsory, the states, in addition to deciding how these contributions shall be levied, have freedom in determining their own waiting periods, benefit rates, maximum benefit periods, and the like.[103]

Although this ploy proved successful in the end, it also provoked much criticism. Roosevelt's bill was favored by many moderate political and economic groups, but it created little enthusiasm among the most concerned parties. Many social workers and labor legislation experts regarded the weak standards of the Roosevelt program as a betrayal. The business community, on the other hand, was becoming increasingly disenchanted with the New Deal and the growing promise of increased taxes and more governmental and union interference in business affairs. The AFL, pushed by its radical elements and rank-and-file membership, had ended its opposition to unemployment insurance in 1932, but it was a passive supporter at best and of little help during the Congressional struggle.[104]

With a bill in hand, however, Roosevelt became insistent. The act was one of several items of "must" legislation urged by the President in June 1935. (Others included the Wagner act labor proposal, the banking bill, a public utility holding company measure, and a "soak the rich" tax proposal.) Striking out in a new direction—endorsing the Wagner act, for example, which he had previously disapproved—Roosevelt

> . . . summoned House leaders to a White House conference and, thumping his desk for emphasis, told them Congress must pass his entire program before it could go home. Thus began the "Second Hundred Days." Over a long torrid Washington summer, Congress debated the most far-reaching reform measures it had ever considered. In the end, Roosevelt got every item of significant legislation he desired.[105]

Congressional treatment of unemployment insurance is perhaps best described as "cautious." The UI system adopted by it was much like that proposed by the COES, although it offered much more restrictive coverage than the Administration had requested.[106] But in the end, the omnibus *Social Security Act* passed both the House and Senate with ten-to-one majorities, becoming law on August 14, 1935.[107]

Given the strength of federal financial incentives, it is not surprising that most states moved quickly to join the new system. The few holdouts entered after the Supreme Court ruled in *Steward Machine Co. v. Davis* (1937) that both the tax on employers and the grants to states for administrative costs were Constitutionally permissible methods of promoting the "general welfare" and did not infringe on states' rights.

Postscript 1979: A Permanent Commitment

With the passage of unemployment insurance legislation in 1935, the federal government made a permanent commitment to "do something" about the problem of unemployment and the personal suffering and economic losses it produces. From that date on, the unemployed were not solely on their own, nor was there any longer the assumption—so common in the past—that personal failings, rather than national economic performance, was at the root of their distress. Temporary financial aid had become a matter of "right," rather than a handout or an act of benevolence.

In fiscal terms, this new commitment has proven to be quite substantial. UI outlays rise and fall considerably with economic conditions, as *Table 3* shows, but grew from $519 million in 1940 to $12,995 million in 1977. In the recession year 1975, peak outlays (from both state and federal sources) of nearly $18 billion were recorded.

Table 3

UNEMPLOYMENT BENEFITS UNDER STATE LAWS, 1940–77

(dollars in millions)

1940	$ 518.7
1945	572.5
1950	1,407.8
1955	1,466.9
1960	2,867.1
1965	2,283.4
1970	4,183.7
1971	6,143.7
1972	6,043.2
1973	4,534.7
1974	6,928.7
1975	17,933.8
1976	16,169.8
1977	12,994.5

SOURCE: *Social Security Bulletin*, February 1979, p. 28.

In large measure, this fiscal growth reflects periodic expansions of worker participation. Coverage under UI has grown substantially since 1935. The program initially exempted the employees of smaller firms (less than eight workers), private household workers, agricultural workers, and governmental employees. But benefits were extended by Congress to returning servicemen after World War II, to federal employees and some other workers in 1954, and to many other sectors—including very small firms—in 1970.[108] In 1977 the employees of state and local governments and some farm and domestic workers were also made eligible, providing coverage to some 97% of all wage and salaried employees.[109]

Over the years, the duration of UI benefits also has increased. Initially, these payments were limited to 15 weeks, beginning after a three-week waiting period. But in 1977, the potential duration for claimants was running about 24 weeks, and the waiting period had been reduced or, in some states, eliminated.[110]

This expanded coverage reflects the political popularity of social insurance in general, as well as that of UI in particular. In this respect, it may be contrasted with the much more controversial programs of public assistance to the poor, which also were established under the *Social Security Act.* Alice M. Rivlin, who is now the director of the Congressional Budget Office, once pointed out that after 1935,

> . . . the strategy of social insurance won acceptance and for the next 35 years a dedicated group of people worked to improve the system by increasing benefits, extending coverage, and adding to the list of disasters that people were insured against. . . . The combined result of demographic changes and amendments to the social security, unemployment compensation, and railroad retirement programs is that we now have a comprehensive social insurance system whose outlays come to well over $60 billion a year or close to a quarter of the federal budget.
>
> The amazing thing is that—except for Medicare . . .the extensions and liberalizations of the social insurance system generated little controversy.[111]

New and Continuing Issues

Few governmental programs may be judged unambiguously to be either successes or failures: the record is seldom altogether clear, and neither expert nor public opinion is ever unanimous. This is as true of unemployment insurance as it is of every other social welfare program. Various aspects of the program's operation are criticized. Some of the issues are old ones, identical to those involved in the political debate of the 1930s; others reflect more recent experience.

First, it must be said that UI's record is distinctly better than that of many other programs of aid to the jobless. One expert, Joseph M. Becker, describes UI as "easily the most important" of these programs and also as "immensely successful."[112] Another policy analyst, Daniel S. Hamermesh, notes that "only unemployment insurance (UI) was commented on approvingly by all who mentioned it" in discussions of employment and welfare programs at the 1974 White House Conference on Inflation.[113] Still, several features of the UI program have produced continuing criticism since its inception. Many of the objections involve perceived inequities and inefficiencies in the highly decentralized federal-state system of policymaking and administration.

In 1966, Haber and Murray offered this mixed review:

> Unemployment insurance has become an accepted part of the American scene. Strongly opposed by many before its enactment, hardly anyone now suggests its repeal. Yet, although it helps millions of workers every year, hardly anyone is content with it. Organized labor is critical of its inadequacies in coverage and benefits. Labor blames the program's shortcomings largely on experience rating, which often gives the employers a direct interest in holding down benefit payments. While most labor representatives would prefer a federal system, they urge that there should be at least minimum federal standards to assure an adequate program in every state. Most management representatives are also critical of the program, maintaining that it is not sufficiently "tight" in its eligibility and disqualification provisions. In management's opinion, too many are being paid benefits for unemployment for which the employer is not responsible. There is a general public impression that the program is surrounded with a great deal of abuse. This is often based on isolated cases or on the reading of a critical newspaper or magazine article. But on the whole, in spite of the serious qualms held by many, unemployment insurance is widely accepted and taken for granted.[114]

Similar concerns remain today, and arguments continue to be made for and against the "federalization" of the program. Many of these are summarized in *Figure 3.* Unequal treatment of claimants is a major

Figure 3

IS FEDERALIZATION DESIRABLE?

Good arguments have been raised on both sides of the issue of federalization of the UI system. Some of the arguments in favor of the establishment of uniform federal benefit standards and a single system of experience-rated tax rate schedules are:

1. It would assure an adequate level of benefits for all workers, especially those who currently reside in states which may offer inadequate benefits in an effort to keep their UI tax rate low and thereby attract industry to the state.
2. It would force all states to share the unemployment risk. The incidence of unemployment is uneven, inequitable and largely uncontrollable by individual states or resident employers, and its cost, therefore, should be nationally shared.
3. It would impose tighter benefit eligibility criteria in states which are now excessively lenient.

However, the arguments against any federalization of the system are very strong and, to date at least, have prevailed with policymakers. Outside of the administrative problems of disbanding or restructuring the 50 state agencies which now run the program and establishing a federal network to operate the federalized system, some of the other important objections that are raised are:

1. Federal programs tend to provide more generous benefit amounts than those legislated at the state level. If Congress federalizes the UI system it will probably set benefit standards that will insure that no one, even in the most generous states, will be worse off than under the old system. This will mean that in almost all states, costs for UI benefits will increase dramatically and work incentives, as a result, could be substantially weakened.
2. The current system provides incentives for individual states to keep their UI costs low through careful policing of their programs and avoidance of profligacy in the establishment of benefit levels, duration, and eligibility criteria. Since low costs enable a state to levy a low tax on employers, interstate competition for industrial expansion will encourage individual states to run their programs as efficiently as possible.
3. Most of the problems facing the UI system can be remedied without actually federalizing the system. More federal standards can be imposed, such as requiring each state to pay benefits equalling 60% of the state's average weekly wage. This will allow the system to be as responsive as possible to different economic conditions in each state, while the federal government insures that no individual suffers undue hardship during his involuntary unemployment.

SOURCE: Janice Halpern, "The Performance on the Unemployment Insurance Program in the 1970s," *New England Economic Review*, March-April 1978, p. 49.

problem, with critics—including the U.S. General Accounting Office—calling upon Congress to establish uniform eligibility and benefit standards.[115]

Contemporary political rhetoric on this issue sounds much like that of the New Deal period. Proponents invoke "national responsibilities" and opponents the claim of "states' rights" on behalf of their positions. A news analysis in mid-1977 described these conflicting views on federalization:

Rep. James C. Corman, a liberal California Democrat and chairman of the House Ways and Means subcommittee on public assistance and unemployment compensation, contends that "unemployment is not a unique state problem—it's a national problem" and that, accordingly, there ought to be uniform standards.

Others argue that disparities among the states are unavoidable because living standards vary from state to state. Rep. William Steiger (R-WI) believes minimum benefit standards would unduly inflate benefit amounts in some states. He also holds that the unemployment compensation system is "a federal-state partnership, and it would be disrupted if you control the benefit amounts." . . . Rep. William Frenzel (R-MN), who opposes a single set of federal benefit standards, believes disparities are purely questions for the states to decide: . . . "If New York wants to set their benefits too low, that's their business, and the District of Columbia too high, that's their business."[116]

Despite these continuing disputes—and repeated Presidential proposals for minimum benefit standards—many analysts believe that Congressional acceptance of federalization is unlikely. This shows the continuing utility of the pragmatic political balance struck more than four decades ago. In the opinioin of the Brookings Institution researcher John Palmer, "It's 50 years down the road before we have federal standards."[117]

A second continuing issue revolves around methods of administration, and the sometimes highly publicized problems of fraud and abuse. Although the federal government pays 100% of their administrative costs, the actual administrative responsibility rests with state employment agencies, which have a great deal of autonomy in setting and enforcing program standards.[118] Many critics find UI administration to be too lax, but others contend that it is too strict. Given the highly diverse state practices, accurate nationwide estimates of program fraud and abuse are not available.[119]

During the 1975-76 recession, the cost of the program's operation and its fiscal soundness became a new concern. UI has normally maintained solvency by incurring a surplus in expansionary periods and running a deficit during a recession. But between 1970 and 1975, the Congress provided for an extension of benefits from 26 to 39 weeks, to 52 weeks, and ultimately to 65 weeks. Although the federal government paid part of the bill, the result was that the UI trust funds of 22 states and areas became insolvent, necessitating loans from the federal unemployment account. These events have resulted in a number of proposals for reform, again including federalization.[120]

A final major issue involves charges that UI may, to some degree, exacerbate the problem it was intended to solve. Most economists have viewed the program as an automatic economic stabilizer, in that it tends to sustain higher levels of consumer spending in periods of recession. But in the view of such critics as Martin Feldstein, changes in the nature of unemployment and the labor market since the Great Depression indicate a need to revise the UI program. Much contemporary unemployment is of short duration and job turnover is very high. Under these conditions, Feldstein has concluded, unemployment compensation has reduced the incentive to search for a new job, and may actually have increased the aggregate level of unemployment by as much as 1.25%.[121]

FOOTNOTES

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Chapter 3

The Employment Act of 1946

SPENDING AND DEBT IN THE NEW DEAL

Unemployment relief costs money—and a very great deal of money, by pre-Depression standards. In a single decade, federal outlays rose from $3.1 billion in 1929 to $4.6 billion in 1933, and on up to $8.8 billion in 1939. Much of the increase was financed by borrowing, because although the budget had shown a modest surplus in 1929, it was some $3.9 billion in deficit ten years later.[1] These were dramatic changes, given traditional norms of fiscal frugality in the public sector.

Despite these sizable expenditures, Roosevelt never embraced a deliberate strategy of economic pump priming or, in contemporary terms, the use of fiscal policy. Most of the spending increases were in temporary emergency programs and were matters of felt necessity rather than personal preference. The President was as firmly committed to the traditional principles of sound finance and fiscal conservatism as his predecessor, Herbert Hoover—whom he once accused of overseeing "the greatest spending Administration in peace time in all our history"—and, according to Robert Lekachman, never

> . . . fully comprehended or completely sympathized with unbalanced budgets, deficit spending, or a larger national debt. The "great spender" was in his heart a true descendant of thrifty Dutch Calvinist forebears.[2]

Even as late as 1937, Roosevelt sought to cut back relief outlays, with results that (to any modern economist) were quite predictably disastrous.[3]

Hence, while Roosevelt's spending policies were a source of political controversy, and caused heated attacks, in retrospect this issue looks like

> . . . an empty debate. At its peak, the annual deficit never touched $4 billion, and federal government purchases never contributed more than 6% to Gross National Product.[4]

New Deal fiscal policies were only "a holding operation and not an operation of growth." Furthermore, they did not work. In 1939, there were still 9.5 million people (17% of the labor force) out of work.[5]

Roosevelt's Rejection of Keynes

Nothing indicates Roosevelt's highly conventional attitude on fiscal matters more strikingly than his rejection of the advice and theories of John Maynard Keynes, the economist whose ideas were to revolutionize his discipline. In *The General Theory of Employment, Interest and Money*, published in 1936, Keynes explained how economic recessions, including the Great Depression, could occur—something most other economists were quite unable to do. Still better, he suggested a governmental solution where, in the past, trial-and-error had been the guiding principle.

Keynes' basic analytical insight, and his policy prescription, centered on the role of *investment* by private and public sources. These have been described by John Kenneth Galbraith in the following terms:

> Previously it had been held that the economic system, any capitalist system, found its equilibrium at full employment. Left to itself, it was thus that it came to rest. Idle men and idle plant were an aberration, a wholly temporary failing. Keynes showed that the modern economy could as well find its equilibrium with continuing, serious unemployment. Its perfectly normal tendency was to what economists have since come to call an underemployment equilibrium.
>
> The ultimate cause of the underemployment equilibrium lay in the effort by individuals and firms to save more from income than it was currently profitable for businessmen to invest. What was saved from income must ultimately be spent or there will be a shortage of purchasing power. Previously for 150 years such a possibility had been excluded in the established economics. . . .
>
> From the foregoing came the remedy. The government should borrow and invest. If it borrowed and invested enough, all savings would be offset by investment at a high, not a low, level of output and employment.[6]

A single sentence, which was included in a letter from Keynes to President Roosevelt in 1933, summarized his policy position neatly: "I lay overwhelming emphasis on the increase of national purchasing power resulting from governmental expenditure which is financed by loans. . . ."[7]

This analysis proved to be a real theoretical breakthrough, a paradigm-shattering reformulation. The *General Theory* accounted for the problem of unemployment and also pointed the way toward its elimination. The book was of major political importance as it came to be understood and accepted, first by younger professional economists and later by public officials.

In the short run, however, Keynes' ideas had little immediate impact on governmental policy. President Roosevelt met once with the British professor, but came away unimpressed. He seemed, in Roosevelt's view, to be a "mathematician rather than a political economist."[8] The story was much the same worldwide. In part, this neglect was a consequence of the economist's sarcastic personal style and exaggerated claims, which offended many of his academic colleagues as well as public figures. But the extremely difficult and "counterintuitive" nature of his ideas was the major obstacle. Keynes' views, as Garraty notes,

> . . . were at variance with conventional wisdom; indeed, his analysis of the causes of unemployment appeared to fly in the face of common sense. With millions living in straitened circumstances, with governments struggling to reconcile shrinking revenues with escalating relief expenditures, with everyone fearful of the future, the natural reaction was to economize, conserve, hold out. When Keynes said . . . "Whenever you save five shillings you put a man out of work for a day," and when . . . he wrote that "in contemporary conditions, the growth of wealth, so far from being dependent on the abstinence of the rich . . . is more likely to

be impeded by it," he was denying the practical virtue of thrift as well as outraging conventional morality.[9]

Galbraith has made this same point, recollecting his personal experiences as a young economist in Washington:

> To spend public money to create jobs might be necessary. But it was not something you urged out of choice. And to urge that a budget deficit was a *good* thing in itself—the heart of the Keynesian remedy—seemed insane. Men of sound judgment were repelled. Even one's best friends, if in positions of responsibility, were cautious in the presence of such heresy.[10]

What was to settle the theoretical question in the end was neither the debate of economists, nor the practical experience of New Deal policy, but the wholly unintended impact of the Second World War. Threats directed at the survival of democracy required extremely large increases in deficit spending. Between 1940 and 1945, federal expenditures mounted from $9 billion to $93 billion—a factor of ten—and the annual budget deficit increased from $3 billion to $47 billion, producing a sixfold rise in the total national debt.[11] The result was plain enough:

> With this unprecedented rise in expenditure came an equally swift rise in GNP. By 1945, our Gross National Product had risen by 70 percent in real terms over 1939, and unemployment had dwindled to the vanishing point. The "demonstration" that public spending could impel the economy forward—indeed, could lift it beyond all previously imagined bounds—was unmistakable. So was the fact that a government could easily carry an enormously much larger debt—a debt which now towered over $250 billion—provided that its Gross National Product was also much larger.[12]

According to John Kenneth Galbraith, "the conclusion was inescapable: what would work in war would work in peace. The Keynesian victory was now assured."[13]

PASSING THE EMPLOYMENT ACT

Following the war, enthusiasm for the new theory of economic instability spread from academic to policy circles. Nation after nation came to regard the elimination of unemployment as an achievable objective. In the United States, the adoption of the *Employment Act of 1946* (P.L. 79-304)[14]—proposed initially under a grander title, "The Full Employment Bill of 1945"—was the most important step toward governmental institutionalization of Keynesian doctrine. This pathbreaking legislation declared that it was the "policy and responsibility of the federal government" to "promote maximum employment, production and purchasing power." It instructed the President to prepare annually an *Economic Report* reviewing the conditions affecting employment in the United States, and to propose a program for remedying any deficiencies. Toward this end, the act created a Council of Economic Advisers to assist him, as well as a Joint Committee on the Economic Report in the Congress.

The *Employment Act* thus enlarged substantially the governmental commitment to help the unemployed. For the first time, it encouraged actions that were as much preventative as ameliorative, necessitating an ongoing process of economic management by the executive and legislative branches. Heilbroner describes the statute as "one of the truly historic pieces of economic legislation."[15] To J.R.T. Hughes, the law was "revolutionary," lying "outside the tradition," because "unlike the New Deal legislation, the *Employment Act* accepts direct federal responsibility for the level of employment and economic growth."[16]

The *Employment Act* rested upon a three-legged stool: Keynesian economics, wartime experience, and the New Deal precedent of aid to the unemployed. Many economists feared that the Depression would resume with the return of peace and the dissolution of the great wartime military; some anticipated that the spring of 1946 would find eight to ten million unemployed.[17] Postwar planning thus became a major concern both inside and outside Washington, involving in 1944 some 33 federal agencies. When the Pabst Brewing Company sponsored an essay contest on this subject, it received almost 36,000 manuscripts, some by leading economists.[18] The initial development of the *Employment Act of 1946* was a direct outgrowth of these economic worries.

The full story of the passage of the *Employment Act* has been recorded in a very influential and widely read analytical case study, *Congress Makes A Law,* by political scientist Stephen K. Bailey.[19] Bailey's book, published in 1950, provides a thorough interpretive history, drawing on available documentary sources as well as some 400 interviews with key participants.

Yet Bailey's highly regarded legislative case study holds out no easy lesson. On the contrary, he found that the policy process on Capitol Hill

> . . .*is almost unbelievably complex. Legislative policymaking appears to be the result of a confluence of factors streaming from an almost endless number of tributaries:* national experience, the contributions of social theorists, the clash of powerful economic interests, the quality of Presidential leadership, other institutional and personal ambitions and administrative arrangements in the Executive Branch, the initiative, effort, and ambitions of individual legislators and their governmental and nongovernmental staffs, the policy commitments of political parties, and the predominant culture symbols in the minds of both of leaders and followers in the Congress.
>
> *Most of these forces appear to be involved at every important stage in the policymaking process,* and they act only within the most general limits of popular concern about a specific issue.[20]

What Bailey offers in the above paragraph might be termed the "Great Lakes" theory of public policymaking. A major statute—like a major body of water—is viewed as the confluence of an "endless number of tributaries," rather than the product of one or two primary "causes" or "forces." His treatment of the major political variables—public opinion, the Presidency, interest groups, and Congress—illustrates the complexity and multiplicity of factors that produced the *Employment Act*.

First, Bailey concluded that public opinion was not of principal importance in explaining the adoption of P.L. 79-304. It *was* widely accepted that the national government should "do something" to maintain employment levels: two-thirds of the population in a 1944 survey agreed with the proposition that "the federal government should provide jobs for everyone able and willing to work, but who cannot get a job in private employment."[21] But this general attitude was difficult to relate to the *Employment Act* in particular, or to the disputes about its provisions. Although there was no nationwide poll on S. 380, a survey in one Illinois Congressional district found that only 8% of the population had heard of it and had some idea of what it was. Bailey observes that,

> . . . it is fair to hazard that if 81% of the people in a Congressional district in the heart of Chicago knew nothing about the Murray Full Employment Bill in July 1945, the nonurban population was at least equally ignorant.[22]

What was noteworthy about public opinion, then, was the "lack of sustained, intense, and widespread interest" in a measure of great national political and economic importance.[23]

Although Presidential leadership had been an important ingredient in the passage of much of the New Deal social and economic legislation, this was not the case with the *Employment Act*. In commenting on Bailey's analysis, political scientist Richard Hofferbert observes that,

> . . . the President is scarcely visible throughout Bailey's study. The Presidential role is compounded historically, of course, by Roosevelt's death and Truman's accession in the very midst of the struggle over the Full Employment bill. But little weight is attached by Bailey to the role of the President in the gestation period of the bill, except insofar as the New Deal created fertile soil for its introduction and insofar as FDR as President was the chief architect of the New Deal. The role of the President as pictured by Bailey appears minor indeed from the vantage of the 1970s.[24]

It cannot be said that Roosevelt was "soft" on unemployment, of course, and his general public position favored new national initiatives. In 1943, the President transmitted to the Congress a report by the National Resources Planning Board advancing a "New Bill of Rights," including the right to work, the right to fair pay, the right to security, the right to live in a free enterprise system, and others concerned with employment opportunities.[25] Roosevelt proclaimed that veterans "have the right to expect full employment" for themselves and all others who wanted work, and the Democratic platform on which he ran in 1944 specified that the party wished to "guarantee full employment and provide prosperity."[26]

Yet, these views were unremarkable. Indeed, there was little to distinguish between the two parties or candidates on this score. Thomas E. Dewey, in his acceptance speech at the Republican national convention, also stated that,

> . . . we Republicans are agreed that full employment shall be a first objective of national policy. And by full employment I mean a real chance for every man and woman to earn a decent living.[27]

In point of fact, Dewey forced Roosevelt's hand. The Democrats had hoped simply to portray FDR as a great war leader.[28] In 1944, Roosevelt was preoccupied by his dreams of a United Nations organization, and he hesitated to risk additional political controversy on the full employment issue. He followed this "hands off" policy until his death in April 1945.[29]

Although he was not familiar with the "Full Employment Bill" when he assumed office, Harry S. Truman tried to play a more forceful role. In August 1945, on the day following the sudden ending of the war with Japan, the President declared the "Full Employment Bill" to be "must" legislation. Consequently, a Senate recess was cut short, and hearings on the bill were scheduled for the following week.[30] Yet Truman unwisely conceded to many features of a much weaker House substitute bill in a desire to assure some sort of Congressional action.[31] Although he tried to recoup his losses when the legislation went to the conference committee, a dispute among officials within his Administration and his failure to provide a substitute bill of his own reduced his influence markedly.[32]

All in all, as Bailey comments, President Truman "cannot be held responsible" for the 1946 act. Although he attempted to provide a measure of political leadership, "the forces which shaped and modified the legislation were far beyond his control."[33]

Political interest groups also were of secondary importance in the passage of the bill, although the basic idea had originated with the legislative representative for the National Farmers Union (NFU), Russell Smith. The key fact is that Smith, during a stay in the hospital, prepared notes for an extensive federal postwar employment and economic planning program. This proposal was the nucleus of the 1946 act. However, Bailey describes the NFU as only one of several "intellectual middlemen" between Keynesian theorists on the one hand and practical politicians on the other.[34] The group exercised little political clout.

A broader coalition of labor and liberal groups (the "Lib-Lab lobby") was eventually assembled on behalf of the act, but its substantive contributions to the drafting and passage of the bill were only "meager," in Bailey's judgment. While these organizations served as channels of communication and information among participants, and raised the level of interest and concern about unemployment policy,

> . . . it would be difficult to demonstrate that the direct pressures of the Lib-Lab lobby changed a single Congressional mind. By and large, the members of Congress who listened with any semblance of receptivity were friends of the liberal cause to begin with. Most of those against S. 380 had little or nothing to fear from the Lib-Lab lobbyists, whose power was largely confined to the urban-industrial centers of America.[35]

Conservative groups working against the bill—including the National Association of Manufacturers, various Chambers of Commerce, the Committee for Constitutional Government, and the American Farm Bureau Federation—were somewhat more influential. Bailey judges that "through educational campaigns, testimony, and direct and indirect pressures on Congress, the conservative lobby made its weight felt."[36] Yet he thinks that the well established conservative predispositions of many members of the Congress—"previously conditioned by the climate of values assiduously cultivated by these conservative pressures"—were substantially more important than any of the short-run lobbying. He indicates that many members voted according to their own conscience, but their consciences had been shaped by the very effective educational campaign which these groups had supported for several decades.[37]

Who or what determined the outcome of the debate on the "Full Employment Bill," then? The most important political actors, as is suggested by the very title of Bailey's study, were individual members of the Congress, many of them holding chairmanships of key committees or subcommittees. The principal proponent was Sen. James E. Murray (D-MT), a lawyer and wealthy financier as well as an ardent champion of liberal social legislation. Bailey indicates that,

> . . .the basic policy decisions which led up to the writing and introduction of the Full Employment Bill were Murray's. Fundamentally, it was his spark of will which

transformed an idea into a specific legislative proposal.[38]

These "sparks of will" came frequently to the Senator from Montana. In the 1940s, he "sponsored more far-reaching social legislation than any other Senator on Capital Hill," including bills concerned with national health, social security, aid to education, aid to small business, minimum wages, and the Missouri Valley Authority, as well as full employment.[39]

Murray was inspired initially by the National Farmers Union proposal which, as he saw it, "placed the full employment issue on a new plane of permanent federal obligation, far transcending the limited reconversion concepts which had dominated the thinking of most of Congress. . . ."[40] His acceptance of a federal full employment policy stemmed from three interrelated beliefs in his personal social and political creed:

1) we need big government to cope with big business;
2) federal legislation can go a long way toward correcting the evils of society; and
3) the reconversion legislation with which he was forced to deal as chairman of the War Contracts Subcommittee did not go to the heart of the postwar problem.[41]

The draft legislation, titled "The Full Employment Act of 1945" and introduced as S. 380, was actually written by Bertram M. Gross, the staff director of Murray's War Contracts Subcommittee. Gross worked out the specifics in frequent meetings with a small group of civil servants, as well as Russell Smith of the NFU and Ken Borchardt of the War Contracts Subcommittee. The views of prominent economists in Washington, including Alvin Hansen and Leon Keyserling, also were sought. All of the participants in these sessions

> . . . had a burning interest in postwar employment problems, and . . . shared in the belief that the compensatory fiscal ideas stemming from the Keynes-Hansen analysis were basically sound.[42]

Gross and other staff members also were to play a vital strategic role in getting the legislation enacted. Indeed, according to Bailey,

> . . . the staff became the central mechanism for mobilizing widely dispersed intellectual resources and a coalition of pressures, public and private, behind the legislation.[43]

Major roles also were played by several other well-placed Senators. These included Robert Wagner (D-NY)—the chairman of the Senate Banking and Currency Committee to which S. 380 was referred—whom Murray and Gross had obtained as a co-sponsor. Wagner, of course, had enormous prestige in social policy, and one close observer thought his efforts were "the most important single factor" in winning Senate passage of the legislation.[44]

Crucial support also was provided by such leading Republicans as Senators Robert A. Taft (OH) and Arthur H. Vandenberg (MI), who advocated passage once certain provisions had been tempered. Vandenberg even compared the bill with one he had introduced in 1928, which had proposed advanced planning of public works to cushion recessions.[45] And, although it is unusual for a speech on the floor of Congress to swing many votes, the dramatic rhetoric and economic expertise of Senator Joseph C. O'Mahoney (D-WY) did influence many of his colleagues.[46]

The relationships among the Senators interested in full employment legislation were competitive as well as cooperative, however. Bailey notes that there was an "unbelievably confusing struggle" among Senators Joe M. Kilgore (D-TX), Murray, and Walter George (D-GA) during late 1943 and early 1944 for the control of postwar reconversion policy.[47] In selecting co-sponsors for his bill, Murray sought both to aid its passage and "take out insurance against competition" from the others interested in the question.[48]

On the House side, the leading roles were played by Congressman Wright Patman (D-TX), who introduced the "Full Employment Bill"; Carter Manasco (D-AL), who chaired the Committee on Expenditures in the Executive Departments, to which the bill was referred; and William Whittington (D-MS), who drafted a substitute for the Senate version of the legislation. This House-passed substitute was substantially weaker than S. 380. Indeed, it "emasculated" (or "Manasco-lated") it by

> . . . rejecting the fundamental principles of the Senate bill. It eliminated the declaration of the right to employment opportunity, of federal responsibility for full employment, the pledge of all federal resources, including financial means to that end, and the safe-

guard against international economic warfare.[49]

The 12 members of the joint conference committee, which was convened to resolve the differences between the Senate and House versions, were deemed so important to the outcome that Bailey devoted an entire chapter to the discussion of their backgrounds and personalities. "In a study of policymaking," he explains,

> . . . it is not enough that we understand influences external to the policymaker. Constitutions and statutes, public opinion and pressures, facts and arguments, parties and patronage—these are factors which are important only as they reach and are interpreted by men's minds and prejudices. Like the action of light on variegated surfaces, external factors are absorbed, refracted, or reflected, according to the peculiar qualities of the minds they reach.[50]

In short, a comparatively small number of individuals—working within a favorable but extremely "permissive" environment of public opinion—must be regarded as the real architects of federal full employment legislation. In making policy decisions, these individuals were guided more by their personal values and beliefs than by any external political "forces." Few of the most important deliberations took place on the floor of Congress or in the White House. Instead, the key meetings involved a small group of employment specialists, who drafted the initial legislation; discussions among the sponsors of the Murray bill;[51] and a series of committee hearings and a few days of closed committee sessions. Because of the multiplicity of demands on the time and attention of individual Congressmen, Bailey comments that the "fate of an issue depends to a shocking extent upon a handful of men who take special interest in the pending legislation in committee."[52]

Bailey expressed concern that the legislative process is in fact quite "irresponsible" from the standpoint of the general public. He argued that "the American voter could not and cannot hold any recognizable group, interest, or individual responsible for the *Employment Act of 1946*."[53] The Congressmen who played leading roles were accountable only to their own small, narrow constituencies. They

> . . . were not representatives of national political parties based upon national programs. They were representatives of the dominant interests and culture symbols of tiny geographic areas which, even if taken in the aggregate, do not give a fair quantitative weighting to the sentiments and expectations of a national popular majority. Furthermore, the committee system in Congress means that key representatives may have an inordinate amount of individual power in the shaping of national destinies, even when those key representatives are effectively accountable only to a tiny economic and political junta in one Congressional district.[54]

For these reasons, he stressed the desirability of strengthening the Presidency and the political parties, which he termed "the only two instruments in our political life which have an inherent responsibility to the nation as a nation."[55]

A BROADENED COMMITMENT

Although in retrospect the *Employment Act of 1946* is rightly regarded as landmark legislation, the bill did not make an unambiguous commitment to the use of Keynesian fiscal policy. This developed only gradually, with the passage of time. It was in the 1960s, not the 1940s or 1950s, that the use of compensatory spending became accepted widely. Then, in the 1970s, the earlier emphasis on balanced budgets was renewed.

The final wording of the *Employment Act* was an amalgam of phrases taken from the Murray draft, the Senate bill, the House substitute, and the deliberations of the conference committee. Both rhetorically and substantively, the bill was watered down, with the very term "full employment" stricken from its title and declaration of policy, as *Figure 4* reveals. Although this term had been used originally as a matter of drama and political style, it drew heated criticism, in part because it was so difficult to define. Senators Taft and George L. Radcliffe (R-MD) both attacked it, and it was deleted from the substitute bill approved in the House. In the end, the conference committee agreed upon a reference to "maximum" rather than "full" employment, an alternative phraseology that seemed satisfactory to all of the concerned parties.[56]

Another major change was the elimination from the Senate bill of its reference to "federal investment and expenditure as may be needed. . .to achieve the objective of continuing full employment." This pro-

Figure 4

A CHANGING DECLARATION OF POLICY

Full Employment Act of 1945
(Murray Bill)
December 18, 1944

Sec. 2(a) "Every American able to work and willing to work has the right to a useful and remunerative job in the industries or shops or offices or farms or mines of the nation."

Sec. 2(b) "It is the responsibility of the government to guarantee that right by assuring continuing full employment."

Employment Act of 1946
P.L. 79-304

Sec. 2 "It is the continuing policy and responsibility of the federal government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and state and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those willing, and seeking to work, and to promote maximum employment, production, and purchasing power."

SOURCE: Stephen K. Bailey, *Congress Makes a Law: The Story Behind the Employment Act of 1946*, New York, NY, Vintage Books, 1950, pp. 57, 228.

vision, which had been condemned by nearly every conservative opponent, was replaced by a more general pledge "to coordinate and utilize [federal] plans, functions, and resources." Although some liberals contended that the new phrasing was even stronger, since "resources" included "expenditures," the conservatives took it as a victory for their position. "Conceivably," Bailey suggests, "they were both right."[57]

A third feature, adopted from the House version, was a provision creating a three-member Council of Economic Advisers to assist the President in the preparation of his annual economic report. The Senate bill had left these administrative arrangements to the discretion of the President, but Rep. Whittington and other critics preferred the creation of a permanent body of experts known by and hence, in some degree, accountable to, the public at large.[58]

In summary, the final language was weak in comparison to the initial Murray draft or the Senate bill. But it was also susceptible to multiple interpretations, as the lopsided final vote of 320 to 80 in the House might suggest. Many liberals and conservatives felt that their own view had prevailed, as Bailey points out,

> Whittington and Manasco reported that the act was acceptable to them, that the Senate managers had given in at every important point, and that the conference bill was, to all intents and purposes, the House substitute. Cochran and Patman backed the conference bill as one which the liberals could support with good conscience. Some of the strong phrases were missing, they admitted, but the meat of the original bill was still there.[59]

On the other hand, some adherents of both political idealogies felt they had cause for dissatisfaction:

> Bender claimed that the conference bill was a fake, that it was not a full employment bill, but that he would support it reluctantly as a move in the right direction. Hoffman and Church also called the bill a fake, but vehemently protested its passage on the grounds that it represented unnecessary duplication of existing powers, and would lead to nothing constructive.[60]

In retrospect, however, it appears that the new policy commitment was substantial. "Symbols and beginnings" proved to be important, in the view of such commentators as Robert Lekachman. The *Economic Report* and the Council of Economic Advisers institutionalized a concern with employment and spending close to the Presidency and provided a source of policy advice. More subtle but fundamental has been the fact that,

> . . . each national administration since World War II's end has tacitly accepted a vital political proposition: the public will not maintain in office a President and a Congress who permit unemployment to rise very high and last very long. This recognition is far more significant than any possible piece of legislation, for it converts into activists even conservative Presidents and old-fashioned Congressmen. The debate over S. 380 and the *Employment Act of 1946* which resulted from it in their way helped to create this political fact of life. In the end it is the electorate and their expectations, more than the theories of economists or the personal prejudices of politicians, which determine the shape of national economic policy.[61]

What happened in political terms was that public officials have gradually assumed responsibility for the operations of the economy, including the maintenance of low levels of unemployment and inflation. The President in particular has added the role of the nation's "chief economist" to his many other duties. The tax cut of 1964, more than any other single event, marked the completion of the Keynesian revolution, and demonstrated (as Walter W. Heller commented) the acceptance:

> . . . in fact what was accepted in law 20 years ago (in the *Employment Act of 1946),* namely, that the federal government has an overarching responsibility for the nation's economic stability and growth.[62]

By the end of the decade, if not before, President Johnson's proclamation, "I do not believe recessions are inevitable," had ceased to be controversial. By that time, Arthur Okun wrote, recessions were "generally considered to be fundamentally preventable, like airplane crashes and unlike hurricanes."[63]

This confidence has been badly shaken by the "stagflation" of the 1970s, and policies based on traditional Keynesian conceptions have been questioned increasingly. Some skeptics now believe that the relief that fiscal policy has offered from the ills of unemployment has been more symbolic than real. Political scientist Richard M. Pious argues that the usual counter-recessionary measures:

> . . . demonstrate concern for people who are suffering, provide relief for those fortunate enough to obtain scarce jobs, and provide benefits to various corporations participating in the programs. But . . . their net fiscal impact is small, and the stimulus they provide does not affect the overall timing or magnitude of recovery in the business cycle.[64]

Similarly, economic journalist Robert J. Samuelson has declared that,

> . . . it's doubtful that either economic policies or the course of the economy would have differed very much if the country had lacked a President or the President, economists. In practice, Congress shaped the tax cuts, and the basic propellant of economic growth—a consumer boom fueled by inflationary expectations and the maturing of "baby boom" children—existed independently.[65]

Presidential pronouncements and programs, he believes, have been "self-defeating" because they strengthen

> . . . popular—and unrealistic—expectations that the government can concoct a cure for every ill. In turn, such expectations augment pressures to devise such cures (which usually don't work and, often, make some other problem even worse) while distracting attention from more severe economic afflictions.[66]

Yet these are minority views, in both economic and political circles. The eventual consequence of the Great Depression, the New Deal, the Second World War, and the analytical insights of Lord Keynes—assembled into law by Congress in the *Employment Act of 1946*—has been the assumption of federal responsibility for the performance of the American economy. Neither individual failings nor the natural cycles of a free enterprise system now are blamed when unemployment (or prices) soar. In the modern political economy, as President Truman himself has said, when things go wrong, "the buck stops here."

FOOTNOTES

[1]Council of Economic Advisers, *Economic Report of the President: 1978,* Washington, DC, U.S. Government Printing Office, 1978, p. 340.

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[3]John A. Garraty, *Unemployment in History: Economic Thought and Public Policy,* New York, NY, Harper & Row, Publishers, 1978, p. 227.
[4]Robert L. Heilbroner, *The Making of Economic Society,* Englewood Cliffs, NJ, Prentice-Hall, Inc., 1962, p. 167.
[5]*Ibid.*
[6]John Kenneth Galbraith, *The Age of Uncertainty,* Boston, MA, Houghton Mifflin Company, 1977, pp. 216-17.
[7]*Ibid.*, p. 214.
[8]Garraty, p. 226.
[9]*Ibid.*, p. 225.
[10]Galbraith, p. 218.
[11]*Council of Economic Advisers Economic Report of the President: 1978,* Washington, DC, U.S. Government Printing Office, 1978, pp. 337, 340.
[12]Heilbroner, p. 168.
[13]Galbraith, p. 223.
[14]60 Statute 24, February 20, 1946.
[15]Heilbroner, p. 168.
[16]Jonathan R.T. Hughes, *The Governmental Habit: Economic Controls from Colonial Times to the Present,* New York, NY, Basic Books, Inc., 1977, p. 197.
[17]Stephen K. Bailey, *Congress Makes A Law: The Story Behind the Employment Act of 1946,* New York, NY, Vintage Books, 1950, p. 106.
[18]*Ibid.*, pp. 9-10.
[19]*Ibid.*
[20]*Ibid.*, p. 236. Emphasis added.
[21]*Ibid.*, p. 9.
[22]*Ibid.*, p. 181.
[23]*Ibid.*
[24]Richard I. Hofferbert, *The Study of Public Policy,* Indianapolis, IN, Bobbs-Merrill Co., Inc., 1974, pp. 101-02.
[25]Bailey, p. 271.
[26]*Ibid.*, p. 41.
[27]*Ibid.*, p. 49n.
[28]*Ibid.*, pp. 42-43.
[29]*Ibid.*, p. 161.
[30]*Ibid.*, p. 106.
[31]*Ibid.*, pp. 162, 177.
[32]*Ibid.*, pp. 221-22.
[33]*Ibid.*, p. 237.
[34]*Ibid.*, pp. 20-37.
[35]*Ibid.*, p. 97.
[36]*Ibid.*, p. 148.
[37]*Ibid.*, pp. 148-49.
[38]*Ibid.*, p. 41.
[39]*Ibid.*, p. 39.
[40]*Ibid.*, p. 38.
[41]*Ibid.*, p. 40.
[42]*Ibid.*, pp. 45-46.
[43]*Ibid.*, p. 78.
[44]*Ibid.*, p. 101.
[45]*Ibid.*, pp. 125-26.
[46]*Ibid.*, pp. 119-20.
[47]*Ibid.*, p. 30.
[48]*Ibid.*, p. 55.
[49]*Ibid.*, pp. 166-67.
[50]*Ibid.*, pp. 218-19.
[51]*Ibid.*, p. 57.
[52]*Ibid.*, p. 100.
[53]*Ibid.*, p. 237.
[54]*Ibid.*, p. 238.
[55]*Ibid.*, p. 239.
[56]*Ibid.*, pp. 46, 225.
[57]*Ibid.*, p. 225.
[58]*Ibid.*, pp. 167-69, 226.
[59]*Ibid.*, p. 233.
[60]*Ibid.*
[61]Robert Lekachman, *The Age of Keynes,* New York, NY, McGraw-Hill Book Company, 1966, p. 175.
[62]Walter W. Heller, *New Dimensions of Political Economy,* New York, NY, W.W. Norton, 1967, pp. 1-2.
[63]Arthur M. Okun, *The Political Economy of Prosperity,* Washington, DC, The Brookings Institution, 1970, p. 33.
[64]Richard M. Pious, *The American Presidency,* New York, NY, Basic Books, Inc., 1979, p. 318.
[65]Robert J. Samuelson, "Short-Sighted Economics," *National Journal,* May 5, 1979, p. 746.
[66]*Ibid.*
[67]For a modestly positive appraisal of major fiscal policy actions, see Congressional Budget Office, *Understanding Fiscal Policy,* Washington, DC, U.S. Government Printing Office, 1978.

Chapter 4

The Sixties: Antipoverty Politics in the Decade of Prosperity

TWO PERSPECTIVES ON THE SIXTIES

Historians concerned with political trends remember the 1960s principally for the declaration of a national "War on Poverty." Initially formulated during the Kennedy regime and legislated into reality by the forceful leadership of President Lyndon B. Johnson, the federal government in 1964 mounted an extensive series of new efforts intended to eradicate poverty from the land. The pursuit of this objective required expanded federal efforts in an extensive range of public policy fields: An entire new arsenal of programs was unleashed against the "cycle of poverty." Unemployment-related programs were among those affected heavily. Indeed, the contemporary conception of federal "structural" unemployment policy—centering on job training and area economic development—dates from this period.

Unlike past unemployment programs, most of those initiated in the 1960s were intended to be *curative,* not just *alleviative.* This policy distinction rests on a differentiation between the type and duration of the employment problems that different individuals face:

> Probably the most useful distinction is between the unemployed who need only income maintenance and those who need something more. The first class consists of the regular members of the labor force whose unemployment is expected to be

> relatively short and who will find their way back to employment without a major change in themselves or in their environment. All that these workers require is a temporary, and usually partial, replacement of lost income. Programs to aid these unemployed may be called *alleviative* programs. . . .
>
> The other class of the unemployed consists of those who require a change either in their environment or in themselves in order to achieve reemployment. This class consists chiefly, though not entirely, of the very long-term (over six months) unemployed. . . . Some unemployed live in depressed areas, to which new jobs must be brought or from which the unemployed must migrate. Others experience more than the normal unemployment because of their personal characteristics. Two chief categories make up this latter group of the unemployed: those who are poorly educated, among whom the young and the nonwhite are noteworthy subgroups, and those whose skills have lost their relevance in a changing labor market, among whom the near-old constitute a special problem. Programs to aid these unemployed may be grouped under the heading of *curative* programs.[1]

Unemployment compensation, the backbone of federal unemployment policy, relied on the alleviative approach. The new programs of regional development and job training launched in the 1960s, however, were intended not simply to replace lost income, but also to provide the hard-core unemployed with access to permanent, well paying jobs. "Rehabilitation, not relief" was a slogan of the Kennedy Administration; economic "opportunity" became the watchword under President Johnson's Great Society.

The economic historian, in surprising counterpoint to his politically minded colleague, recalls the 1960s in images of abundance rather than deprivation. The decade was not one of unusual hardship. On the contrary, throughout the 1960s America enjoyed "unparalleled, unprecedented, and uninterrupted economic expansion." Even the business cycle which had long plagued the economy seemed by 1969 to have become "obsolete."[2] The policy revolution of the War on Poverty, then, was not touched off by massive social, economic, and political strains, as was that of the New Deal. It was, instead, a result of the confident politics of affluence.

This discrepancy between economic and political concerns was apparent at the time. In 1965 Miller and Rein observed that,

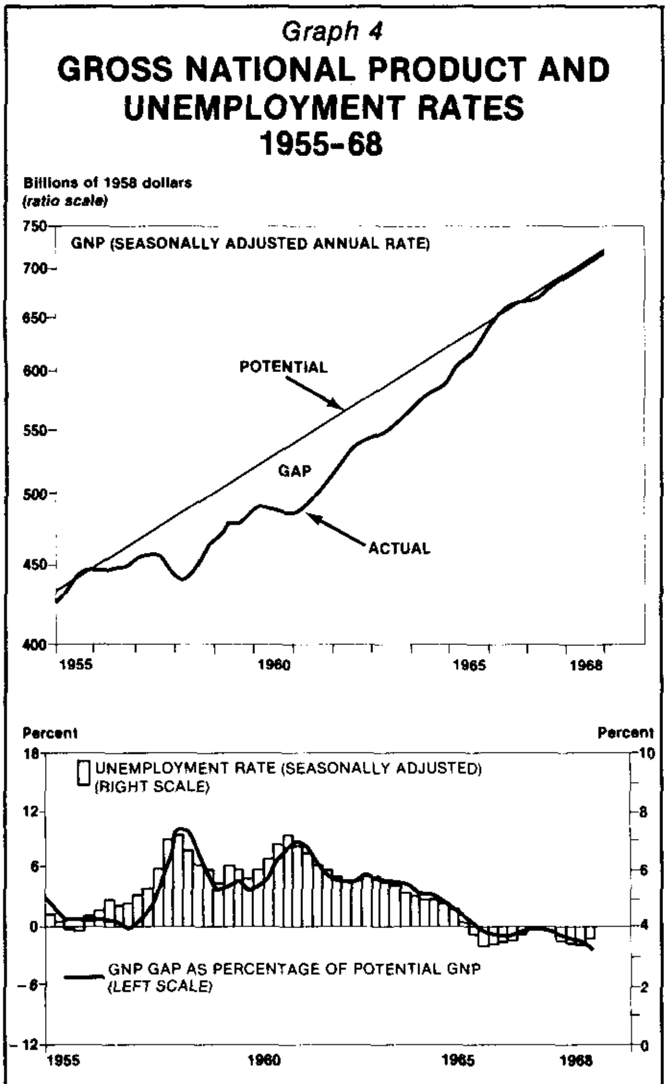
> . . .the War on Poverty begins at a time of unprecedented prosperity, with Gross National Product approaching two-thirds of a trillion dollars. It is aimed at helping a minority of the population, not the majority. Indeed, it is hard to see why the year 1964 saw a declaration of "War on Poverty."[3]

Furthermore, they pointed out, there was very little political pressure for the new antipoverty initiatives. To be successful, they added, the antipoverty campaign would have to attract supporters *after* the fact of its initiation.

Rediscovering the Poor

Basic statistical data illustrate the economic unreality of the poverty problem in the early 1960s. The proportion of consumer units with an income of less than $3,000 (in 1954 dollars) stood at 25% in 1961. Although this represented a quarter of the population, it was well below the 63% of the population that had been similarly situated in the depths of the Depression, the 47% in poverty in 1941, or even the 31% poor in 1951.[4] The postwar trend had been one of steady improvement. Never before had so many fared so well. Overall national economic performance also was comparatively good. Although there was a series of brief recessions—in 1949, 1954, 1958, and 1961—these were neither as deep or long-lasting as those of the past.[5]

Still, there were too many people left behind, despite the rising trend of prosperity. Indeed, it seems quite clear that the continuing presence of poverty in the nation's economic backwaters seemed increasingly unacceptable *because of* the rising affluence. This view was suggested by an influential book by John Kenneth Galbraith. In *The Affluent Society*, published in 1958, Galbraith observed that poverty had at that time ceased to be of much interest to both politicians and economists. As the poor had become less numerous, they also had become politically irrelevant. Yet the time had come, Galbraith believed, when the nation could well afford to eliminate poverty—a task deemed impossible when the number of poor was very large. Furthermore, he argued, simply providing more adequate public services—particularly educational and health



SOURCE: Arthur M. Okun, *The Political Economy of Prosperity*, Washington, DC, The Brookings Institution, 1969, p. 42.

services—would help to break the intergenerational cycle of self-perpetuating poverty. Hence, both the necessary resources and the necessary means were now at hand. And the motive was strong, in Galbraith's view, for the continuation of economic deprivation in the prosperous United States was quite simply "a disgrace."[6]

A Galbraithian-style diagnosis in fact undergirded the antipoverty strategy of the mid-1960s. President Johnson's 1964 *Economic Report,* which announced the War on Poverty, also stressed the "$100 billion expansion" during 1961-63, for which there was "no parallel in our peacetime economic annals."[7] This fiscal dividend made possible major new programs, even though federal taxes were being reduced. "We cannot and need not wait for the gradual growth of the economy to lift this forgotten fifth of our nation above the poverty line," the President proclaimed. "We know what must be done, and this nation of abundance can surely afford to do it."[8]

The GNP Gap

It also must be said that some observers thought that the American economy faced serious problems beneath its surface sheen. These concerns also influenced federal policy. Although rising, economic output was not what it might have been, and between 1957 and 1964, the unemployment rate continually exceeded 5%, with the average hovering around 6%. Excessive unemployment indicated that some of the nation's economic resources were idle or wasted: the "gap" between the potential and actual Gross National Product (illustrated in *Graph 4*) was a significant issue. Most professional economists, including those in the Kennedy Administration, thought the gap could be reduced, that a 4% (or even lower) unemployment rate was a reasonable national target. To a few, the sluggish economic growth in the late 1950s was even a portent of danger. At that time, real GNP had risen at a rate well below that of the Soviet Union and every other industrial nation. The famed Swedish sociologist Gunnar Myrdal identified "economic stagnation" in America as "the world's greatest problem." Robert Theobald predicted (quite erroneously, as it turned out) that,

> . . .unemployment rates must . . . be expected to rise in the sixties. This unemployment will be concentrated among the unskilled, the older worker and the youngster entering the labor force. Minority groups will also be hard hit. No conceivable rate of economic growth will avoid this result.[9]

Structural Unemployment

Why was there this economic shortfall, this GNP gap? Two views were offered. Most economists, consistent with the by-then traditional Keynesian framework, thought that what ailed the economy was *insufficient spending*—too low a level of "aggregate demand." Federal stimulation was their remedy.

But some analysts believed the problem was more fundamental, inherent in the changing structure of the economy itself. In their view, automation—the "cybernetic revolution"—was the joker in the deck. The modern machinery and production techniques that had fueled the material progress of most of the nation's citizens seemed to cause injury to others. Labor market expert Charles C. Killingsworth, for one, argued that an automated economy tended to generate a shortage of highly skilled white-collar workers and an unemployable surplus of unskilled and blue-collar workers at the same time.[10] Progress thus wore the face of Janus, looking in two directions simultaneously.

Such "structural" unemployment, as it was called, reflected three main problems, according to a massive report prepared in 1960 by the Senate Special Committee on Unemployment Problems. Simply stated, these were that,

> Some of the unemployed live in the wrong *place*—in areas lacking job opportunities. Some have the wrong *skill*, or none at all. And some are the victims of *discrimination* —because of race, sex, or age.[11]

The structural analysts contended that Keynesian macroeconomic measures were not enough to maintain a high level of employment in a changing economy. Furthermore, they believed that overstimulation could lead to rising wages and prices in the "shortage" occupations and areas. These could spread throughout the economy, loosening a general inflation without eliminating joblessness.

For these reasons, structuralists advocated new public policies to "sop up" the pools of "excess" labor. The policies enacted took three principal forms. Where the supply of workers was excessive, programs of regional development assistance aimed at attracting potential employers were advocated and adopted. For those individuals lacking necessary skills, new job training programs were created.[12] And, although it is not considered in detail here, the problem of discriminating—the third facet of structural unemployment—also was addressed. The monumental *Civil Rights Act of 1964* included, at Congress' initiative, the first national equal employment opportunity standards.[13]

The emerging theory of structural unemployment was initially most appealing to "a fairly odd assortment of bedfellows," including a number of sociologists and lawyers, as well as some fiscal conservatives upset by standard pro-spending Keynesianism.[14] But it attracted few academic economists, for two reasons. First, classical theory suggested that high levels of localized unemployment were quite impossible. The standard view was that,

> . . . such unemployment was self-liquidating. It was assumed that as economic activity in a community declined wages would be depressed. This was supposed to attract new employers to these localities and at the same time stimulate the outmigration of workers who would search for employment elsewhere.[15]

Second, there seemed to be little objective foundation for the concern about the effects of automation. Many economists failed to find convincing evidence that structural unemployment actually was rising.[16] Not until *after* the War on Poverty was announced, Henry J. Aaron asserts, did the thesis of the "structuralists" gain widespread acceptance.[17]

The theory of structural unemployment was more popular with Congressmen than academicians, however. Elected politicians have good reason to take an interest in the condition of local labor markets. Economists' claims about the long-run efficiency of market forces are not very impressive to Congressmen with two-year terms and political fates tied to regional, rather than national, economic conditions. Proposals to facilitate the relocation of the jobless found little favor for, as one member remarked: "Sir, are you asking *me* to vote for appropriations to help *my* constituents to move to some *other* district?"[18] What legislators wanted was some more direct means of aiding their distressed constituents. For this purpose, both regional development and employment training programs were ideally suited.

ECONOMIC DEVELOPMENT LEGISLATION

The potential political virtues of new programs aimed at the problem of structural unemployment are apparent in the case history of the *Area Redevelopment Act of 1961* (ARA).[19] This innovative and controversial measure authorized total expenditures of $394.5 million for three major forms of aid to designated redevelopment areas: loans for industrial and commercial projects, loans and grants for public facilities, and technical assistance in the form of studies and expert advice.

The ARA also provided funds for the operation of vocational training programs and trainee subsistence.[20] However, this—the nation's first "manpower" program—was quickly overshadowed with the adoption of the *Manpower Development and Training Act* in the following year.

Despite its limited funding and short life—the ARA was abolished in 1965—the program left an enduring mark on federal unemployment policy. As one analyst has commented,

> . . . the act was the first major implementation of the *1946 Employment Act's* dictum that employment levels would be a continuing concern of the federal government. And it was the first substantial recognition by Congress of the problem of long-term structural unemployment. . . . The list of [subsequent] enactments directed at this problem is a veritable map of economic thinking in the 1960s: the *Manpower Development and Training Act of 1962,* the *Vocational Education Act of 1963,* and the *Economic Opportunity Act of 1964,* not to mention the debates over the impact of tariff adjustments and automation. Many of these lines of policy debate were first marked out during the depressed areas debates of the 1950s.
>
> In this light, the construction of a coalition for [the] Redevelopment Act may be seen as part of a larger movement toward national policy consensus in one policy area.[21]

Senator Douglas and the ARA

Congressional, rather than Presidential, leadership characterized most of the unemployment legislation enacted in 1961-63. Manpower expert Garth L. Mangum recalls that,

> . . . despite having narrowly won an election on the slogan of "get America moving again," the Kennedy Administration was remarkably ill-prepared to get into motion. There were many hypotheses but no consensus on what was wrong and what needed to be done. The Administration entered with no preconceived program and little disposition to invent one. . . .
>
> Since the Kennedy Administration was not prepared to move, the initiative lay by default with Congress. Senators and Congressmen tended to see the world from the vantage points of their own constituencies and to be influenced by the popular press rather than the professional journals. Structural unemployment best represented the level of detail at which they were prepared to operate: Who is unemployed from what past job in my district?[22]

The *Area Redevelopment Act* (ARA) can be regarded as an exceptionally striking instance of Congressional policy initiation. Indeed, the program was

> . . . largely a product of one man, Senator Paul H. Douglas, of Illinois. He formulated the intellectual underpinnings of the program and played a leading role in the shaping of the coalition which supported the legislation. It was largely due to his perseverance that the act survived two Presidential vetoes and was finally signed into law under a friendly Administration in 1961.[23]

Of course, Sen. Douglas (D-IL) needed allies in Congress, and ultimately in the White House as well, to realize his objective. Securing these required some substantive changes in his original bill and made the end result not the sole responsibility of any single individual. Furthermore, Douglas's bill—like most statutory enactments—built on what had gone before. In particular, it drew very heavily on legislation proposed by President Truman and Sen. James Murray (D-MT) in 1949. Truman's economic message of January 1947 had indicated the need for governmental assistance to communities with a chronic labor surplus. The Murray bill, the "Economic Expansion Act of 1949," was defeated in committee, but it provided useful ideas for incorporation in Douglas' proposal.[24]

As a respected economist and former professor at the University of Chicago, Sen. Douglas was of course unusually aware of the problem of unemployment and its possible governmental solutions. Yet his sponsorship of the ARA appears to have stemmed more from his political than academic experience. Indeed, in 1952 he had published a book urging governmental frugality, and stating that federal intervention in the economy was unwarranted unless the unemployment rate topped 8%. However, the recession of 1954 and a reelection tour of areas with hard-core unemployment problems in southern Illinois led him to change his view. Local leaders in the Rend Lake Water Conservancy District indicated their need for a water-and-power project to attract industry.

Douglas' humanitarianism, and his recognition of the relative immobility of labor and the large capital investment in existing community facilities, suggested the need for federal "seed money" loans to encourage a process of economic expansion. This notion was advanced through a package bill drawn up by his staff in 1955, which included eight separate assistance programs for depressed areas. A "Depressed Areas Administration" was proposed to coordinate these aids.[25]

Douglas' bill was a federal counterpart to the local economic development programs that had become increasingly common in the postwar years. Many communities offered tax concessions, financial assistance, free land, rent-free buildings, and other inducements to prospective industrial firms. Some states also engaged in industrial promotion, with Pennsylvania's Industrial Development Authority, created in 1956, being one of the most successful examples.[26]

The process of legislative success was a lengthy exercise in coalition building, according to the detailed analysis prepared by political scientist Roger H. Davidson. Although "at first, [Douglas] was all alone,"[27] eventually he garnered the support required to see his proposal enacted into law.

Some ready allies were found among Congressmen from other depressed industrial areas. These included members of both the Democratic and Republican parties. But to increase the number of supporters, it was necessary to increase the number of potential beneficiaries. This was the key to the political coalition-building task. At the time of the final House vote, Davidson comments, the "story was told eloquently by the large map placed by the bill's sponsors in the Speakers lobby, just off the House floor." The map showed Congressmen exactly "how many of their districts would be in line for federal help."[28]

The major strategem centered on providing aid to rural as well as urban areas of "underemployment." Douglas' initial bill, aimed at dealing with areas of industrial decline in the north and east, was modified in response to the concerns of members from the south that their poverty areas also required assistance. Hence, a revision provided loans to some 300 poverty-stricken rural counties. (Subsequently, these funds were expanded further.)[29] These changes were politically decisive, in that they made large inroads against the "conservative coalition" of Republicans and southern Democrats that had thwarted many other social welfare measures.[30]

Despite a near miss in 1956, the path from drafting to approval was a tortuous one, requiring some six years to complete the essential steps of committee action, floor votes, and signature. The start was auspicious, however. At the time the bill was introduced in 1955, the nation was enjoying general prosperity. Backed by testimony from local Chambers of Commerce, and in the absence of organized opposition, many Senators found it difficult to vote against a modest bill assisting areas with chronic unemployment. After 30 minutes debate, the Senate adopted the Douglas bill by a 60-30 margin.[31] As in later years, members of the Democratic party were far more supportive than the Republicans.

Never again were matters so simple, as the voting results in *Table 4* indicate. After 1956 the opponents were better organized, more articulate, and more numerous. The intense political controversy they generated revolved around philosophic issues. While advocates accepted the notion of federal responsibility for aiding areas with chronic unemployment, the opponents did not. Sen. Barry Goldwater (R-AZ) regarded industrial relocation and economic change as inevitable in a free enterprise system. No federal involvement was required. Other Republican opponents argued that there was sufficient private capital available to finance desirable projects. Furthermore, they argued that the $200 million Douglas proposed was just a "drop in the bucket," given the billions of dollars that were invested privately. For this reason, critics feared that the "Douglas program represented only the proverbial camel's nose" and would lead to ever greater federal outlays and further "interference" in market operations.[32]

There were also important pecuniary and political interests at stake. Some Congressmen feared that federal aid would encourage their local industries to relocate in the aided areas. Sen. James W. Fulbright (D-AR), for one, favored a $2 billion national community facilities program, but apparently thought that the Douglas bill would work against the long-run economic interests of the south.[33] Since he was the chairman of the Banking and Currency Committee, Sen. Fulbright's views were extremely important.

Despite the controversy, the redevelopment bill was approved by both chambers in the 85th and 86th Congresses. The White House was the real obstacle. Administration opposition prevented the measure from coming to a vote in the House in 1956, and President Dwight D. Eisenhower vetoed it twice, in 1958 and 1960.

It appears that partisan competition, rather than

Table 4

CONGRESSIONAL VOTING ON REDEVELOPMENT LEGISLATION, 1956-61

Congress		Senate Vote	Senate Total	Senate Percent For Dem	Senate Percent For Rep	House Vote	House Total	House Percent For Dem	House Percent For Rep
84th	1956	60-30	66%	94%	37%	—	—	—	—
	1957	—	—	—	—	—	—	—	—
85th	1958	46-36	56	71	41	216-159	57%	78%	34%
	1959	49-46	51	80	12	—	—	—	—
86th	1960	—	—	—	—	202-184	52	72	17
87th	1961	63-27	70	81	48	251-167	60	83	26

SOURCE: Based on Randall B. Ripley, *The Politics of Economic and Human Resource Development*, Indianapolis, IN, The Bobbs-Merrill Company, 1972, p. 25.

substantive differences on policy, was at the root of this political battle. President Eisenhower was by no means wholly unsympathetic to the problem of localized unemployment. Indeed, in 1955, when Sen. Douglas began work, the President asked his Council of Economic Advisors (CEA), to devise an Administration program. In its 1956 report, the CEA reversed a position taken the previous year and declared that "the fate of distressed communities is a matter of national as well as local concern." The Administration's own legislative proposal, introduced in January, differed in important detail, but not in principle, from Douglas' own: it provided less money ($50 million, rather than $390 million); less federal participation in loans; higher rates of interest; and was to be administered by the Department of Commerce, rather than a new independent agency.[34]

Despite their shared objectives, rivalry rather than cooperation marked the relationship between the Democratic Senator and his allies and the Republican President from the very first. Neither wished to allow the other party to claim credit for aiding depressed areas. The magnitude of these competitive relationships had little to do with the substance of the issue. Indeed, Davidson notes that,

> . . . though the Eisenhower and Douglas bills came to resemble one another somewhat more closely as the controversy progressed, the partisan camps hardened their opposition to the alternative bill and made passage of any bill at all virtually impossible.[35]

The major interest groups involved also line up on rather predictable party lines. Organized labor is generally viewed as the backbone of the Democratic coalition, as business is of the Republican. Lobbying on the *Area Redevelopment Act* was consistent with this traditional pattern.

Support for the Douglas bill came from an AFL-CIO-backed organization, the "Area Employment Expansion Committee" (AEEC). With labor funds—and about a dozen contributing members—this organization supported a Washington staff man who developed fact sheets on unemployment issues and secured endorsements from major union leaders, state-local labor organizations, and other groups.[36]

Another line of advocacy was provided by the "urban lobby," particularly the American Municipal Association, as well as state and local officials from Pennsylvania, one of the important industrial states that expected to benefit from the legislation. Several major farm organizations enthusiastically backed the bill after rural coverage was included, as did Indian welfare groups when reservations were made eligible.

A variety of other liberal organizations lent their prestige to the campaign, although they probably swung few votes.[37]

The principal organized opposition came from the business community. After 1957 both the national Chamber of Commerce (despite early support from some local chambers in depressed areas) and the National Association of Manufacturers took stances against both the Douglas and the Administration bills.

The ultimate fate of the ARA was influenced more by electoral politics than by these group pressures, however. Three times, James L. Sundquist notes,

> . . . both parties took their cases to the voters. . . . In doing so, they magnified relatively minor differences of degree into major differences of principle. The Democrats, eagerly backed by organized labor, were able to convert area redevelopment into a powerful political issue in the affected areas, which symbolized—in their oratory—the contrast between Democratic compassion and Republican unconcern. The Republicans sought to recoup by using the bill as an example before the country at large of Republican fiscal prudence contrasted to Democratic profligacy.[38]

The Democrats found the issue to be useful at the polls. In 1956, Democratic candidates stressed the Administration's opposition to House action on the bill as the key factor in preventing passage, and national standard-bearers Sen. Adlai E. Stevenson (D-IL) and Estes Kefauver (D-TN) publicized the issue when campaigning in distressed areas. Two years later, at least some members of the landslide Democratic "class of 1958" could attribute their new seats to the political impact of Eisenhower's untimely veto.[39] With rates of unemployment exceeding 7% in the summer and fall that year, the 1958

> . . . Congressional campaign centered on bread-and-butter issues, with unemployment playing a paramount role. It is therefore probably no accident that Congressional districts with depressed areas, which would have been eligible for assistance under the vetoed Douglas bill, accounted for the bulk of the Democratic sweep—Democrats won 48 seats held by Republicans and lost only one seat to a Republican. About four out of five Congressional districts where Democrats won Republican seats were located in depressed areas.[40]

Not surprisingly, the 86th Congress convened with redoubled enthusiasm for area redevelopment legislation.

In the final analysis, however, it was the Presidential election of 1960—coupled with the high rate of unemployment then prevailing—which assured enactment of the ARA. Sen. John F. Kennedy's campaign strategy, aimed at demonstrating his popular appeal, took him to West Virginia for the state's primary election in May 1960. Although the Senator had been a cosponsor and strong supporter of the Douglas bill from the first, the appalling poverty he found in the mine fields—and his subsequent electoral victory—deepened his commitment. Thereafter, throughout his campaign, he was to stress the issue of hard-core unemployment.[41]

Vice President Richard M. Nixon, the Republican nominee, was clearly at a disadvantage in dealing with the issue. Although the GOP platform pledged an expansion of development and training programs, the two Eisenhower vetoes and the smaller funding sought by the Administration bill gave the appearance of indifference to the needy. While Republican spokesmen contended that their proposal actually offered more aid to the most seriously depressed communities, "this reasoning was somewhat technical for a political campaign." When Nixon charged, in the third national television debate, that the Democratic proposal was "pure pork," Kennedy responded by noting Labor Secretary Mitchell's statement of approval of the bill just 24 hours before Eisenhower had vetoed it.[42]

Kennedy's victory in November 1960 assured quick approval of some sort of area development bill. Even before he took office, the President-elect appointed a task force on economic growth, chaired by Sen. Douglas and drawing six of its ten members from the State of West Virginia. The principle of federal participation was settled. Only questions of funding levels and administrative procedures remained.

On one issue Douglas was forced to give ground. The Senator had consistently favored the creation of a new independent agency to administer his program. On the other hand, business opinion, as well as that of the Secretary of Commerce under Eisenhower, was that the Department of Commerce should be made responsible. This view eventually prevailed within the Kennedy White House, and Douglas—despite his concern about excessive "business influence" and his antipathy to the Department's new Secretary—found himself outflanked. The result was that the Area Redevelopment Administration (ARA) was lodged under Commerce's wing.

Douglas' bill, introduced as S.1 by the Senator and some 44 cosponsors, was signed into law on May 1, 1961. Six years of effort had produced what Douglas regarded as his own greatest legislative achievement. It also became the first tangible product of President Kennedy's New Frontier.

Post-ARA Policymaking: Expansion, Diffusion, and Confusion

In a book written in 1962, political economists James M. Buchanan and Gordon Tullock described what they termed the "spiral effect" in public policymaking. They argued that the provision of a governmental benefit to a particular population group usually encourages other groups to seek similar benefits for themselves as well. According to their cost-benefit theory, the reason is that,

> . . . other functional or interest groups, observing the success of the first, will now find it profitable to invest resources (funds) in political organization. The pressure group, as such, will rapidly become a part of the political decisionmaking process. Moreover, because of the activities of such groups, the range and the extent of collective action will tend to be increased. As more and more groups come to recognize the advantages to be secured by special political dispensation, this organizational process will continue. The ultimate "equilibrium" will be reached only when all groups have become fully organized.[43]

As a hypothetical example, Buchanan and Tullock offered an area development program much like the ARA:

> Suppose that the issue confronted should be that of providing some federal funds to aid the depressed coal-mining area of West Virginia . . . . [I]t is relatively easy to see that, if such aid is to be financed out of general tax revenues, a veritable Pandora's box may be opened. Depressed fishing villages along the Gulf Coast, depressed textile towns in New England, depressed automobile production centers in Michigan, depressed zinc-mining areas in Colorado, etc., may all demand and receive federal assistance.[44]

This bit of political forecasting has stood the test of time far better than most. Buchanan and Tullock's spiral effect approximates the actual trend in this policy field. Over the years, the addition of new programs and a broadening of eligibility requirements has dramatically shifted the character of federal area development aid. Although the initial Douglas bill was regarded as "sectional" legislation, the same cannot be said of existing programs. On the contrary,

> . . . as more areas of the Nation have been able to qualify for inclusion in regional commissions or in EDA qualified areas, virtually the entire country has been included in areas eligible for development assistance under one criterion or another. This has removed the "special" assistance aspects of the program.[45]

This tendency was apparent before the ARA was enacted, and it continued during its implementation. Davidson concluded his case study by noting that,

> . . . once launched, the Area Redevelopment Administration was subjected to a variety of pressures for designating a large number of communities as "depressed areas" eligible for aid. Farm and labor interests, as well as legislators who had voted for the act, viewed the program as a new form of the traditional pork-barrel. As a result, no less than 1,035 counties—one-third of the national total and containing one-sixth of the nation's population—were eventually declared eligible for aid.[46]

Yet, ARA itself was short-lived. More important by far was the precedent it set for later programs aimed at relieving localized structural unemployment. The current set of area and regional development programs was first adopted in 1965. The principal agencies involved are the Economic Development Administration (EDA), the successor to the ARA; the Title V multistate regional action planning commissions; and the Appalachian Regional Commission. All were created in 1965, the first two under the *Public Works and Economic Development Act* (PWEDA),[47] and the latter under the *Appalachian Regional Development Act* (ARDA).[48]

THE EDA

The PWEDA was drawn up in response to attacks on the ARA and the defeat of a reauthorization bill in the House of Representatives. Although the ARA had been created with a four-year life, it began to run short of funds early in 1963. In response, President Kennedy proposed legislation to increase its resources.

By that time, however, much of the fledgling agency's political support had melted away. Criticism of the ARA's operational performance abounded. First, the agency had been too slow in getting under way; later, it was charged with poor choices and even political favoritism in the selection of projects. Businessmen feared that their competitors would receive government support, and some labor spokesmen felt that the ARA was supporting a movement of firms to low wage, nonunion areas. All these objections echoed in the halls of Congress—especially in the House, where the ARA's opponents were particularly articulate and vigorous. By a vote of 204-209, Kennedy's request was defeated. Thirty-nine of the Congressmen—20 Republicans and 19 Democrats—who supported the 1961 act had reversed their position.[49]

Replacement legislation was drafted for the President by staff in the Bureau of the Budget (BOB). In response to Congressional criticisms, and consistent with their reputation as fiscal conservatives (the "green eyeshade boys"), BOB staffers also sought to restrict the pressures toward the "scatteration" of spending and proliferation of benefits. To this end, they proposed more careful economic development planning, with federal aid concentrated in major "economic development centers." The Administration bill also created a new agency—the Economic Development Administration—to replace the ARA, and authorized the Secretary of Commerce to designate new multistate planning commissions at the request of the states. This legislation sailed through the Congress with only perfunctory resistance from the Republican leadership.

Unlike its predecessor agency, the Economic Development Administration quickly found a secure niche within the federal bureaucracy. Although Presidential appropriations requests in the 1960s and early 1970s were modest—and usually cut slightly in Congress—they were not highly controversial.[50] Later reorganization threats to the EDA and other development agencies, discussed below, never got off the ground.

Over time, the EDA's mission—and its political constituency—has grown steadily. By 1974 nearly one-half of the 3,000 American counties had received some assistance under the ARA, the EDA, or both.[51] A series of amendments to the PWEDA had added programs for economic recovery aid in disaster areas, adjustment assistance for areas experiencing structural economic dislocations, and emergency assistance to areas with unusually high unemployment rates.[52] Furthermore, as a Congressional Research Service study noted,

> Eligibility requirements for participation in EDA programs have been liberalized over the years, and in 1976 the size of municipalities eligible for designation as redevelopment areas has been reduced from 250,000 to 25,000. The statement of purpose of the act has been amplified from "to create a climate conducive to the development of private enterprise in America's economically distressed communities" in 1965, to the 1976 amendment making assistance available to "both urban and rural areas" for "planning prior to actual economic rehabilitation where long-term economic deterioration has occurred or is taking place."[53]

As of 1979, fully 84.5% of the nation's population lived in the 2,230 areas designated to receive EDA funds. Of these, 823 areas did not meet current eligibility criteria, but could participate because of a legislative ban on "de-designation" instituted in 1970. The agency is very popular with the Congress, with state and local governments, and with the businesses that benefit from its aid. The economic development approach also attracted the attention of the Carter Administration, which proposed a doubling of EDA's budget (from $1.5 to $3 billion) in February 1980 as a part of its urban policy.[54]

APPALACHIA

The Appalachian program was established in response to a request by the Governors of nine neighboring states for federal help following serious flood damage to the Cumberland Valley in March 1963.[55] In addition to the usual disaster relief, Kentucky's Governor Bert T. Combs proposed the creation of a temporary federal-state study commission to prepare a comprehensive development plan for the region. President Kennedy responded by the appointment of the President's Appalachian Regional Commission (PARC) with Under Secretary of Commerce Franklin D. Roosevelt, Jr., as the chair and including 14 federal agencies as members, along with the Governors.

This proposal actually originated with John D. Whisman, the executive director of a 32-county regional development council in eastern Kentucky, several years before. Whisman was convinced that his region required the coordinated improvement of transportation systems, social services, and the natural resource base if it was to become attractive to investors. His idea caught the eye of Sen. John Sherman Cooper (R-KY), several Governors, and eventually President Kennedy.

PARC's membership responded to their charge with considerable enthusiasm. Both its state and federal members stood to benefit from a joint attack on Appalachian poverty:

> The states knew what they wanted—highways first of all to open the mountain valleys to the outside world, dams and reservoirs and other resource development projects, and preferential treatment in any other program area where the federal government might be willing to extend it. The federal officials had a Presidential directive to cooperate, and to each agency that became a directive to justify an expansion of its services wherever it could do so. Appalachia was "in" in 1963; a federal agency that could not find a way to help would have had to be singularly lacking in respect for its own importance.
>
> In every corner of the federal establishment, during the summer of 1963, ideas for the Appalachian program began to grow—usually in the form of regional addenda to agency budgets. The highway planners alone developed a regional network of access roads costing $1.2 billion, with the federal government to finance the major share.[56]

Neither the Bureau of the Budget nor President Johnson was pleased with the scope of the budgetary commitments being made. The costs were too great and the planning too poor. Yet they found it impossible to exercise fiscal discipline over a joint federal-state commission, composed of high-ranking public officials and launched with considerable fanfare and publicity. In the end, the President gave his blessing to the commission's proposals, and introduced a $1 billion aid bill in the spring of 1964.

Despite opposition charges of poor planning and regional discrimination, the Appalachia bill was readily approved in the Senate with a 45-13 margin. It never came to a vote in the House, but the Democratic landslide in November assured its ready acceptance. In the 89th Congress, the focus of attention was not the Appalachian program proper, but rather how similar assistance might be offered to the northern Great Lakes states, the Ozarks, and New England. In response, the Administration promised that the PWEDA, then being written, would provide general authority for the creation of additional commissions. With these assurances, the bill was approved 62-22 in the Senate and 257-165 in the House.[57]

Appalachian Regional Development Act

The (ARDA), together with Title V of the PWEDA, has encouraged the creation of a steadily growing network of multistate regional economic development commissions. Individual regions have also increased in size. By early 1979 nearly the entire coterminous United States was served by one of these organizations, as *Map 1* indicates.

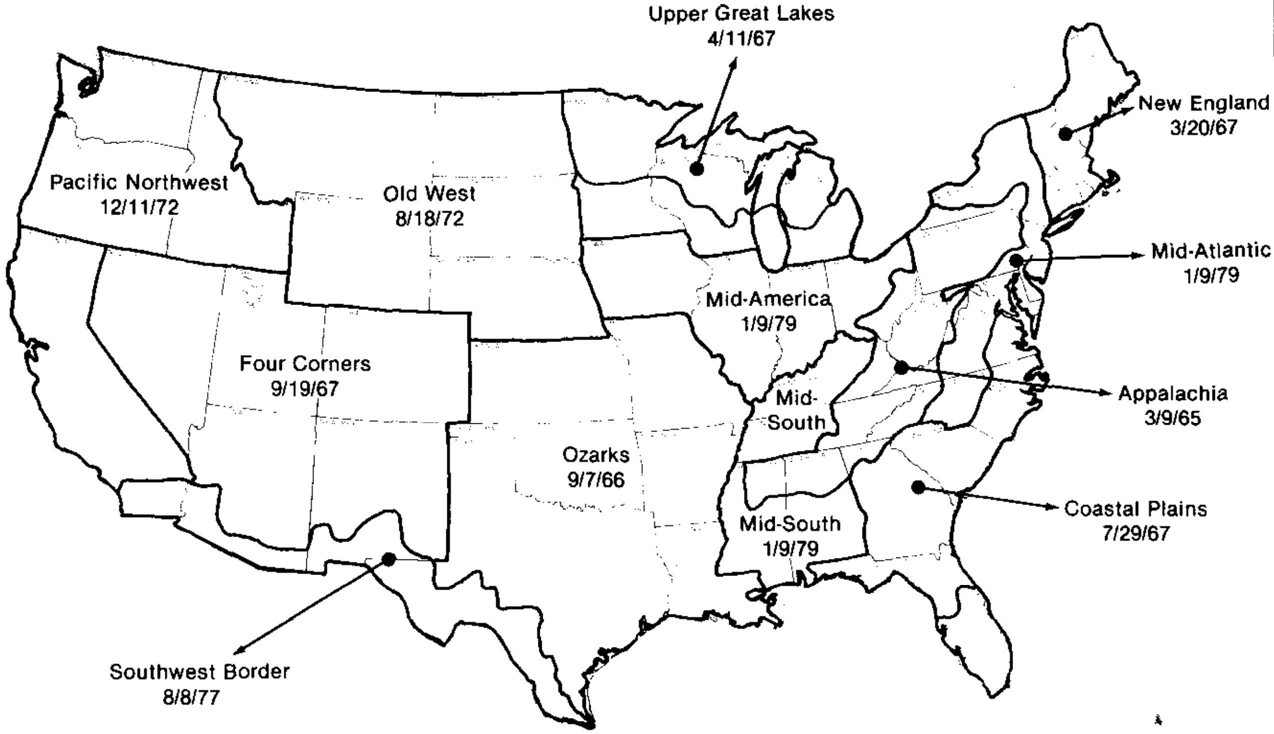
The multistate commissions have proven to be extremely popular with the nation's Governors, who as commission members largely determine the allocation of funds. Advocates defend the commission system as an innovative "partnership approach" to regional planning and federal-state development activities. Critics, on the other hand, charge that the planning efforts to date have been inadequate, that commission activities are poorly coordinated with other development programs and—in the instance of the Nixon Administration—that the commissions are an unnecessary additional level of governmental bureaucracy.[58]

OTHER AGENCIES

Although the EDA, ARC, and the Title V commissions are the principal agencies applying the area development strategy to unemployment problems, a number of other agencies are concerned with related questions of poverty and community development. Among the most prominent are the Department of Housing and Urban Development (HUD), the Com-

Map 1

THE SPREAD OF REGIONALISM, 1965–79



SOURCE: *Appalachia*, March-April 1979, p. 10

munity Services Administration (formerly the Office of Economic Opportunity), the Small Business Administration, and the Farmers Home Administration in the Department of Agriculture. An even broader set of agencies engage in activities that have some impact—though often unintended—on patterns of industrial development and location. Federal regulatory, tax, spending, and purchasing policies all affect the price and availability of factors of production (labor, capital, and resources), as well as the demand for goods and services. These influence both inter- and intra-regional patterns of economic development, though in ways that are not yet fully understood.[59]

As the federal impact on economic development has increased, there has been a concern that there may be too many related programs, often working at cross-purposes. Better coordination and planning through some sort of national development plan has been advocated frequently. A statutory expression of this view appeared in Title VII of the *1970 Housing Act,* which declared that,

> . . . the federal government, consistent with the responsibilities of state and local government and the private sector, must assume responsibility for the development of a national urban policy . . . . Such policy shall serve as a guide in making specific decisions at the national level which affect the pattern of urban development and redevelopment and shall provide a framework for development of interstate, state, and local urban policy.[60]

Yet, although a series of biennial urban growth policy reports has been written in response to this mandate, they have not provided an adequate foundation for the achievement of the intended objectives.

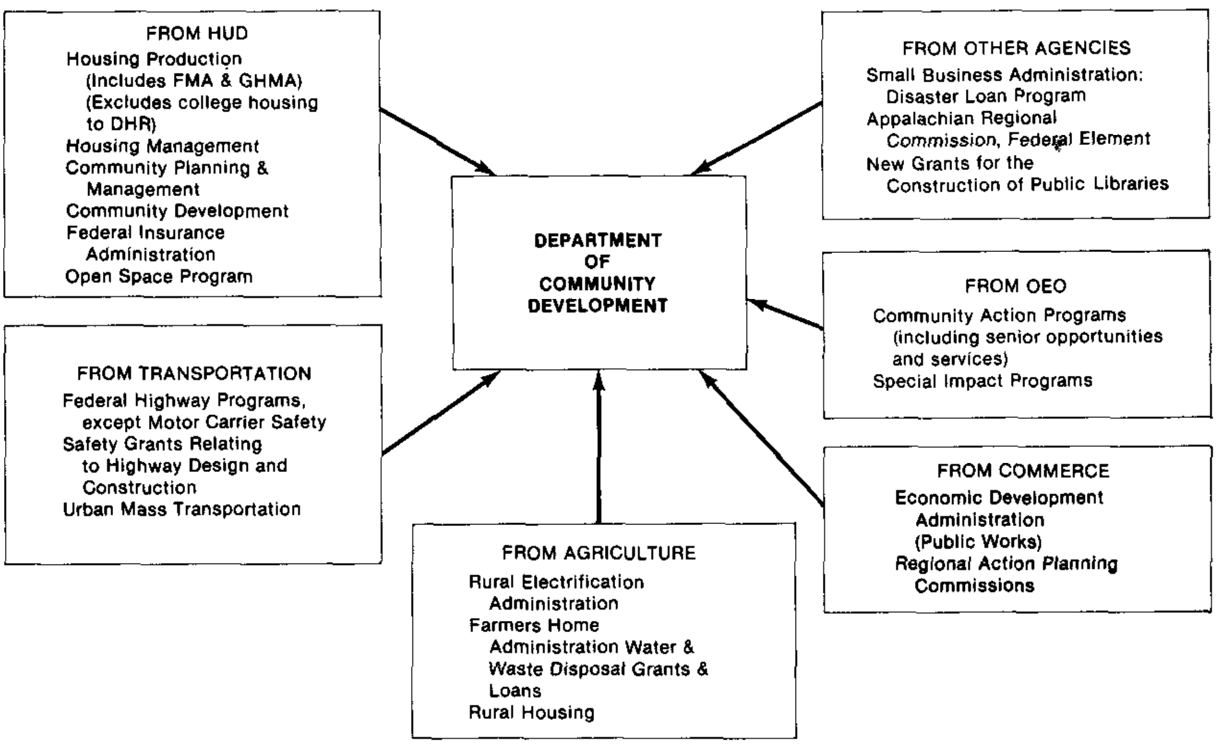
The rising number of federal agencies and programs impacting on local communities also has led to proposals for administrative simplification and reform. During the years of the Nixon Administration, economic development programs became embroiled in partisan controversy. Twice, in 1970 and 1972, the President vetoed public works employment bills, and in 1973 he sought to abolish the agency by requesting no funding for its programs.[61] In keeping with its philosophy of New Federalism, the Nixon Administration proposed a consolidated program of special revenue sharing for rural community development in January 1971. The proposal would have replaced some 39 area development programs with a $1.1 billion block grant to the states.[62]

In the same year, the Administration also advocated the creation of a new Cabinet-level "Department of Community Development" (DCD). Built principally around the Department of Housing and Urban Development, the DCD also would have administered the EDA and Appalachian programs, among others (see *Chart 1*). While this proposal was received more favorably than the Administration's three other departmental reorganization plans—and actually was approved in modified form by the House Committee on Government Operations—it fell before the combined opposition of agricultural, highway, and other organized interests.

A similar proposal for a new agency, styled the "Department of Development Assistance," was prepared by the Office of Management and Budget (OMB) early in 1979. The OMB staff analysis noted the splintering of economic development aid among 12 programs in five agencies, and a similar fragmentation of funds for community facilities and development planning. OMB Dirctor James T. McIntyre argued that "the only way to streamline all of these

Chart 1

TRANSFERS TO THE PROPOSED DEPARTMENT OF COMMUNITY DEVELOPMENT



SOURCE: Hearings before the Committee on Government Operations, *Establish a Department of Community Development*, Senate, 92nd Cong., 1st Sess., Part 2, November 16, 17, and 18, 1971, p. 733.

fragmented programs is to have a full reorganization."[63]

The logic of this position was not persuasive to many in key positions on Capitol Hill, however, or even in the White House itself. Members of the House and Senate Committees on Public Works and Agriculture opposed the transfers, which would have eliminated major portions of their legislative jurisdiction.[64] A watering-down of the DDA proposal also was pressed by some of President Jimmy Carter's aides, who

> . . . objected that the plan would disrupt federal economic assistance programs in the short run—and probably not improve on the delivery of services even in the long run.
>
> And they raised substantial political objections, arguing that interest groups and members of Congress, having accommodated themselves to the bureaucracy as organized now, would oppose the changes.[65]
>
> In fact, many organized interests, including the "rural lobby" and big city Mayors, did feel that the new combined agency was a threat to their own policy objectives.

In the end, President Carter proposed a far less ambitious plan to consolidate a handful of credit and loan programs in the EDA. This action, along with the rejection of a second proposal for a new "Department of Natural Resources," "signaled the sputtering conclusion of one of Carter's chief campaign themes."[66]

AREA DEVELOPMENT: AN ASSESSMENT

Despite their obvious political popularity, it is extremely unlikely that area development programs have had more than a modest impact on local unemployment rates and the overall location of the industry. Community and regional development trends seem to be far more affected by national economic forces operating in the private sector than by federal, state, or local economic development programs, according to most studies. An evaluation report prepared for the Economic Development Administration in 1972 concluded that,

> . . . the geographic impacts of the 42 programs analyzed, in the aggregate, are modest. They are largely confined to accelerating pre-existing trends toward economic concentration in metropolitan areas or curbing slightly prevailing trends of economic decline. Even with substantial modifications of priorities, funding levels, and administrative processes, the capacity of these programs to alter—and particularly to reverse—geographic patterns of economic development is extremely limited.[67]

Similarly, Ralph M. Widner, the director of the Academy for Contemporary Problems and a former executive director of the Appalachian Regional Commission, has asserted that "the programs providing financial assistance to state and local governments for urban and regional development have had little if any significant impact" on national development patterns. The federal government has been "least effective," he adds, "when it has attempted to influence the location of population and economic activity through grant-in-aid programs."[68]

It could be argued, however, that greater results could have been obtained with greater effort. Although federal area development funding has increased substantially since 1961, when the ARA was enacted, the total is still small in comparative terms. Levitan and Zickler noted in 1976 that,

> . . . for every dollar that the federal government is spending this year to promote economic development in lagging areas, more than ten dollars are being spent in these regions to support workers forced into temporary idleness. Clearly, federal policy focuses on providing immediate and direct aid to those in need, and relatively little for preventive measures that would bolster local economies and therby reduce vast outlays for the unemployed.[69]

Total outlays under the PWEDA and ARDA in the 1965-75 decade, they comment, roughly equaled the cost of providing the District of Columbia with a new subway system.[70] In their view,

> . . . the story of federal aid to lagging areas is a tale of attempting to satisfy a Gargantuan appetite with Lilliputian doses. Fifteen years of experience with the Area Redevelopment Administration, the Economic Development Administration, and the Appalachian Regional Commission offer proof positive that it cannot be done.[71]

MANPOWER POLICY: THE POLITICS OF INITIATION

Two fundamental streams of manpower training policy were developed in the 1960s, in addition to the manpower component of the ARA. Although they developed overlapping objectives as the decade progressed, each arose in response to a different problem, enjoyed a very different political environment, and operated through a separate administrative structure. Eventually, these two policy streams were consolidated with a public employment program to form the *Comprehensive Employment and Training Act.*

The first policy stream originated in 1962 with the passage of the *Manpower Development and Training Act* (MDTA). Due to its size and status as the first national adult training program, the MDTA has been called the "foundation of federal manpower policy."[72] Indeed, one authority states that: "until 1962 this nation did not have a manpower policy."[73] The MDTA was administered by the Departments of Labor and HEW and, like ARA, was directed at problems of structural unemployment. The concept was originally proposed in Congress in 1959 and 1960, which spurred Presidential action in 1961 and enactment of the law the following year. The program enjoyed broad, bipartisan support in Congress throughout its existence.

The second policy stream arose in 1964 with the passage of the *Economic Opportunity Act (EOA).* This act, or "War on Poverty" as it was dubbed, consisted of a collection of programs ranging from community action to employment-related activities like the Job Corps, the Work-Study Program, and the Neighborhood Youth Corps. The focus on poverty was an executive branch initiative that became intensely partisan. Many of the constituent programs suffered politically by their identification with highly controversial poverty programs like community action. However, the EOA's manpower programs were not entirely new; many were familiar to Congress when they were included in the poverty bill. They shared a new approach to intergovernmental relations, bypassing the established institutional arrangements of older state-oriented programs, using direct federal links to local community organizations, and serving new clienteles.

Origins and Passage of the MDTA

The *Manpower Development and Training Act* was developed in a context of concern about high unemployment and a changing economy. Rising during 1960 and 1961, unemployment reached a post-Depression peak of more than 7%.[74] Views about the causes of this high rate of unemployment differed at the time, but prominent among them was the theory of structural unemployment discussed earlier. This concept regarded unemployment as the product of disfunctions in the structure of the economy—that certain regions of the country were in economic decline, that some industrial sectors were in decline, or that certain social groups were forced to operate in the labor market with special disadvantages. This interpretation contrasted with viewing unemployment as a cyclical phenomenon, primarily the product of a nationwide downturn in the business cycle.[75]

Such interpretations were important since appropriate policy alternatives could differ greatly according to the nature of the problem. The structural interpretation suggested action focused on particular problem areas: special economic aid to disadvantaged areas or a program to retrain technologically obsolete workers. Problems in the general business cycle would call, instead, for macroeconomic responses.

Congress began to explore these policy questions in 1959. An AFL-CIO "Unemployment March on Washington" spurred creation of a special committee on unemployment problems to begin this task. With bipartisan support, the committee recommended expanding vocational education for adults displaced by automation, including a provision for support allowances during training. Also recommended were programs for area redevelopment, a "Youth Conservation Corps," and social insurance reforms. Garth Mangum observed that these recommendations, "became the agenda for manpower legislation for the following three years," and "presaged the bipartisan support to do something about unemployment."[76]

The concept of manpower training was pursued in 1960 by the newly created Subcommittee on Employment and Manpower of the Senate Labor and Public Welfare Committee. Based on a small program in Pennsylvania, a bill expanding vocational education to include adult retraining was drafted for the subcommittee with the aid of vocational educators.[77] Another bill sought to strengthen the nation's manpower planning system and called for an annual manpower report by the President. Both were sponsored by subcommittee chairman, Sen. Joseph Clark (D-PA).

As described above, President Kennedy made passage of the ARA his first legislative priority in the field of manpower policy. In contrast to area redevelopment, Mangum writes that the Kennedy Administration was originally divided over manpower training policy. On the one hand, a program of occupational retraining was supported by the Department of Labor (DOL) and the Budget Bureau, while the President's Council of Economic Advisors supported any program likely to spend money and stimulate the economy. On the other hand, Congressional proposals to use the vocational education structure for adult retraining were viewed with disfavor because the vocational education establishment was considered to be outdated and unimaginative, still dominated by its traditional focus on agriculture and home economics. The Budget Bureau and Labor Department favored a program that stressed on-the-job training (OJT) under the direction of the U.S. Employment Service and DOL rather than the Office of Education.[78]

The Administration finally introduced a bill in mid-1961 to provide "a positive answer to the challenge of technology."[79] It contained a modified version of Sen. Clark's manpower planning proposals, including a Presidential manpower report. And it proposed a four-year program of training focused on the adult unemployed. Both institutional and on-the-job training would be used in a comprehensive program of recruitment, counseling, placement, and relocation. Vocational education facilities would be used in cooperation with the Department of Health, Education, and Welfare (HEW), but the state/education-oriented administrative structure of the vocational education program would be avoided. Participants would be eligible for 52 weeks of living allowances from the federal government while undergoing training.

The Senate passed the bill in August 1961 after revising sections of the Administration's proposal. The most important changes involved making the bill more acceptable to the American Vocational Association (AVA). As Mangum explains,

> The Senate subcommittee staff was fully aware of the strength of the American Vocational Association and knew that any training bill which lacked its support had no chance of passage.[80]

Several amendments supported by vocational educators were accepted by the Senate subcommittee. In particular, the roles of HEW and the states were strengthened. State matching of training allowances was required after two years, and relocation grants were eliminated. Youth participation was enhanced slightly, but the predominant focus of the bill remained unemployed adults, especially victims of technological change. The bill passed the Senate overwhelmingly with bipartisan support.

In contrast to the Senate, the House of Representatives "played a limited role in the formulation of the act."[81] The House Select Subcommittee on Labor held hearings on the Administration bill in 1961. The bill was reported by the Education and Labor Committee, but lacking AVA support, it was blocked by the Rules Committee. Replacement of the Administration bill with the Senate legislation attracted more Republican support, and the act was passed by the House 354-62.[82] A conference version of the bill was passed by both houses and signed into law by President Kennedy on March 15, 1962.[83] On signing it, the President said it was, "perhaps the most significant legislation in the field of employment since the historic *Employment Act of 1946.*"[84]

In its final form, the MDTA consisted of three titles:

> Title I instructed the Secretary of Labor to oversee investigation of manpower problems in the United States, to plan for future manpower needs and to advise the President accordingly. The President was directed to make an annual Manpower Report to the Congress.
>
> Title II of the act dealt with manpower training programs. Under it, the Department of Labor was to develop a program for selecting persons age 16 and over who required retraining to secure full-time employment. Federal training allowances for up to 52 weeks were to be made available, primarily to unemployed adults. Training programs could include both on-the-job training—secured by project grants from the Labor Department, and institutional training in state vocational education facilities—secured through the Department of HEW.
>
> Title III of the MDTA enumerated various criteria for apportioning training projects among the several states, established requirements for state participation, and authorized spending up to $435 million through 1965.

1963 Amendments to the MDTA

Only one year after its initial passage, the MDTA was substantially altered by Congress. The original purpose of the act was viewed somewhat differently by its various supporters—establishing a system of manpower planning, spending to promote economic stimulus, helping to alleviate shortages of skilled personnel. But the most visible aim of the program had been to retrain adult workers who had lost their jobs due to automation and technological obsolescence. As manpower authorities Sar Levitan and Garth Mangum described it,

> Despite the verbiage, it is clear that the [Manpower Development and] Training program was originally designed to retrain experienced, adult family heads displaced from established jobs by technological and economic change.[85]

This focus was considerably changed in 1963. As many economists had argued earlier, technological obsolescence was not a leading cause of unemployment. A high rate of unemployment made it difficult for those who had lost their jobs through economic change to find new ones, but as the sluggish economy of the early 1960s began to improve, much of this problem dissolved. As the general rate of unemployment fell, however, the problems of youth and minority unemployment stood out in contrast. Both groups experienced unusually high rates of unemployment. For example, youths under 20 comprised 28% of the unemployed, and while the general rate of joblessness declined, youth unemployment actually rose.[86]

As it had passed in 1962, the MDTA was not equipped to deal effectively with this situation—for several reasons. While younger workers were eligible for training under the manpower act, the emphasis of the program was on older workers. The law stipulated that no more than 5% of the training allowances be spent on workers under 21 years of age, even though one-quarter of the first year participants were in this category. Moreover, the act focused primarily on vocational education, whereas many of those most in need of employment training—including young high school dropouts and the educationally disadvantaged—were "functionally illiterate" and required remedial basic education in order to become employable. Finally, with its reliance on the U.S. Employment Service (ES) for participant selection, the administrative structure of the program contributed to the "creaming" of training applicants. Rather than helping those most in need, the program tended to select the most qualified applicants for additional training. This reflected the Employment Service's established procedures of matching employers' job requests with the best qualified applicants and its lack of an outreach recruitment capability that would enable it to seek out the most needy.[87]

These difficulties in the program were quickly recognized. The problems facing young and disadvantaged workers were outlined in the 1963 *Manpower Report* of the President.[88] In a Presidential message to Congress on "Civil Rights and Job Opportunities for Negroes," the Kennedy Administration requested that additional focus under the MDTA be placed on minorities, youths, and the disadvantaged. It proposed strengthening literacy training in the program and increasing youth allowances.

In contrast to 1962, the House Select Labor Subcommittee took the lead over the Senate on manpower reforms. With bipartisan support in both chambers of Congress, the MDTA was amended in 1963:

- to allow up to 25% of training allowances to be paid to youths under age 22;
- to permit needy participants to undergo literacy training in addition to occupational training;
- to raise the maximum length of participation in the program from 52 weeks to 72 weeks to accommodate literacy training;
- to ease program eligibility requirements; and
- to increase authorizations and delay the changeover from full federal funding to state matching for an additional year.

The results of these amendments were twofold: they substantially altered the purpose and character of the MDTA program and enhanced its permanence. As Mangum observed,

> MDTA had taken a significant step away from being a temporary recession measure to aid the readjustment of displaced skilled workers toward becoming a permanent remedial program to alleviate serious inequalities in the competition for jobs.[89]

FORMULATION OF THE POVERTY PROGRAM

The *Economic Opportunity Act of 1964,*[90] launched as a "War on Poverty" in President Johnson's 1964 State of the Union Address, ushered in the second stream of employment and training policy in the 1960s. It created a new set of programs and intergovernmental relationships which sought, in considerable part, to avoid the structures and procedures that had been established in the past, including those of the MDTA. This new administrative framework, along with the unique political environment which nurtured it, gave rise to a significant degree of policy separation from the MDTA that lasted several years.

Several of the programs contained in the EOA were not employment and training programs, including the Community Action Program (CAP) which formed the centerpiece of the act. However, employment-related programs comprised the major single activity carried out under the law. Five different programs were established which provided either jobs or training to improve employability: the Job Corps, the Neighborhood Youth Corps (NYC), Adult Basic Education, the Work Experience and Training Program, and the Work Study Program. In addition, employment and training activities could be performed under the CAP. Given the size and importance of the Job Corps and NYC, the employment effort of the War on Poverty acquired a distinctive emphasis on youth.

Initiation of the War on Poverty can be clearly traced to the federal executive branch. President Kennedy provided the original impetus for the legislation, and President Johnson reaffirmed this initiative. Details of the legislative package were worked out by a task force consisting of White House staff, Budget Bureau personnel, and representatives of the primary agencies involved.

According to James L. Sundquist (one of the participants of the poverty task force representing the Department of Agriculture), President Kennedy personally initiated activity on developing a poverty program. In December 1962, he instructed Walter Heller, his chief economic advisor,

> Now, look! I want to go beyond the things that have already been accomplished. Give me facts and figures on the things we still have to do. For example, what about the poverty problem in the United States?[91]

This action stimulated work on developing a strategy to deal with poverty in a comprehensive manner.

As was the case with the ARA, Kennedy's concern with the poverty issue appears to have arisen largely during the 1960 election campaign when he encountered abject poverty in the declining coal fields of West Virginia. In addition, contemporary books by Michael Harrington and Leon Keyserling had begun to draw attention to the problem. Notably, however, there is agreement that interest group pressure, public demands, nor bureaucratic activism sparked interest in combating poverty, as such. Although the civil rights movement was growing during this time, Daniel P. Moynihan, another participant in the subsequent legislative task force, remarked that,

> At this time, the American poor, black and white, were surprisingly inert. The Negro civil rights movement in the South was still just that: a movement in the South for civil rights.[92]

Sundquist agrees, writing,

> The war on poverty did not arise, as have many great national programs, from the pressure of overwhelming public demand—the poor had no lobby. Nor yet was it proposed by the staff thinkers in government agencies who are paid to conceive ideas.[93]

Rather, Sundquist explains that the fôcus on poverty was novel. Previous proposals had dealt incrementally with social welfare or unemployment, but

> Until the President's declaration on January 8, 1964, poverty had not even been included in the lexicon of America's recognized public problems. Presidents had not spoken, or sent messages to Congress, about poverty as such. Congressmen had not spoken, or introduced bills, on the subject. Until 1964 the word "poverty" did not appear as a heading in the index of either the *Congressional Record* or the *Public Papers of the Presidents.*[94]

With the objective of a comprehensive effort against poverty in mind, work proceeded during the course of the next year on defining the substance of such a program. Staff members of the White House and CEA began preliminary work during the spring and summer of 1963, requesting proposals from various executive agencies. A great many proposals were submitted and reviewed as the Budget Bureau assumed responsibility for formulating a specific legislative package in the fall. Sundquist reports that BOB staff were "floundering" in an attempt to find a unifying theme for the poverty legislation.[95]

It was at this point that the community action concept was seized on. Community action had been developed as an experimental technique for dealing with juvenile delinquency in New York and New Haven.[96] The BOB staff saw it as a mechanism for developing local agencies capable of comprehensive program planning and the coordination of various new social services proposed for the poor. When President Johnson declared "war" on poverty in January 1964, the strategy of warfare being developed in the executive branch consisted of an experimental flexible program of community action. This design for the poverty program remained rather vague and tentative, however, and soon was substantially altered.

Soon after the President's speech, Sargent Shriver was appointed to head the poverty task force, and he proved dissatisfied with a proposal emphasizing planning, coordination, and experimentation. He argued that such a plan would produce little in the way of tangible, immediate results commensurate with the President's bold announcement. Additional proposals were considered once again, and five additional titles were added to the Administration's bill, including: youth employment and training programs in Title I; work experience and training for adults, primarily welfare recipients, in Title III; three modest programs of grants and loans to small farmers and rural areas in Title IV; loan programs aimed at small business employment and investment in low income urban areas in Title V; and a "domestic peace corps" in Title VI. Thus, community action was reduced to only one element (Title II) of the act—a very important one, to be sure, but no longer the overarching conceptual and administrative framework for the entire War on Poverty. Rather, numerous different proposals had been pieced together. As Moynihan reflected later, the *Economic Opportunity Act* was "not a choice among programs so much as a collection of them."[97]

The Manpower Component of the War on Poverty: Programs and Their Origins

In the new proposal, employment and training programs played a very prominent role, so much so that, when a former Office of Economic Opportunity (OEO) official later attempted to identify "unifying threads," he wrote, "[The EOA] tended to concentrate on youth, with little for the aged, and on education and training."[98]

The four major employment related programs comprised titles one and three, consisting of the Job Corps, the Neighborhood Youth Corps, Work Study, and the Work Experience and Training Program. Congress later added the Adult Basic Education Program, and the CAP was sufficiently flexible to permit additional employment and training activities to be carried out if the local agency desired.

In contrast to the development of the Community Action Program as part of the War on Poverty itself, these manpower programs generally had political histories of their own. Despite the President's assurance that: "the act does not merely expand old programs or improve what is already being done. It charts a new course."[99] Joseph Kershaw admits that "[T]o a certain extent, the act was a catchall for various programs that federal agencies had not been able to get Congress to enact or fund."[100] Considering the earlier Congressional and bureaucratic roots of the manpower proposals, Moynihan agreed, concluding: "The disposition of government is toward continuity."[101]

These earlier roots were clearly evident in the Job Corps, for example. As proposed by the Administration, the Job Corps consisted of a number of urban and rural camps for disadvantaged youth (especially school dropouts) between the ages of 14 and 19. Services provided included basic remedial education, job training, job experience, counseling, and a host of auxiliary services such as health care. The essential concept of the program was to break the cycle of poverty in which the most seriously disadvantaged youths were believed to be caught up, by totally removing them from their home and social environments for up to a year.

The Job Corps had program roots extending back to the Civilian Conservation Corps of the 1930s, which provided emergency jobs to young men but no training. This concept was revived in Congress during 1958 when Sen. Hubert H. Humphrey (D-MN) sponsored legislation establishing the Youth Conservation Corps (YCC) to provide youth employment on federal and state conservation projects. This bill was passed by the Senate in 1959, but the House failed to act on it.[102]

A small pilot YCC proposal was subsequently advanced by the Kennedy Administration in 1961 but became stalled in the House Rules Committee.[103] A greatly enlarged, permanent version of this legislation passed the Senate in 1963 with the support of conservation groups but was again locked up in the House by the conservative Rules Committee.[104] While Republicans and Southern Democrats opposed the legislation in the House, Sundquist reports that several important figures in the Kennedy Administration questioned the usefulness of the YCC concept as well, fearing that its benefits might prove meager compared to its expense.[105] Nevertheless, when the search for additional poverty-related programs was conducted under Sargent Shriver, this proposal was accepted once again in the form of the Job Corps, although with a much stronger focus on urban areas and employment training.

When the Kennedy Administration proposed its youth employment program in 1961, it combined the Youth Conservation Corps with a program for youth employment and training in local public services and one for on-the-job training. OJT was incorporated into the MDTA in 1962, but youth employment in community services remained a major priority of the Kennedy Administration in 1963 and was passed by the Senate with the YCC. Like the YCC, the public service employment and training program possessed a New Deal precedent in the form of the National Youth Administration, which provided part-time employment for college and high school students, plus training and jobs for unemployed youths out of school.[106] This concept also emerged in the *Economic Opportunity Act* as the Neighborhood Youth Corps (NYC).

Like the National Youth Administration, the NYC established a program of part-time employment for high school students still in school and employment and training for youths who had dropped out. The NYC, however, had a stronger focus on the disadvantaged. Its primary aims were to provide opportunities and incentives for disadvantaged youths to complete their high school education and to encourage dropouts to return to school or to gain training. Provision for part-time employment for needy college students was provided under the college work-study program, which added to the EOA's similarity to the National Youth Administration.

The employment proposals of the War on Poverty were completed with the Work Experience and Training (WET) Program. This program established grants to fund state and local projects providing jobs and training to employable individuals receiving welfare and to the long-term unemployed not eligible for welfare. The program's objective was to help fill a gap in the welfare system and to enable those on relief to get off through job experience and training.[107]

Like the other War on Poverty employment programs, the WET program had recent ancestors in federal policy. It was related to prior efforts made in the early 1960s to close out remaining gaps in welfare and social insurance policies—particularly the absence of support for able-bodied, long-term unemployed persons who were not covered by unemployment insurance or welfare, or whose unemployment insurance had expired. Provisions were passed in 1961 and 1962 to provide work or training for these individuals. However, federal funds were small and covered only a portion of the costs involved, so state participation was low. Efforts were made by the Kennedy Administration in 1963 to gain wider acceptance for this program with additional federal funds, but Congress took no action on this during 1963. The Work Experience and Training Program constituted a larger version of this proposal, providing full federal funding for eligible participants.

Administrative Structure of the Poverty Program

As it was thus conceived, the administrative structure of the poverty program was extraordinarily complex, both at the federal level and intergovernmentally. This was true for a variety of reasons. To begin with, many of the programs represented a rejection of the established channels of social and manpower policy. Southern states could not have been entrusted with programs directed heavily toward blacks, and both the Employment Service and the vocational education establishment were considered unresponsive to the needs of urban youth or the disadvantaged. This encouraged the establishment of new administrative structures and procedures, including a new federal agency (Office of Economic Opportunity), new local agencies (Community Action Agencies), the use of federal project grants direct to local private and public agencies rather than matching formula grants to the states, and so on. In addition, the creation of new agencies also reflected the desire for coordinated poverty policy at both the national and local levels. The OEO was placed in the Executive Office of the President and given direct or supervisory authority over all of the programs, in the hope of achieving federal coordination. A major objective for the local Community Action Agencies (CAA) was to achieve coordination locally.

On the other hand, the demands of experience, administrative capability, and bureaucratic tugging and hauling resulted in the delegation of many programs to established departments and agencies.[108] For example, OEO was to operate the Job Corps, CAP, and Vista directly. The NYC was delegated to the Labor Department and the Work Experience program to HEW, although both were to be supervised by the director of OEO. From these departments, of course, administration of specific projects would be further delegated to local sponsors. Due to the varied program objectives and the haste with which the poverty proposal was constructed, relationships between the programs were poorly defined. The structure of authority was left vague and flexible, allowing the director of OEO considerable administrative discretion following enactment.

Congressional Passage

Taken as a whole, the original *Economic Opportunity Act* was clearly a case of executive initiative. Although many of the programs had direct Congressional antecedents, the decision to include and tailor these into an omnibus poverty bill was purely an executive branch decision.[109] Bibby and Davidson conclude that,

> The most significant feature of the *Economic Opportunity Act*, from our point of view, was that it was "legislated" almost entirely within the executive branch and, indeed, virtually without prodding from Congressional or other "outside" clienteles. . . . Thus, Congress was asked not to draft the war on poverty, but rather, to ratify a fully prepared Administration program, and invited, though hardly encouraged, to propose marginal changes.[110]

Congress did modify the President's proposals on poverty—and, in later years, played a leading role as innovator[111]—but its initial alterations were of moderate significance. The basic thrusts on community action and youth employment were maintained.

The Johnson Administration's strategy for passing the poverty program was a bold and aggressive one. Earlier failures by the Kennedy Administration to pass the youth employment program, social insurance reforms, federal aid to education, and other pieces of social legislation demonstrated that Congressional support could not be taken for granted. The large, liberal Democratic majorities responsible for the legislative outpouring of 1965 had not yet been elected. Accordingly, the Administration and Congressional leadership decided to rush the poverty legislation through Congress before the opposition had time to mobilize fully. Hearings on the bill began in the House Education and Labor Committee the day after it was introduced. In an effort to attract support from southern Democrats, a southern conservative, Rep. Philip Landrum (D-GA) was persuaded to sponsor the bill in the House. Witnesses were stacked in favor of the bill, and the legislation was depicted by Sargent Shriver and the Administration as moderate and responsible, founded on the concepts of equal opportunity and local self-determination.[112]

Unlike the MDTA, Congressional response to the poverty program was highly partisan. Democrats were pressured to support the legislation. Republicans were aggressively left out. In response, the latter argued forcefully against the bill. Rep. Peter Frelinghuysen (R-NJ), ranking Republican on the Education and Labor Committee, charged during floor debate that, "We have been blackjacked, gagged, threatened, and bulldozed into accepting something that we know is not good."[113] Republicans attacked the bill's vague and complex administrative structure. They opposed its circumvention of the states, arguing that the use of direct federal-local relationships subverted the federal system and states' rights.[114] Somewhat disingenuously, perhaps, Republicans argued that the poverty program was costly and unnecessary, yet they introduced their own alternative under the aegis of HEW and the states. Most of the Republican sponsors of this alternative opposed the EOA in the final vote.[115]

Since the House had been the frequent graveyard of many of the component programs of the EOA in the past, strong opposition had been expected once again. Final House action on the legislation reflected the partisan divisions which had been provoked. The EOA passed the House on a final party line vote of 226 to 185, with all northern Democrats, 40 southern Democrats, and 22 Republicans supporting it.[116] Some of the test votes had been even closer. Senate consideration proved somewhat less eventful, and the bill passed that chamber by a vote of 61 to 34.

In the end, the major outlines of the legislation survived essentially intact. Several noteworthy alterations were effected by the Congress, however. Two additional poverty-related programs were included in the bill—a provision for migrant workers and the Adult Basic Education Program. The latter can be considered employment-related since it sought to enhance the employability of adults who were sufficiently illiterate as to obstruct their work potential. Provisions in the Administration bill providing grants to small farmers and loans to business were deleted by Congress, and the Job Corps was altered. Rep. Edith Green (D-OR) obtained a provision requiring participation by women in the Job Corps, and the conservation lobby helped to obtain a requirement that 40% of Job Corps enrollees be assigned to conservation camps. As Sundquist observed, this helped gain additional support by soothing "ruffled feelings among the conservationists who had seen their prized YCC swallowed up in a Job Corps that was to be dominated by the large 'urban' training centers."[117]

FOOTNOTES

[1]Joseph M. Becker, William Haber, and Sar A. Levitan, *Programs To Aid the Unemployed in the Sixties*, Kalamazoo, MI, W.E. Upjohn Institute, 1965, pp. 3-4.

[2]Arthur M. Okun, *The Political Economy of Prosperity*, Washington, DC, The Brookings Institution, 1970, p. 31.

[3]S.M. Miller and Martin Rein, "The War on Poverty: Perspectives and Prospects," in Ben B. Seligman, ed., *Poverty as a Public Issue*, New York, NY, The Free Press, 1965, p. 276.

[4]Douglas C. North, *Growth and Welfare in the American Past: A New Economic History*, Englewood Cliffs, NJ, Prentice-Hall, Inc., 1966, p. 190.

[5]Roger A. Freeman, "Public Works and Work Relief," in Joseph M. Becker, ed., *In Aid of the Unemployed*, Baltimore, MD, The Johns Hopkins University Press, 1965, p. 177.

[6]John Kenneth Galbraith, *The Affluent Society*, Boston, MA, Houghton Mifflin Company, 1958, Chapter XXIII.

[7]Council of Economic Advisers, *Economic Report of the President: 1964*, Washington, DC, U.S. Government Printing Office, 1964, p. 4.

[8]*Ibid.*, p. 15.

[9]Okun, pp. 35-36.

[10]Charles C. Killingsworth, "The Bottleneck in Labor Skills," in Arthur M. Okun, ed., *The Battle Against Unemployment*, New York, NY, W.W. Norton, 1965, pp. 32-36.

[11]James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years*, Washington, DC, The Brookings Institution, 1968, p. 59.

[12]Henry J. Aaron, *Politics and the Professors: The Great Society in Perspective*, Washington, DC, The Brookings Institution, 1978, pp. 113-15.

[13]For brief political histories of the employment discrimination titles, see Gary Orfield, *Congressional Power and Social Change*, New York, NY, Harcourt Brace Jovanovich, Inc., 1975, pp. 61-93; and Benjamin Muse, *The American Negro Revolution: From Non-Violence to Black Power, 1963-1967*, Bloomington, IN, Indiana University Press, 1968.

[14]Aaron, p. 115.

[15]William A. Miernyk, "Area Redevelopment," in Becker, ed., p. 159.

[16]For criticisms, see Council of Economic Advisers, *Economic Report of the President, 1962*, Washington, DC, U.S. Government Printing Office, 1962, p. 48; and Edwin L. Dale, Jr., "The Great Unemployment Fallacy," in Okun, ed., pp. 37-41. Regarding the political debate in Congress, see Sundquist, pp. 57-59.

[17]Aaron, pp. 115-16.

[18]*Ibid.*, p. 114.

[19]P.L. 87-27.

[20]Miernyk, p. 166.

[21]Roger H. Davidson, *Coalition-Building for Depressed Areas*, Inter-University Case Program #103, Indianapolis, IN, Bobbs-Merrill, Co., Inc., 1966, pp. 28-29.

[22]Garth L. Mangum, *Employability, Employment, and Income*, Salt Lake City, UT, Olympus Publishing Company, 1976, p. 42.

[23]Sar A. Levitan, *Federal Aid to Depressed Areas: An Evaluation of the Area Redevelopment Administration*, Baltimore, MD, The Johns Hopkins Press, 1964, p. vii.

[24]Davidson, pp. 2, 4. Except where otherwise noted, the following account draws upon Davidson's analysis.

[25]*Ibid.*, p. 4.

[26]*Ibid.*, p. 3.

[27]*Ibid.*, p. 1.

[28]*Ibid.*, p. 28.

[29]*Ibid.*, pp. 6-7.

[30]*Ibid.*, p. 10.

[31]Levitan, pp. 7-9.

[32]*Ibid.*, pp. 22-26.

[33]*Ibid.*, pp. 26-27.

[34]Davidson, p. 5.

[35]*Ibid.*, p. 11.

[36]*Ibid.*, pp. 8-10.

[37]*Ibid.*, pp. 10-11.

[38]Sundquist, p. 64.

[39]Davidson, pp. 8, 11, 15.

[40]Levitan, p. 13.

[41]Davidson, p. 21.

[42]*Ibid.*, p. 22.

[43]James M. Buchanan and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, Ann Arbor, MI, The University of Michigan Press, 1965, pp. 287-88.

[44]*Ibid.*, pp. 293-94.

[45]Charlotte Breckenridge, "Federal Programs to Promote Economic Development," *Patterns of Regional Change: the Changes, the Federal Role, and the Federal Response*, submitted by Senator Henry Bellmon to the Committee on Appropriations, U.S. Senate, Washington, DC, U.S. Government Printing Office, 1977, p. 626.

[46]Davidson, p. 28.

[47]P.L. 89-136.

[48]P.L. 89-4.

[49]Sundquist, pp. 105-07.

[50]Randall B. Ripley, *The Politics of Economic and Human Resource Development*, Indianapolis, IN, Bobbs-Merrill, Co., Inc., 1972, pp. 41, 51.

[51]Randolph C. Martin, "An Empirical Note on Federal Regional Development Programs," *Growth and Change*, April 1979, pp. 46-49.

[52]Breckenridge, p. 641.

[53]*Ibid.*, p. 645.

[54]Rochelle L. Stanfield, "EDA—the 'Perfect Vehicle' for Carter's Urban Strategy," *National Journal*, June 23, 1979, pp. 1032-35.

[55]This account is based upon Sundquist, pp. 97-105.
[56]*Ibid.*, p. 102.
[57]*Ibid.*, p. 104.
[58]For a discussion, see Advisory Commission on Intergovernmental Relations, *Multistate Regionalism*, A-39, Washington, DC, U.S. Government Printing Office, 1972.
[59]For a discussion, Roger J. Vaughan, *The Urban Impacts of Federal Policies: Vol. 2, Economic Development*, Santa Monica, CA, Rand Corporation, 1977.
[60]*Housing and Urban Development Act of 1970*, Sec. 701(c).
[61]Sar A. Levitan and Joyce K. Zickler, *Too Little But Not Too Late: Federal Aid to Lagging Areas*, Lexington, MA, D.C. Heath & Co., 1976, pp. 20-21.
[62]For a review of this and other proposals, see Advisory Commission on Intergovernmental Relations, *Special Revenue Sharing: An Analysis of the Administration's Grant Consolidation Proposals*, Washington, DC, U.S. Government Printing Office, 1971.
[63]Susanna McBee, "OMB Backs Reorganizing Development Programs," *The Washington Post*, January 19, 1979, p. A5.
[64]*Ibid.*
[65]Rochelle Stanfield, "The Best Laid Reorganization Plans Sometimes Go Astray," *National Journal*, January 20, 1979, p. 84.
[66]Rochelle L. Stanfield, "At Least It Didn't Cost Much," *National Journal*, June 2, 1979, p. 917. See also Stanfield's article, "The Reorganization Staff is Big Loser in the Latest Shuffle," *National Journal*, March 10, 1979, pp. 398-401.
[67]U.S. Department of Commerce, Economic Development Administration, *Federal Activities Affecting Location of Economic Development, Vol. II: Summary and Parts I-IV*, Washington, DC, U.S. Government Printing Office, 1970, p. 3.
[68]Ralph M. Widner, "State Growth and Federal Policies: A Reassessment of Responsibilities," *State Government*, 47, Spring 1974, p. 89.
[69]Levitan and Zickler, p. ix.
[70]*Ibid.*, p. 145.
[71]*Ibid.*, p. ix.
[72]Garth Mangum, *MDTA: Foundation of Federal Manpower Policy*, Baltimore, MD, Johns Hopkins University Press, 1968.
[73]Testimony of Mitchell Sviridoff before the Select Labor Subcommittee of the House Education and Labor Committee, on *The Manpower Act of 1969*, 91st Cong., 2nd Sess., 1970, p. 493.
[74]*Ibid.*, p. 9. This section draws heavily on this work and another by the same author: Garth Mangum, *The Emergence of Manpower Policy*, New York, NY, Holt, Rinehart and Winston, 1969. See also James Sundquist, *Politics and Policy*, pp. 85-97.
[75]For a discussion of these issues see Henry Aaron; also U.S. Congress, Senate, Hearings Before the Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare, *The Nation's Manpower Revolution*, Parts I-10, 88th Cong., 1st Sess., 1963.
[76]Mangum, *The Emergence of Manpower Policy*, p. 27.
[77]Mangum, *MDTA*, p. 13.
[78]*Ibid.*, pp. 14-17.
[79]President John F. Kennedy, "Message to Congress on Urgent National Needs," May 25, 1961, quoted in *Congressional Quarterly Almanac*, Washington, DC, Congressional Quarterly, Inc., 1962, p. 515.
[80]Mangum, *MDTA*, p. 16. The AVA had a potent Congressional lobby, and its state and rural orientation made it a source of reference on these issues for many Republicans and southern Democrats. See Sundquist, pp. 88, 89.
[81]Mangum, *MDTA*, p. 18.
[82]*Congressional Quarterly Almanac*, 1962, p. 517.
[83]P.L. 87-415.
[84]*Congressional Quarterly Almanac*, 1962, p. 513.
[85]Sar Levitan and Garth Mangum, *Federal Training and Work Programs in the Sixties*, Ann Arbor, MI, Institute of Labor and Industrial Relations, 1969. See also *ibid*.
[86]Mangum, *The Emergence of Manpower Policy*, p. 41. Additional data on minority and youth unemployment is contained in *Congressional Quarterly Almanac*, 1962, p. 515.
[87]See Mangum, *MDTA*, p. 21.
[88]For a summary of this report, as well as details of the changes made in the MDTA, see *Congressional Quarterly Almanac*, 1963, pp. 522-30.
[89]Mangum, *MDTA*, p. 26. By 1965, Sundquist wrote that: "No one could doubt that the *Manpower Development and Training Act* had become a permanent part of the country's full employment legislation." *Politics and Policy*, p. 91.
[90]P.L. 88-452.
[91]Sundquist, p. 112. This section draws extensively on Sundquist's account.
[92]Daniel P. Moynihan, *Maximum Feasible Misunderstanding*, New York, NY, The Free Press, 1969, p. 24.
[93]Sundquist, p. 112.
[94]*Ibid.*, p. 111.
[95]*Ibid.*, p. 137.
[96]The history of this is described in Moynihan. Although it was not a manpower program and, therefore, lies beyond the scope of this study, the CAP represents an excellent example of bureaucratic and professional policymaking. See Moynihan.
[97]*Ibid.*, p. xv.
[98]Joseph Kershaw, *Government Against Poverty*, Washington, DC, Brookings Institution, 1970, p. 25.
[99]*Congressional Record*, Vol. 110, pt. 4, 88th Cong., 2nd Sess., p. 5287, quoted in *ibid.*, p. 24.
[100]*Ibid.*, p. 25.
[101]Moynihan, p. 61.
[102]See Sar Levitan and Benjamin Johnston, *The Job Corps: A Special Experiment That Works*, Baltimore, MD, Johns Hopkins Press, 1975, p. 3.
[103]*Congressional Quarterly Almanac*, 1962, p. 228.
[104]*Congressional Quarterly Almanac*, 1963, pp. 514-19.
[105]Sundquist, p. 133.
[106]For a description of the NYA, see William Leuchtenburg, *Franklin D. Roosevelt and the New Deal*, New York, NY, Harper and Row, Inc., 1963, p. 129. As a young man, Lyndon Johnson was employed as the Texas State Administrator of the NYA.
[107]The WET program is described in Levitan and Mangum, pp. 235-77, upon which this account relies.
[108]Summarizing the development of the OEO proposal by the executive branch, Bibby and Davidson conclude that: "An Administration bill may therefore be viewed as a treaty among the several interested parties that is negotiated through lateral bargaining within the executive branch." John Bibby and Roger Davidson, *On Capitol Hill: Studies in the Legislative Process*, New York, NY, Holt, Rinehart and Winston, 1967, p. 249.
[109]Pursuit of a poverty program was not a predetermined act. In fact, Moynihan reports that serious consideration was given to focusing on suburban problems rather than poverty in preparation for the 1964 election. See Moynihan, p. 25.
[110]Bibby and Davidson, pp. 220, 238. This section uses their work considerably.
[111]In their second edition, Bibby and Davidson note that "After 1965, . . . it is fair to say that the bulk of innovations originated on Capitol Hill, rather than in executive agencies." See John Bibby and Roger Davidson, *On Capitol Hill: Studies in the Legislative Process*, 2nd ed., Hinsdale, IL, Dryden Press, 1972, p. 248. The Congressionally inspired categorical programs added to the EOA in the late sixties are described in the section below on public employment.
[112]*Ibid.*, pp. 234-35, 238-39.
[113]*Ibid.*, p. 246.
[114]*Ibid.*, p. 241.
[115]To a certain extent, however, this alternative was probably in-

tended seriously. Sundquist reports that the rumor of a Republican poverty proposal in the summer of 1963 helped to spur continued White House interest in developing a poverty program. See Sundquist, p. 136.

[116] Bibby and Davidson, p. 247.

[117] Sundquist, p. 149.

Implementation of Manpower Programs: 1965-69

By 1965, both streams of manpower policy were in place. Each reflected a different policy environment and represented a different, although frequently overlapping, approach to problems of employment and training. The *Manpower Development and Training Act* was politically popular and was generally considered quite successful, although it was beset by a number of serious difficulties. The manpower programs of the War on Poverty resist universal generalization, but on the whole they were regarded as less successful than the MDTA, and they surely confronted more political opposition. This was partially a result of their partisan origins and their association with the highly controversial CAP, although it also reflected their rejection of the older, state-oriented structures of manpower administration. In addition, none of the manpower programs, individually or collectively, was capable of solving or dramatically alleviating the fundamental problem of poverty that had stimulated their creation, despite their contributions to this end. Given the drama of their formation, the result was a situation ripe for frustration and conflict.

IMPLEMENTING THE MDTA

The most serious shortcoming of the MDTA, and the political response it engendered, has already been detailed. Almost immediately upon passage of the legislation, policymakers recognized that the problem of technological obsolescence which the program was established to address was largely illusory. By and large, the labor market appeared capable of adapting to technological change. On the other hand, the problems of youth and minority unemployment were gaining recognition, and the MDTA was amended in 1963 to respond more effectively to these problems. The programs of the EOA, of course, carried this process of change much further.

A number of additonal difficulties characterized the implementation of the MDTA.[1] To begin with, the program had difficulty adapting to its new responsibilities on behalf of young and disadvantaged workers. To a considerable extent, this originated from its peculiar administrative structure. For the majority of its tasks, the MDTA relied on existing institutions. Institutional training was largely carried out through the vocational education system. On-the-job training was delegated to the Labor Department's Bureau of Apprenticeship Training. MDTA participants were recruited through the federal-state Employment Service. None of these institutions was noted for its capacity, effectiveness, or willingness in dealing with the urban poor. The vocational education program, for example, was subjected to a major overhaul in 1963 in an attempt to modernize it and reduce its rural agricultural focus, although to no great avail.[2] In fact, one of the principal reasons why the poverty programs completely bypassed the established ES and vocational education systems was their notorious reputation in dealing with the poor.

One of the operational problems encountered by the MDTA in carrying out its 1963 mandate illustrates the nature of this predicament. The program was repeatedly charged with skimming off the most qualified candidates for training rather than focusing on the most disadvantaged. That is, it selected those best able to compete in the job market without occupation training. In large part, this reflected the operational bias of the Employment Service, which referred candidates for training to the MDTA program. The ES was accustomed to meeting the needs of employers by referring the most suitable job seekers to them. When enlisted to make referrals to the MDTA, it tended to continue its traditional practices. Moreover, the ES was designed to have those collecting unemployment benefits come to it. It was not prepared to seek out the occupationally disadvantaged in need of training services. Such outreach capabilities developed only with the CAP.[3]

Problems of coordination, bureaucratic competition, and administrative complexity posed additional difficulties for successful implementation of the MDTA. The organizational complexity of the program was substantial, both within the federal level and intergovernmentally. By 1963 three classes of training activity were authorized under the act: institutional-vocational, basic remedial, and OJT. The first two were to be supervised by the Department of Labor but contracted out to HEW's Office of Education and subcontracted from there to the state and local level. OJT was to be carried out under the direction of the Labor Department's Bureau of Apprenticeship Training (BAT). Applicants were to be referred by the ES. Thus, within the federal government—and DOL itself—Mangum notes that intense competition over program elements was exhibited by several different bureaus.[4]

Further complicating the situation, these various bureaus generally had different approaches, clienteles, and operating procedures. The BAT staff had a strong union orientation and was generally "unenthusiastic" about a program directed at a very different clientele. The Office of Education and the vocational education system were educationally and locally oriented, accustomed to a permissive federal role and to formula grants. The program of intrusive federal project grants reflecting new manpower concerns was strongly "resented" by them. As Mangum observes, these difficulties of administration and coordination served to hamper efforts to rapidly establish a smoothly working and effective program of manpower training.[5] Eventually, they led to a centralization of manpower operations in DOL's Manpower Administration and to the creation of separate MDTA multi-occupational skill centers at the local level.

Despite implementation problems, the MDTA's performance was generally regarded favorably. Both institutional training and OJT resulted in significantly higher rates of employment for those who had completed the program.[6] Similarly, participants' earnings were enhanced. From 1962 to 1967, the median earnings of participants averaged $1.44 per hour before training, $1.74 per hour afterward. The largest gains were registered by those who previously earned the least. As Levitan and Mangum wrote in 1969,

> Although its contribution to the overall reduction of poverty is small, MDTA has made a significant contribution to the income of its poor enrollees. To have helped between 175,000 and 225,000 low income

> persons in a period of more than 4 years . . . is gratifying, particulary when compared with the experience of other programs.[7]

Although adequate data was difficult to obtain, studies consistently found cost-benefit ratios of the program to be favorable.[8] Garth Mangum concluded that: "The overall contributions of the program have exceeded its costs by a margin which not only merits support but justifies expansion."[9] Because of its lower costs per trainee, its higher placement record, and its larger cost-benefit ratio, both Congress and the Labor Department, over time, tended to favor the enhancement of OJT relative to institutional training. Due to union and employer reluctance to accept minority and disadvantaged workers in on-the-job training, however, this goal tended to work in opposition to efforts to increase MDTA participation by these groups. Nevertheless, both forms of training registered substantial numbers of participants from poverty backgrounds by 1966, spurring Levitan and Mangum to close,

> There appears to be little reason for questioning the worthwhileness of the Manpower Development and Training program. Its objectives have been justifiable social goals, and its benefits have exceeded its costs by substantial margins.[10]

This positive evaluation tended to be shared by Congress. Congress renewed the program in 1965 "with no basic criticisms." Congressional hearings, said Mangum, "were even more of a 'love-in' " than in 1963.[11] *Congressional Quarterly* observed that the 1965 legislation "passed both chambers with bipartisan support and little controversy."[12] Authorizations were raised by $200 million in FY 1966, with no ceiling placed in succeeding years.[13] Total expenditures rose from $182 million in FY 1965 to $277 million in FY 1967.[14]

Some changes in the program were made in 1965. The focus on young and disadvantaged workers was strengthened, reinforcing the changes made in 1963. The training programs of the defunct ARA were absorbed. Federal matching levels were authorized to remain at 90% for training expenses and 100% for training allowances, rather than gradually falling as the vocational-education lobby had desired in 1963. In a reversal of earlier roles, the states by this time were advocating complete federal funding of the program and Democratic leaders were advocating a continued state fiscal role in the program.[15] Finally, Congress was beginning to voice concern for more thorough program evaluation and for more emphasis on OJT.

Congressional support for the MDTA remained strong during its 1968 reauthorization. The program was continued by a vote of 316-0 in the House and by a voice vote in the Senate.[16] Perhaps most importantly, Congressional attention was becoming focused on issues beyond approval of the MDTA itself—on the "plethora of different and largely uncoordinated federal manpower programs" as a whole.[17]

IMPLEMENTING THE EMPLOYMENT PROGRAMS OF THE ECONOMIC OPPORTUNITY ACT

The three primary manpower programs of the EOA were the Neighborhood Youth Corps, the Work Experience and Training Program and the Job Corps.[18] Both the performance of these programs and the political response to them varied. The NYC became a fairly popular program, although its goals and attainments were rather modest. The WET program was troublesome and ineffective. The Job Corps received the most attention. It was a seriously troubled program that engendered several efforts to eliminate it. As symbols of the Great Society, all of the programs were caught up, to some extent, in the polarized politics of the late 1960s, in the political reaction to urban rioting, and in the stigma cast over the entire poverty program by the Community Action Program.

The Neighborhood Youth Corps

The NYC enjoyed considerable Congressional support as it became established during the mid-1960s. Its expenditures rose from $130 million in FY 1965 to $372 in FY 1967.[19] Levitan and Mangum wrote that: "The popularity of the program is understandable. As many as one million youths may have benefitted from the program."[20]

The NYC was actually composed of three quite different program elements, all of which were intended for disadvantaged young people between the ages of 14 and 21. The first element was the in-school program. This provided part-time jobs to high school students to encourage them to stay in school. The second element was the summer employment program which provided ten weeks of work for needy students during the summer. The third element was for out-of-school youths, primarily school dropouts. This program provided employment and some training in the hope of improving participants' employability and encouraging them to resume their schooling.

Despite its popularity, the achievements of the NYC were rather modest. Evidence concerning the in-school program was inadequate, but results were mixed. The work provided to participants was largely menial, primarily within the schools themselves. There were some indications, but little solid evidence, that the program was effective in discouraging dropouts.[21] The summer program provided needed jobs and income to disadvantaged youth but little more than this. As the program grew to counter rising urban unrest, it assumed the popular label of "riot insurance."

Despite its somewhat different aims and clientele, the out-of-school program had characteristics in common with the rest of the NYC. It provided largely menial work to a group with very high unemployment. Although efforts were made to provide a degree of counseling and remedial education to participants, the program's emphasis was to help employ the largest number possible. The program was too poorly funded to provide both training and counseling plus considerable employment as well.

Levitan and Mangum emphasized that the NYC's focus on menial work was built into the structure of the NYC program:

> Agencies which provide jobs . . . secure NYC labor at minimal or no cost and have little incentive to provide productive or meaningful work. Thus, only marginal employment opportunities may be provided . . . particularly for out-of-school projects.[22]

They concluded that this situation threatened to "seriously jeopardize a major goal of the program—'meaningful' work for the enrollees."[23] However, efforts to broaden job opportunities in the program into the private sphere in 1967 produced delay and threw the program into "a state of flux."[24]

The Work Experience and Training Program

The WET program provided employment and training for unemployed heads of households. It was created to fill certain gaps in the social insurance system and to encourage able-bodied welfare recipients to obtain employment. An underlying assumption of the program was that considerable numbers of people on welfare would be able to work and leave relief if given employment training and job experience. The program was more successful than its predecessors at obtaining state participation in this effort, but the process was slow.[25] There were also signs that some states attempted to shift Aid for Families With Dependent Children (AFDC) cases to the WET program because of its higher level of federal funding.[26]

The WET program was plagued by several serious implementation problems. With a largely welfare clientele, the program was delegated to HEW. Since their principal activity was relief, however, welfare agencies at all levels of government were caught unprepared for a program of employment experience and training. Consequently, employment projects tended largely to be make-work, involving little training. Little coordination with manpower training specialists in the Labor Department was attempted. For this reason, Congress considered shifting the program to DOL in 1966 but mandated, instead, that the program be jointly administered by the Departments of Labor and HEW.

The WET program produced little evidence of effective performance. It experienced a high dropout rate and showed few signs of improving participants' employability. Many of these problems can be traced to the program's initial inception. Many individuals did fall between the gaps of established programs, but the assumption that large numbers of relief recipients were able to work full time was questionable. To a certain extent, the program's make-work projects reflected the limited work experience and employment capacity of its participants. Moreover, with available employment opportunities largely confined to very low paying occupations, the WET program served to highlight the limited employment incentives present in the welfare system. In a symbolic conclusion to its ill-fated existence, the WET program was terminated in 1967 and replaced by the more optimistic sounding Work Incentive (WIN) Program.

The Job Corps

Throughout the late 1960s, the Job Corps was a visible and highly controversial program, often rivaling community action as the poverty program most criticized by Congress. The program experienced serious administrative as well as political difficulties and underwent a series of important modifications, first by Congress and then by the Nixon Administration.

Along with CAP and Vista, the Job Corps was one of the three major poverty programs operated directly by OEO rather than delegated to another department. The program focused on providing basic educational and vocational training to the most seriously disadvantaged youths. It established a series of urban and rural residential centers where participants lived and worked while undergoing training. Youths selected for the Job Corps were considered sufficiently handicapped by their home and community environment to justify placement in a residential camp away from home.

By 1966, 80 rural conservation camps had been established for men, ranging in size from 100-250 participants. Six larger urban centers for 1,000-3,000 men were also created, as were 17 women's centers in the 300-1,000 participant range.[27] Camps were operated by a number of different groups and agencies in both the public and private sectors, including the U.S. Forest Service, the Interior Department, and many different private corporations. An important military role had been planned in the initial legislation, since the military had experience in dealing with large numbers of individuals in this age bracket and had an interest in developing new remedial education techniques to reduce the number of selective service rejections. However, Congressional liberals succeeded in eliminating direct involvement by the Defense Department in 1964.[28]

A number of problems soon arose in the early years of the Job Corps. Launched with considerable expectation, the program got off to a slow and "shaky" start, as OEO and the Employment Service worked out disagreements over the recruitment of participants.[29] Once established, the program experienced disciplinary problems that received considerable media attention, including fights between enrollees and disputes with surrounding communities. Partially because it removed youngsters from their homes, the program's dropout rate was high.[30] Finally, costs per enrollee were very high in Job Corps compared to other manpower programs, particularly in the beginning.[31] Much of this cost reflected the residential nature of the program and the auxiliary health and counseling services provided.[32]

As a result of these initial problems, the Job Corps program came under increasing Congressional attack. The program's authorization for FY 1967 was cut well below its 1966 level and below the President's 1967 request.[33] Both program outlays and enrollments peaked in that year and subsequently subsided.[34] Congress placed a cap on the number of participants in the program, and it limited per capita expenditures in the program to $7,500. It also required the development of guidelines for dealing with behavioral problems.[35] The following year, Congress further reduced the maximum allowable expenditure per enrollee to $6,900.[36]

As evaluations of the program's performance were developed in succeeding years, additional threats arose to the Job Corps. Compared to similar individuals, Job Corps participants made some gains in reading levels and employment, but these gains tended to fade after one or two years as enrollees returned to their communities.[37] Cost-benefit analyses of the program varied. Some demonstrated costs exceeding benefits; others showed modest positive results from the program.[38]

In the face of such findings, criticism of the program continued. Nixon attacked the program in the 1968 Presidential campaign. Disenchantment with the performance of centers run by private corporations was widespread. In 1969 the General Accounting Office produced a critical report on the program, questioning the value of the rural camps in particular.[39] It charged that these produced little valuable training and focused instead on menial labor with little future relevance. That same year, the DOL recommended the closing of numerous Job Corps camps to the new President. Fifty-nine centers were ordered closed by President Nixon in 1969, including 50 of the 82 rural camps, and the Job Corps budget was slashed $100 million.[40]

CONGRESS AND THE POVERTY PROGRAM: 1965-69

By 1966 and 1967, Congressional support for the poverty program had reached a low ebb, and most of the manpower programs of the EOA were affected in the process. Few changes were made in 1965 while the program was still new. In fact, some of the concessions made to southern Democrats in 1964 were actually removed by the influx of northern Democrats that year.[41] In several cities, however, ominous signals were developing concerning the Community Action Program, as Mayors complained of federally subsidized political assaults on city government.[42]

Table 5

THE PROLIFERATION AND GROWTH OF FEDERAL MANPOWER PROGRAMS, FY 1963–69
(dollars in millions)

Program	1963	1964	1965	1966	1967	1968	1969
Department of Labor							
MDTA	$ 70	$130	$ 397	$ 435	$ 418	$ 411	$ 427
Concentrated Employment Program						47	74
Job Opportunities in the Business Sector						60	152
Department of HEW							
Adult Basic Education			19	36	29	39	45
Office of Economic Opportunity							
Neighborhood Youth Corps			132	272	373	269	301
Job Corps			183	310	211	285	295
Work Experience and Training			112	112	100	45	20
Operation Mainstream					24	22	41
New Careers					36	8	19
Special Impact					25	12	10
CAP Manpower			13	32	20	23	22
Related Programs							
Department of Labor							
Employment Service	$162	$173	$ 182	$ 226	$ 277	$ 296	$ 341
Apprenticeship and Training	5	5	6	7	8	9	9
Work Incentive Program						10	118
Department of HEW							
Vocational Education	57	57	187	261	285	296	281
Vocational Rehabilitation	103	128	146	231	328	387	415
TOTALS	$397	$493	$1,377	$1,923	$2,134	$2,219	$2,560

SOURCE: Garth Mangum, *The Emergence of Manpower Policy*, New York, NY, Holt, Rinehart & Winston, 1969, pp. 66, 67.

By 1966, despite the continued strength of northern liberals, much of the EOA was under direct attack in Congress. For the first time, Congress earmarked authorizations to various programs under the EOA. Previously, the allotment of funds between the different programs was left to OEO to allow for experimentation, flexibility, and coordination. Now, however, Congress cut back on funds to programs it was dissatisfied with and increased funding to others. Thus, the Community Action Program lost funding while the Head Start Program gained. Among employment programs, the NYC budget was increased above the Administration request and authorizations for the Job Corps were cut.

A more significant challenge was mounted by Congress in 1967. This was aimed primarily at the CAP and OEO, but its potential effect on the budgets and content of the EOA's employment programs was hardly positive. Republicans had remained hostile to the War on Poverty after it was established, and they had made considerable gains in Congress during the 1966 election. They proposed disassembling the OEO and transferring its programs to other agencies. Moreover, a coalition of moderate and conservative Democrats, led by Rep. Edith Green, proposed a major increase in control by local public officials over the Community Action Program. *Congressional Quarterly* reported that for a time the Administration "feared the program might be killed in the House" or its authorization "cut back sharply."[43]

Consideration of the bill was delayed throughout the summer in an attempt to increase support. Eventually, passage of the Green Amendment proved sufficient to mollify most Democratic opponents in Congress, forestalling more fundamental alteration of the program. In addition, the nation's Mayors, who had helped to lead attacks against the program early in the year, began to draw back from opposition as it appeared the program had become "irreplaceable" in the face of urban unrest.[44] In the end, the program escaped fundamental change and was renewed.

PROBLEMS AND PERFORMANCE: AN OVERVIEW

As the 1960s drew to a close, it had become apparent that federal manpower policy was experiencing numerous operational difficulties and facing an erosion of popular and Congressional support.[45] The reasons for this situation were multiple and complex, involving problems of conceptualization, administration, and policy environment. To begin with, the task of modern manpower policy was essentially new. Recognition and conceptualization of manpower problems had been fairly recent phenomena, on the whole, and were still in a state of rapid evolution and flux.[46] It was, however, becoming increasingly clear that these problems were very difficult to solve. Government, after all, had assumed these tasks only after the private economy, which heavily dominates effective manpower decisionmaking, failed to resolve them. Moreover, as one layer of employment problems was dealt with, new and increasingly stubborn ones emerged.[47]

In addition to conceptual problems in the manpower policy field, increasingly serious administrative problems had emerged. Programs had accumulated rapidly and in piecemeal fashion. (See *Table 5*.) By one count, there were 17 separately authorized manpower programs by 1970 and 13 operating agencies or bureaus.[48] Neither individual programs nor their interrelationships had been fully considered. The result—summarized in *Table 6*—was an administrative and intergovernmental maze of competing policy approaches, agencies, administrative networks, grant mechanisms, and program standards. Programs overlapped at some points and left gaps elsewhere.[49] Levitan and Zickler summarized the situation as a "tangled maze:"

> The proliferation of programs made the need for administrative rationalization increasingly clear. Each program had different authorizations, guidelines, clienteles, and delivery mechanisms. At the local level, this often resulted in . . . the establishment of programs ill-designed for local needs . . . . By 1967 the federal manpower system had become a complex tangle of relationships among all levels of public and many private institutions.[50]

A third set of problems that had developed concerned the political environment of manpower policy. While Republicans consolidated their opposition to many of the OEO programs, local officials were beginning to voice their objections to the structure and administration of programs. More broadly, a sense of disillusionment was emerging within the public at large. Many believed that the unavoidable failure to meet the vague and grandiose goals of the War on Poverty fueled this general feeling of disillu-

Table 6

THE MANPOWER TRAINING MAZE: SUMMARY OF SELECTED PROGRAM SERVICES, ELIGIBILITY STANDARDS, AND ADMINISTRATIVE ARRANGEMENTS, 1969

Program	Administering Federal Agency	State or Local Service Provider	Primary Services Provided	Eligibility Criteria	Number of Participants
MDTA Institutional	DOL, HEW	Public schools Skill centers	Remedial & Skill training	Mostly unemployed	125,000
OJT	DOL	*Employers, unions,* nonprofit agencies	*Training* subsidies	*(same)*	140,000
Job Opportunities in the Business Sector	DOL	Local employers, state employment service, other private organizations	Reimbursement of training costs	Disadvantaged	12,000
Concentrated Employment Program	DOL	CAAs and state employment service	Targeting and coordination of manpower services	Disadvantaged	16,000
NYC—In-School	DOL	Local public and private agencies	Work experience	Age 14-21 Low income	484,000
—Out-of-School	DOL	(same)	(same)	Age 16-21 Low income	138,000
Job Corps	OEO	Federal, state, local agencies, private organization	Skill training, basic education, conservation work	Age 14-21 Low income, dropout	65,000
Work Experience and Training	HEW	Welfare agencies & nonprofit agencies	Work experience & basic education	Public assistance needy	28,000
Operation Mainstream	DOL	Public & nonprofit organizations	Work experience	Rural, disad-vantaged, elderly	13,000
Adult Basic Education	HEW	State education agencies	Remedial education	Age 18 and over	408,000

SOURCE: Garth Mangum, *The Emergence of Manpower Policy*, New York, NY, Holt, Rinehart and Winston, 1969, pp. 70–75.

sionment among program beneficiaries and the public alike.[51]

Compounding this sense of failure was the development of new program evaluation techniques that were being developed and used for the first time on a broad scale on the Great Society programs. Certainly the mediocre performance of the programs in these evaluations helped to feed the negative reaction toward them. Whether many past programs performed more effectively than these at a similar stage of program development is unclear. But the manpower programs of the 1960s were forced to grapple with this additional difficulty as well.[52]

Incremental Efforts Toward Manpower Reform

Not all of these various problems of manpower policy were fully recognized at the time or were subject to solution. Problems of administration, however, could be addressed. Several different approaches existed for dealing with these administrative problems. Attempts were made to enhance program coordination through planning. There also were proposals to decentralize control over manpower programs to allow for coordination at the local level. Finally, new approaches to the problem of unemployment and poverty were beginning to be explored as alternatives to manpower programs, such as adoption of an income strategy and public service employment.

The initial focus of reform efforts was on program coordination. The lack of coordination among manpower programs stood out clearly from the beginning. Ironically, the Budget Bureau originally considered the CAP to be, in part, a novel approach to the coordination of poverty programs.[53] It soon became clear that the poverty programs had not solved problems of coordinating manpower services but had exacerbated them, which resulted in attempts to find alternative means of reconciling different programs. The primary effort made in this regard was CAMPS—the Cooperative Area Manpower Planning System.

CAMPS was a federally initiated attempt at program coordination.[54] It began in 1967 as an interagency agreement among federal agencies concerned with manpower policy. Prior consultation had been required between the Labor Department and HEW's Office of Education in the administration of MDTA. The CAMPS agreement added the Office of Economic Opportunity, which administered or supervised the manpower programs of the EOA, and the following agencies: HEW's Welfare Administration and Vocational Rehabilitation Administration, the Economic Development Administration, HUD, and (later) the Departments of Interior, Agriculture and others. These latter agencies were responsible for the manpower-related programs of Work Incentive, Vocational Rehabilitation, Economic Development, Model Cities, and the Job Corps, respectively.

The CAMPS system was formalized by an executive order in 1968, and in succeeding years it was extended down to the state and local levels. Grants were extended in 1969 for the establishment by Governors of state CAMPS commissions composed of representatives of the various manpower agencies and eventually business, labor, and clientele groups. In 1970 federal funds were expended for the development of local CAMPS committees under mayoral auspices. Each of these was established with the objective of producing state or local manpower plans in accordance with DOL guidelines. It was hoped that these plans would then be used as the basis of national manpower funding decisions.

The CAMPS system experienced many difficulties and frustrations. Initially, the committtees were largely dominated by the local Employment Service representative.[55] The Employment Service generally had the greatest stake and the most expertise in the area. Others, particularly elected officials, generally lacked incentives to participate since committees had no funding or allocation authority themselves with which to attract participation or enforce their plans.[56] As a result, state plans frequently "were little more than a stapling together of local plans."[57] Levitan and Zickler concluded that: "The so-called CAMPS' planning process was more a make-work project than real policy formulation."[58]

At roughly the same time that CAMPS was being developed, additional efforts were underway to achieve coordination over manpower programs through decentralization. This objective was pursued in the Concentrated Employment Program (CEP). Like CAMPS, the CEP was established by the Labor Department in 1967. Initially, 22 projects were created to provide comprehensive manpower services to targeted, high unemployment areas. In addition to counseling, training, and employment services, the Concentrated Employment Program sought to provide supplementary employment-related services such as health care, legal services, and day care. Eventually, 82 CEP programs were established, approximately two-thirds of which were operated by Community Action Agencies and one-third by local governments.[59]

Like the other incremental attempts at manpower reform, the CEP projects did not experience much success. The program was strongly criticized by the General Accounting Office in 1969 for ineffectiveness and mismanagement. The goal of coordination proved elusive as conflict between CAAs and the Employment Service continued in many cities. The ES saw the program as direct competition with its own functions and was eventually given control over the actual operation of much of it.[60] Moreover, the categorical structure of manpower policy prevailed, as Levitan and Zickler have observed,

> CEPs were to have flexibility in planning programs to suit their needs. In practice, categorical contracting was most often the rule. Likewise, the idea that this new program could coordinate other community manpower programs was unrealistic. In most cases, CEP did not bring innovations . . . but simply . . . overlaid a new coordinating device.[61]

They concluded that CEP demonstrated that program coordination could not simply be ordained. More fundamental change would be required:

> The most important lesson of the CEP experience was that mandating coordination among manpower program agents will not assure comprehensive planning and programming at the local level.[62]

FOOTNOTES

[1]See Garth Mangum, *MDTA: Foundation of Federal Manpower Policy*, Baltimore, MD, Johns Hopkins University Press, 1968, for a complete description of the implementation and performance of the MDTA program, upon which this account relies.

[2]See Sar Levitan and Garth Mangum, *Federal Training and Work Programs in the Sixties*, Ann Arbor, MI, Institute of Labor and Industrial Relations, 1969, pp. 105-62, especially 123-26; for information on BAT's orientation, see Mangum, Chapter 3.

[3]Mangum, p. 51. For more detail on the Employment Service's problems and suggestions for dealing with them, refer to Stanley Ruttenberg and Jocelyn Gutchess, *The Federal-State Employment Service: A Critique*, Baltimore, MD, Johns Hopkins Press, 1970. It should be recognized that there are questions of policy approach involved here as well: whether the most effective or desirable strategy is to aid the marginally disadvantaged for whom training might be most effective, or whether it is preferable to focus on the most acutely disadvantaged knowing that the others are most able to find work without training.

[4]*Ibid.*, pp. 44-56.

[5]*Ibid.*, p. 52.

[6]Levitan and Mangum, pp. 29, 43.

[7]*Ibid.*, p. 52.

[8]*Ibid.*, p. 83.

[9]Mangum, p. 77.

[10]Levitan and Mangum, p. 87.

[11]Mangum, p. 26.

[12]*Congressional Quarterly Almanac*, 1965, Washington, DC, p. 810.

[13]*Ibid.*

[14]Garth Mangum, *The Emergence of Manpower Policy*, New York, NY, Holt, Rinehart and Winston, 1969, p. 66.

[15]Mangum, *MDTA*, p. 27.

[16]*Congressional Quarterly Almanac*, 1968, Washington, DC, pp. 511, 512.

[17]*Senate Report 1445*, Labor and Public Welfare Committee, quoted in *ibid.*

[18]The Work Study Program was transferred to the Office of Education under the *Elementary and Secondary Education Act of 1965*.

[19]Levitan and Mangum, p. 212. This section on the NYC program and that on WET rely heavily on this work, especially pp. 211-74.

[20]*Ibid.*, p. 212.

[21]*Ibid.*, pp. 217-19.

[22]*Ibid.*, p. 215.

[23]*Ibid.*

[24]*Ibid.*, p. 220.

[25]*Ibid.*, p. 249.

[26]*Ibid.*, p. 261. AFDC required state matching, while the WET program was 100% federally funded.

[27]Sar Levitan and Benjamin Johnston, *The Job Corps: A Social Experiment That Works*, Baltimore, MD, Johns Hopkins Press, 1975, p. 5.

[28]*Ibid.*; also see Randall B. Ripley, *The Politics of Economic and Human Resource Development*, Indianapolis, IN, Bobbs-Merrill, Co., Inc., 1972, p. 63.

[29]Ripley, p. 81.

[30]Levitan and Mangum, pp. 194-98.

[31]Levitan and Johnston, pp. 52-57.

[32]For example, average costs per Job Corps enrollee in 1967 totaled $6,874 (*ibid.*, p. 53). Average costs per MDTA enrollee totaled $1,145 in 1967—$1,900 in institutional training, $380 in OJT (Mangum, *MDTA*, p. 121).

[33]*Congressional Quarterly Almanac*, 1966, p. 251.

[34]Levitan and Johnston, p. 7.

[35]*Congressional Quarterly Almanac*, 1966, pp. 250, 251.

[36]*Ibid.*, 1967, p. 1060.

[37]Levitan and Johnston, pp. 84-98.

[38]*Ibid.*, pp. 98-100.

[39]General Accounting Office, *Review of Economic Opportunity Programs*, Report to the Congress by the Comptroller General of the United States, Washington, DC, U.S. Government Printing Office, 1969, pp. 50-67.

[40]Levitan and Johnston, p. 10.

[41]Details of these changes can be found in *Congressional Quarterly Almanac*, 1965, pp. 405-11.

[42]*Ibid.*, pp. 408, 409.

[43]*Ibid.*, 1967, p. 1058.

[44]Daniel P. Moynihan, *Maximum Feasible Misunderstandings*, New York, NY, The Free Press, 1969, p. 157.

[45]See, for example, James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years*, Washington, DC, The Brookings Institution, 1968, p. 151.

[46]For a discussion of the evolution of theories of unemployment

and public policy, see Henry Aaron, *Politics and the Professors: The Great Society in Perspective,* Washington, DC, The Brookings Institution, 1978, chapters 3 and 4.

[47]Mangum argues this in *The Emergence of Manpower Policy*, p. 47.

[48]ACIR, *The Comprehensive Employment and Training Act: Early Readings From A Hybrid Grant,* A-58, Washington, DC, U.S. Government Printing Office, 1977, pp. 5, 19.

[49]The convergence of the MDTA and EOA policy streams is an example of this duplication. The former had moved considerably toward a focus on disadvantaged youth similar to the poverty programs, but the two streams were not meshed administratively. Recognizing this trend, Levitan and Mangum wrote: "Many at the national level and more at the state and local levels complain that MDT is becoming 'just another poverty program.' " *Federal Training and Work Programs,* p. 88.

[50]Sar Levitan and Joyce Zickler, *The Quest for a Federal Manpower Partnership,* Cambridge, MA, Harvard University Press, 1974, pp. 6, 46. The complexity of the pre-CETA manpower system is abundantly illustrated in *Chapter 2* of Volume 1.

[51]Moynihan and Sundquist, p. 152.

[52]For a discussion of the "profoundly conservative tendency" of program evaluation, see Aaron, pp. 30-34.

[53]Its failure in this regard is explored in ACIR, *Improving Federal Grants Management*, A-53, Washington, DC, U.S. Government Printing Office, 1977, pp. 44-63; and also in James Sundquist and David Davis, *Making Federalism Work*, Washington, DC, Brookings Institution, 1969.

[54]Details of the establishment and operation of the CAMPS system can be found in Levitan and Zickler, Chapter 3, and in ACIR, *The Comprehensive Employment and Training Act*, pp. 5, 6, which form the basis of this discussion.

[55]*Ibid.*, pp. 49-51.

[56]*Ibid.*, p. 50.

[57]*Ibid.*, p. 54.

[58]*Ibid.*, p. 50.

[59]On CEP, see *ibid.*, pp. 81-90, and Mangum, *The Emergence of Manpower Policy*, pp. 88-90.

[60]*Ibid.*, p. 85; also Sundquist and Davis, p. 53.

[61]*Ibid.*, p. 83.

[62]*Ibid.*, p. 89.

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Chapter 6

The Quest for Comprehensive Reform of Manpower Policy

Experimentation with CEP and CAMPS gave way to efforts to achieve more fundamental change of employment and training programs. Several possible strategies were available for this. One conceivable alternative would be essentially to replace the training and employment programs with an income strategy. Such a system could provide supporting allowances to those incapable of work and supplemental income to those unable to support themselves adequately through private employment. Potentially, this could prove to be more manageable and effective than the multiple array of manpower programs that existed by 1970. Moreover, such a strategy would avoid the questionable economic assumptions behind the concept of structural unemployment that justified the manpower training strategy.[1] To a certain extent, the Family Assistance Plan developed by the Nixon Administration in 1969 represented movement toward this sort of income strategy.

Two alternative methods of fundamental manpower reform included the widespread use of public employment to combat joblessness and the legislative consolidation of categorical training programs. Throughout the 1970s, the fates of these two strategies were often intertwined during the long and difficult struggle first to achieve and then to implement manpower reform. But they are analytically distinct elements of federal employment policy that deserve individual attention.

THE STRUGGLE FOR COMPREHENSIVE REFORM: ROUND ONE

Momentum for programmatic reform developed rapidly during 1969. Among academic manpower experts and a surprising number of governmental officials, considerable consensus had arisen over the basic thrust of legislative change required to improve the workability and effectiveness of manpower programs.[2] While individuals differed over specifics, attention focused on consolidating fragmented manpower programs and decentralizing enough control over them to enhance local flexibility. Both Republicans and Democrats participated in this emerging consensus. In fact, elements of these two concepts were implicit in the CAMPS and CEP experiments developed under the Johnson Administration, and these ideas were further advanced in the recommendations of the independent National Manpower Policy Task Force.[3] Both consolidation and decentralization were also strongly endorsed by the transition study group assigned to develop manpower policy proposals for the Nixon Administration.[4]

Manpower specialists were not the only ones concerned with reorganization. Local government officials were often greatly frustrated with narrowly defined categorical programs. As the Mayor of Oakland explained at hearings, these separate authorizations made local flexibility and coordination impossible to achieve:

> [Oakland had] some 22 separate and distinct [manpower] programs. . . . There was little cooperation among the programs and almost no realistic relationship between training slots and jobs availability. . . . I proposed . . . the creation of a manpower commission to coordinate all [these] programs. . . . We soon learned, however, that existing programs were operating under various types of legislation and federal authority which tended to resist coordination, and unfortunately local government was all but ignored. . . . It was obvious the manpower commission would not work.[5]

As a result, state and local government officials became a major motivating force for change. A Labor Department official believes that public interest groups were "probably the strongest interest groups" in the struggle for consolidation.[6] Sen. Gaylord Nelson (D-WI) has also emphasized the role of Mayors in the 1970 reform attempt:

> When the manpower bill was pending . . . the U.S. Conference of Mayors was very important and very instrumental in supporting this legislation, as well as Mayors all across the nation. I think that [had] . . . a significant impact, and that accounts for the fact that the bill passed in our House with a vote of 68 to 6.[7]

Interestingly enough, the federal government had helped create this local lobby in the training and employment field. Not only were the local governments reacting to established federal programs, but federal grants establishing the CAMPS system had the effect of underwriting a lobby for reform. In the words of one county official,

> The Administration had built up a pretty strong constituency with the mayors and governors involved in CAMPS. Those people weren't willing to do the shadow jobs any longer. They were frustrated about grants being developed before they got to do anything about it.[8]

Congress initiated action on these recommendations in early 1969 with the introduction of two manpower reform bills in the House. Rep. William Steiger (R-WI), a junior member of the Education and Labor Committee, introduced a highly state-oriented "Comprehensive Manpower Act" which drew heavily on many of the recommendations proposed by academic manpower experts.[9] The Steiger bill proposed distributing the bulk of federal manpower funds by formula to the states, allowing them broad authority in adapting services to local circumstances. The Labor Department would retain discretion over only 30% of federal training funds for national emphasis programs, research, and demonstration. Steiger's main objective in emphasizing states over local governments was to simplify administration and to use their larger jurisdictions for more effective labor market planning. But the often criticized conservativism of the states and the deep political hostility between the state-run employment agencies and the urban-oriented EOA programs doomed this central feature of the legislation to Congressional neglect.

Soon after Steiger introduced his legislation, another manpower reform proposal was put before the House by Rep. James O'Hara (D-MI), a veteran liberal who had been "floor leader of every major manpower bill since the original MDTA."[10] The O'Hara bill proposed consolidating training programs at the federal level and centralizing control over them in the Labor Department.[11] Broad discretion was provided to the Labor Secretary to administer programs contractually or directly, according to the most effective structure for delivering each different service. Most importantly, O'Hara's legislation also authorized a major program of public service employment to fulfill the legislation's goal of assuring opportunity for gainful employment to all Americans.

In August 1969 these bills were joined by a proposal for manpower reform by the Nixon Administration.[12] Along with the Administration's Family Assistance Plan and General Revenue Sharing proposals, the "Manpower Training Act" (MTA) comprised one of the original pillars of New Federalism. Specifically, the act proposed: consolidation of the categorical manpower programs of the EOA and MDTA; flexible grants to the states, with increased funding as comprehensive planning capacity was developed; and gubernatorial selection of local prime sponsors in metropolitan areas.

The MTA was developed by the Department of Labor at the request of the White House. It was a complicated bill, attempting to balance the organizational divisions between the old line programs of the Employment Service and MDTA with the newer programs of the Great Society, as well as political rivalries between liberals and conservatives and urban-versus-state interests. This complex balancing gave rise to various provisions for national emphasis programs, DOL discretionary funds, project approval by the Labor Secretary, and alternative state- and urban-oriented methods for determining prime sponsorship and distributing manpower funds. Nonetheless, the thrust of the proposal was decategorization of existing programs and decentralization of significant decisionmaking control over planning and the use of funds. As Davidson observed, "MTA was a happy marriage of traditional Republican philosophy and expert opinion within the manpower community."[13]

Senate Consideration

As Congress began to examine these bills during Congressional hearings, general agreement over the need for comprehensive change in manpower programs gave way to serious differences over the details of change. These differences were most evident in the Senate, where the views of the expert community were less influential than in the House and where the legislators were considerably more devoted to protecting individual programs they had sponsored.[14] Moreover, dissension was fueled by the numerous competing interests that had developed an important stake in the manpower policy field, including state and local officials, minority groups, and organized labor. Consequently, consolidation of federal programs was vigorously attacked by program clienteles and several members of the Senate Subcommittee on Employment, Manpower, and Poverty. Sen. Gaylord Nelson, chairman of the subcommittee, expressed his concern about consolidation on the first day of hearings:

> What happens to a program . . . with this transfer to . . . state administration? . . . What is the guarantee? We have spent a lot of time experimenting since 1964 . . . . I don't have any particular confidence that any Governor in any particular state is going to . . . . care about this particular rural program . . . . What is your assurance that a good program like that won't disappear overnight?[15]

In addition, conflict raged between state and local officials and community groups over who would be granted decentralized control over manpower programs. Most notably, urban interests joined minority and labor representatives in attacking any transfer of programs to Governors and employment agencies: "The federal government would not be so heavily involved in the problems of the big cities if the states had in fact done what was their job."[16] Finally, as the unemployment rate grew steadily through late 1969 and 1970, reaching 5% in early 1970,[17] Senate Democrats became increasingly concerned with problems of joblessness at the expense of comprehensive reform.

Due to all these things, the legislation reported by the Senate subcommittee bore little resemblance to the Nixon Administration's "Manpower Training Act." State authority to determine local prime sponsors was significantly reduced, and assurances were granted to the disadvantaged and to CAAs to ensure participation in the local programs. Separate programs for youth employment, environmental projects, migrant workers, Indians, and mid-career, elderly and Spanish-speaking persons were all included. This accumulation of programs was the product of logrolling among the varied constituent and entrepreneurial interests of the subcommittee members, as well as a reflection of the Democrats' distrust of both the Nixon Administration and of many local governments. But in a supreme act of logrolling, a program of manpower block grants to state and local governments was also created, in order to appeal to proponents of reform. This block grant was given one-third of the legislation's authorizations, with one-third going to the categorical programs. A final one-third of the funding went to finance a large new program of public service employment, which the Administration strongly opposed.

This bill passed the Senate Labor and Public Welfare Committee with bipartisan support but some conservative opposition. Since the Department of Labor was undergoing a change of top administrators at the time, the Administration was ill-prepared to challenge such popular legislation on the Senate floor. Attempts were made to significantly alter the bill through amendments to consolidate its categorical programs, strengthen gubernatorial control over manpower services, and severely limit the attractiveness of public jobs, but each of these amendments failed miserably. The Senate voted final passage 68-6.[18]

Compromise in the House

As 1970 progressed, public employment drew additional support in the House as well. With unemployment rising steadily and elections approaching, Democratic members of the labor subcommittee focused more and more attention on public jobs instead of the messy and unglamourous issue of reform. Witnessing momentum falling for manpower reform and building for employment, the new Assistant Secretary of Labor, Malcolm Lovell, Jr., began to explore if "a bargain was possible:"

> O'Hara needed bipartisan support in the House for his legislation, and only the Administration could provide it. The Administration, for its part, needed a vehicle for manpower reorganization.[19]

A bargain over jobs and reform became the basis of a comprehensive employment and training bill. An exploratory meeting between Assistant Secretary Lovell and Representatives O'Hara, Steiger, and Albert Quie (R-MN) of the labor subcommittee bared enough items of agreement to turn into a late-night bill-writing session. As a result, public employment was accepted by Republicans under strict conditions linking jobs to training programs with guarantees against local abuse. This would constitute approximately one-fifth of the legislation's funding. The bulk of categorical training programs was consolidated into a single authorization, with the list of eligible services encompassing the broad range of prior programs. Both states and local prime sponsors of 100,000 residents were eligible recipients of employment and training funds, with 30% of the total funds to be distributed at the Labor Secretary's discretion.[20]

With bipartisan support from the primary employment experts on the subcommittee, this legislation quickly passed the full committee by an overwhelming margin. The full House considered the bill after the November election, when scattered opposition developed by conservatives opposed to public jobs and by vocational education supporters. With few amendments, the bill was granted House approval on a vote of 275-80, with opponents concentrated among conservative Republicans and southern Democrats.[21]

The Failure of Reform

The compromise achieved within the House quickly proved unable to survive. The committee of House and Senate conferees produced a version of the legislation much like the Senate's. Key Senators were reported "adamant" about retaining separate programs, and many Democratic members of the House committee proved sympathetic to this goal.[22] Thus, most of the categorical authorizations appeared in the final legislation, although this fact obscurred provisions allowing somewhat more flexibility.[23]

Besides resistance to decategorization, the Senate approach to public jobs also prevailed in conference. House Republicans and Administration officials would accept public employment only if it was designed to be temporary and related to job training and movement into the private sector. Senate conferees and many Democratic Representatives were not in favor of a temporary program; they feared that the Administration would abuse the power to enforce such limitations.[24]

For these reasons, House Republicans opposed the final legislation and refused to sign the conference report. They opposed the "near abandonment" of the House's more consolidated approach and the "complete abandonment of crucial principles relating to public employment."[25] In the words of Davidson, they "fear[ed] that a massive, permanent program [of public jobs] would result."[26] Although the final legislation was approved by both chambers of Congress, House Republicans voted overwhelmingly against it. President Nixon vetoed the bill on December 16, 1970. He denounced its failure to consolidate federal training programs and its establishment of "dead-end jobs in the public sector."[27]

Epilogue to Failure

The breakdown in the training and employment compromise arrived at in the House, combined with the President's strident language in his veto message, resulted in an atmosphere of polarization between Congressional Democrats and the Administration. Congressman O'Hara, who helped to shape the House compromise, said the veto was a "slap in the face" of Congress which cruelly "smashed the hopes" of thousands of unemployed.[28] Rather than compromise, each side went its separate way developing proposals for 1971.

For its part, the Administration abandoned the "Manpower Training Act" in favor of a "Special Revenue Sharing" plan. As part of its broad New Federalism agenda, manpower revenue sharing represented a more radical decentralization of manpower programs than the MTA did. Practically no federal restrictions on state and local use of grant funds were to remain under the plan. No attempt would be made to accommodate Congressional concerns about maintaining special programs, about state and local capacity to administer programs, or about public employment.

Congressional Democrats, on the other hand, turned entirely to public jobs legislation. With strong support from local government officials and from Congress as a whole, both a public works program and a public service employment bill were passed. With unemployment rising rapidly and the public works bill vetoed, President Nixon reluctantly agreed to accept an "Emergency Employment Act" in the summer of 1971 as a temporary response to economic conditions.[29]

BREAKTHROUGH: THE PASSAGE OF THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

Passage of the *Emergency Employment Act (EEA)* in 1971 represented only a temporary hiatus in the frustrating deadlock between Congress and the Nixon Administration over alternative approaches to manpower policy. Afterwards, the Administration continued to insist on pursuing the extreme decentralization of the Manpower Revenue Sharing approach. For its part, Congress made no movement toward Special Revenue Sharing nor progress on any sort of comprehensive manpower reform. The fundamental issues in dispute remained largely the same as in 1970:

> To what extent should manpower programs be decategorized, thereby reducing the number of constricting program standards and procedures and enhancing the coordination of program operations?
>
> What degree of decentralization over manpower planning and policymaking should be allowed which, along with program consolidation, would permit local officials to tailor manpower policy to their individual needs?
>
> Thirdly, should public service employment be allowed to continue, adding job creation to employment training in the arsenal of manpower services?

Reinforcing the deadlock was the recognition that these basic issues became further complicated when they were expressed in operational terms: Consolidation of which programs? Decentralization to whom? What form of federal oversight would be appropriate? What kinds of jobs should be funded, at what levels, under what conditions? And so on.

Buoyed by the President's landslide election victory in November 1972, the Nixon Administration attempted to break this deadlock by hardening its position still further. It began to pursue a strategy of circumventing Congress entirely on the issue of manpower reform.[30] The technique of budgetary impoundment was expanded to eliminate the funding of categorical programs that the Administration objected to. Spending cutbacks were announced for the Job Corps, the NYC summer youth program, and the EEA.[31] The Administration refused to seek renewal of the Emergency Employment Program, arguing that the conditions of high unemployment that justified its use no longer existed.

Perhaps most importantly, the Administration announced that it would proceed with the implementation of Manpower Revenue Sharing (MRS) through administrative means rather than by seeking legislative approval. As Malcolm Lovell, Jr., Assistant Secretary of Labor for Manpower explained,

> The philosophy was that we had tried for four years to go the legislative route and . . . it didn't look like we were going to be any more successful in coming up with something that was responsive to the President's objectives . . . . So we decided to try to do it administratively.[32]

Implementation of this administrative strategy was not entrusted to the Labor Department which, while supportive of decentralization and decategorization, was less than enthusiastic over MRS. Labor Secretary James Hodgson and Assistant Secretary Lovell were asked by the President to resign and were replaced by Peter Brennan and William Kolberg, respectively. Officials in the White House and OMB assumed direction over the manpower alterations and closely supervised DOL's preparation of new administrative regulations emphasizing a revenue sharing approach.[33]

While the Administration's plans were proceeding in early 1973, Congress began looking toward reauthorization of MDTA and the EEA, which expired on June 30. In the House, Rep. Dominick Daniels (D-NJ), chairman of the Select Labor Subcommittee, focused efforts on reauthorizing and expanding the public jobs program. Manpower reform came lower on the subcommittee's agenda. On the other side of Capitol Hill, Senators Nelson and Jacob Javits (R-NY) were approaching the issue in a more conciliatory fashion. They were cosponsoring two distinct bills, one authorizing a renewal of public employment and the second initiating a degree of consolidation and decentralization of manpower programs. Writing about the events at this time, William Kolberg states that,

> Three of the bills that Senator Nelson had handled had been vetoed by President Nixon over the preceding four years, and, in each case, the vetoes were sustained. He saw no point in legislation that was sure to be vetoed and reflected this attitude in a willingness to consider reasonable compromise with the Republican Administration.[34]

The Senator's willingness to compromise was expressed publicly during Kolberg's testimony before the Senate subcommittee, as well as in private meetings at which the Senator acknowledged advantages in decentralization. The question was one of balance, however, as was clear from Sen. Javits' expressed concern over federal responsibilities:

> I do not consider that Administration policy satisfactory. . . . In my opinion, the federal government, having appropriated money for manpower training, has to underwrite the appropriation so that manpower training will be delivered, and if the locality or state . . . falls down, we will step in and do it . . . . We will choose the means—localities, Mayors, Governors, anybody you like—but we will see that it gets done and delivered.[35]

As the Senate explored the avenues of compromise, a "dramatic and surprising move" occurred in the House which led it in a similar direction.[36] The large *Emergency Employment Act* reauthorization bill was reported by the Education and Labor Committee, but it was subsequently defeated in a procedural move on the House floor. This action seemed to indicate that,

> There was hardly a majority in favor of continuing a major public service employment program, let alone the two-thirds that would be necessary to override a certain Presidential veto.[37]

Since the Administration remained "totally opposed" to continuing public service employment, House Democrats would have to seek the sort of tradeoff achieved in the 1970 employment/reform compromise if public employment was to continue.

By mid-summer, both House and Senate members had begun to actively work on the substance of compromise with Labor Department officials. The Senate had passed both a manpower reform bill and a public employment reauthorization by substantial margins. To make the legislation acceptable to the Administration, Congressmen indicated their willingness to work on further reducing the degree of discretion left to the Secretary of Labor in the Senate bill, to curtail the remaining elements of categorical programming, and to reduce the prescriptiveness of standards and procedures imposed on local governments.[38] In the lingering atmosphere of distrust, the White House remained wary of Congressional motivations and continued to apply pressure on the Labor Department to procede with the administrative implementation of Manpower Revenue Sharing.

However, the conditions for compromise within the Administration had been improved in late spring with the resignation of domestic advisor John Ehrlichman and his replacement by respected former Congressman Melvin Laird.

Key Congressmen and Labor Department officials worked on the compromise through the late summer and fall of 1973. Despite numerous hurdles, most of the major issues fell into place rather easily given an atmosphere of productive negotiation and the need for legislation. Basic elements of general agreement re-emerged among those familiar with the employment and training field.[39] The usefulness of decategorization and decentralization was acknowledged, in varying degrees, by members of Congress, and moderate Republicans in both the Labor Department and on Capitol Hill accepted the utility of transitional public employment.[40]

Even the potentially highly divisive issue of intergovernmental administrative structures elicited considerable agreement. Earlier reform proposals had differed over the respective roles assigned to states and local governments. For example, the Administration's 1969 "Manpower Training Act" proposal had envisaged a state-oriented system of manpower planning and decisionmaking. By 1973, both Administration officials and most Congressmen favored direct federal-local administrative relationships as had been used in the EEA. Even the Department of Labor had become resigned to this fact, despite its ultimate preference for an areawide, labor market-oriented delivery system. To a considerable degree, this consensus reflected the activism of the city and county national lobbies and the strong interest these jurisdictions had displayed in manpower policy. Governors, on the other hand, had not organized effectively in their field.[41]

The degree of compromise that had been achieved became apparent in the House of Representatives in October 1973 when Representatives Daniels and Marvin Esch (R-MI), chairman and ranking Republican on the Select Labor Subcommittee, respectively, introduced almost identical pieces of manpower legislation. The only difference lay in the specification of higher funding for the public service employment program in FY 1975 contained in the Daniels bill. This provision reflected the concern of the AFL-CIO over Administration intentions on manpower legislation. The union leadership opposed the decategorization and decentralization of federal manpower aid, but most of all it was concerned about guaranteeing continuation of the public employment program. On the other hand, Mayors and county officials were squarely behind both concepts of public jobs and manpower reform, and they worked actively with Congressional and Administration officials in lobbying for this legislation.

With the Daniels provision, the legislation quickly passed the House with bipartisan support for the compromise. It went on to conference with the Senate where items of difference were resolved. In a move that upset the White House, Senators moved to add somewhat more public employment funding to the bill. But the basic compromise held firm, and the legislation overwhelmingly passed both houses of Congress. It was signed into law by President Nixon on December 28, 1973.[42]

As enacted, *The Comprehensive Employment and Training Act* (CETA) represented a long sought and historic compromise on comprehensive manpower reform. The fundamental issue of federal control was compromised, representing a stronger federal role than the Administration desired but a major change from prior legislation. Most of the principal programs of the MDTA and the EOA were consolidated into one flexible program. And the fundamental tradeoff between manpower reform and continued public service employment was executed. In its details, CETA established the following provisions:

> The largest single component was Title I. This created a comprehensive employment and training block grant to states and to local governments of 100,000 and more residents. Seventeen categorical authorizations were folded into Title I, giving local recipients considerable flexibility in designing locally adapted manpower programs from a broad range of eligible activities. To assure the continuation of effective federal oversight, however, Congress required that local recipients: (1) assure the delivery of services to certain target populations (the disadvantaged and the unemployed), and (2) obtain Department of Labor approval for their local manpower plan. Title I funding was distributed by a formula based on a jurisdiction's previous manpower funding, local unemployment, and poverty.
>
> Title II established a program of transitional public service employment in regions with relatively high rates of unemployment (over 6.5%).
>
> Title III authorized the Secretary of Labor to provide additional manpower services to groups with special manpower needs such as Indians, migrant workers, non-English-speaking workers,

etc. Title III also provided for research and evaluation services.

Other titles of CETA dealt with the continuation of the Job Corps, creation of National Commission for Manpower Policy, and technical provisions of the law.

Five Years' Experience With Comprehensive Training Legislation

The long and arduous struggle to enact CETA did not give way to a period of political tranquility following passage of the legislation. On the contrary, the manpower policy field remained turbulent. New youth and public employment programs were established and rapidly expanded in the succeeding years. Transition to a decentralized system of manpower services attracted considerable attention, and controversy raged over the employment provisions of CETA. Besides the interplay between training and employment programs, various other program issues arose concerning the implementation of CETA, including controversies over the targeting of CETA funds, the proliferation of manpower programs, the misuse of funds, and the effectiveness of CETA programs. Such factors eventually resulted in significant alterations in the legislation when CETA was reauthorized in 1978.

TARGETING

In debating the replacement of categorical programs with a decentralized system, many members of Congress and representatives of community groups expressed concern about the diversion of funds intended for the disadvantaged to other local constituencies. To a certain extent, in fact, this is what occurred. According to one analyst, there has been an "erosion in service to the poor."[43] Although Title I funding for comprehensive manpower services continues to focus on the disadvantaged, it does so less effectively than did the categorical programs that preceded it. A recent evaluation of the CETA program explained that,

> For the most part, Title I participants are still the economically disadvantaged, members of minority groups, and the young and poorly educated . . . . However, a comparison of the characteristics of CETA participants with a composite of enrollees in categorical programs for fiscal 1974 shows a decided shift . . . . The proportion who are age 18 and younger is declining . . . and the number of persons with less than a high school education is also declining. Particularly significant is the decrease in those identified as economically disadvantaged (from 87% in 1974 to 78% in 1977).[44]

Other alterations carried out under CETA have reinforced this trend. The distribution of funding under Title I has moved steadily away from central cities and toward counties, both in relative and absolute terms:

> The major change in Title I allocations has been a relative decline in funds for core cities and an increase in the share going to counties, many of which are suburban areas. The relative share of 56 matched cities declined from 24% of the fiscal 1974 allotment . . . to 19% in fiscal 1977.[45]

Similarly, in recent years three of the four youth training and experience programs added to CETA Title III enrolled fewer minority, disadvantaged, and poorly educated participants than did the summer youth and Job Corps programs carried over from the past.[46]

Consequently, CETA's goal of providing "job training and employment opportunities for economically disadvantaged persons" appeared to be in conflict with the aims of local program choices and formula funding. A portion of CETA's change in distributive emphasis can also be attributed to its growing use as a countercyclical tool during the mid-1970s recession. The Title VI countercyclical employment program drew far fewer participants from among the disadvantaged, and this tendency may have influenced program choices among the structural unemployment programs.[47] But essentially, these changes in participant makeup were the result of local program choices and Congressional formula decisions. Concerning local decisionmaking, Carl Van Horn concludes that,

> The disadvantaged will fare better when the goals are set nationally. . . . When faced with ambiguous mandates, [Mayors and other local officials] will opt for the more influential groups within the community.[48]

For Congress' part, the Title I formula significantly broadened the definition of "disadvantaged" in the distribution of funding, particularly through the emphasis placed on unemployment as a distributive factor.[49]

MISUSE OF FUNDS

As time went on, fraud and widespread misuse of funds became practically synonymous with the word CETA.[50] Unquestionably, the rapid growth of CETA funding did give rise to many opportunities for abuse. However, almost all of these abuses occurred in public service employment programs. The comprehensive training, youth, and special emphasis programs that comprised the rest of CETA's titles were very rarely involved in such problems, although they were inevitably tainted by association.[51] Mirengoff and Rindler write of Title I's experience,

> There is limited evidence of political intervention in the CETA planning process, in the Tammany Hall sense of trading political favors, nepotism, and patronage . . . . The influences governing Title I decisionmaking tend generally to be constructive. Those who anticipated large-scale political patronage, lack of interest, or other negative stereotypes will be disappointed.[52]

PROGRAM PROLIFERATION

One of the major concerns raised about CETA by policy analysts has been the gradual erosion of comprehensive reform through the addition of new categorical manpower programs since 1973. This is particularly significant given the fact that CETA began as a hybrid block grant to start with.[53] That is, the basic consolidated program (Title I) was combined with public employment and a number of narrow categorical programs designated for special needs and clienteles. Over time, these special emphasis programs have been joined by a series of new ones, including: a countercyclical unemployment program, the Young Adult Conservation Corps, the Youth Employment and Training Programs, the Youth Community Conservation and Improvement Projects, and a Private Sector Initiative Program. The authors of the National Academy of Sciences study observed that,

> Changes in patterns of funding have significantly affected the original decategorized and decentralized emphasis of CETA. The vast additions for the specialized programs for Titles II, III, and VI have significantly increased its categorical nature. Title I, the only decategorized component, accounted for 42% of the CETA appropriations in 1975 and 23% in 1977. . . . The decentralizing thrust of CETA is diminishing to a lesser extent, since some of the categorical programs are managed locally.[54]

Similarly, the General Accounting Office has complained that,

> Although CETA was a significant step in consolidating . . . programs, the effects of this consolidation have been lessened as additional programs have been authorized for special purposes or for particular target groups . . . . Through the funding of categorical grant programs, the opportunity for prime sponsors to determine program mix and develop comprehensive employment services to meet local needs has diminished.[55]

Assistant Secretary of Labor Ernest Green has pointed out that this creation of more federal aid categories continues to go on: "Congress created 17 new special interest categories during the [1978] reauthorization process," under CETA Title III.[56]

The sources of this program proliferation have been several. Mirengoff and Rindler write of the "propensity" of Congress and the administration to mandate "direct and rapid" action on pressing manpower problems.[57] Certainly both institutions have been actively involved in the process. President Ford proposed the Title VI countercyclical employment program in 1974 to deal with rising joblessness stemming from the Arab oil embargo. Congress readily consented and enlarged the program in subsequent years.[58] Many of the youth employment programs stem from Carter Administration proposals advanced in 1977 to address the growing problem of youth unemployment. These were consciously designed to be multiple so that various approaches to the problem could be experimented with, but they have yet to be consolidated at this point. The Public Sector Initiative Program was launched by members of the business community, working with a Carter White House aide. The chief economist for the Committee on Economic Development has been called the "father" of the program, along with an associate of the National Alliance of Businessmen.[59]

The central role played by public employment programs in this process of proliferation has somewhat lessened the negative effects on local flexibility that might otherwise be expected. This is because public employment programs differ from ordinary categorical grants. They allow recipients enormous flexibility in the functional allocation of funds so long as they are used on employment. Nevertheless, a primary goal of CETA was to establish "a flexible and decentralized system" of comprehensive manpower services, and the tendency in recent years has clearly been to erode this fundamental objective rather than to expand on it.

PROGRAM EFFECTIVENESS

Most evaluations of recent manpower programs have sounded a disappointing note on the performance of these efforts. One account has labeled comprehensive services "a bust" along with its categorical predecessors: "For all the outpouring of . . . money over the years, there are few experts, even among those who support the current round of programs, who claim they have been effective."[60]

Few programs have fared well. As in the 1960s, current studies continue to question the summer youth employment program even though such programs have been modified and expanded by the Carter Administration.[61] In fact, a recent Ford Foundation study has found that one youth program "didn't work at all," although similar efforts on behalf of welfare mothers were useful:

> Because the response by school dropouts was so poor . . . the study calls into question the value of government programs that emphasize some type of work experience to deal with the explosive and persistent youth unemployment problem.[62]

CETA Title I was premised on the hope that program decentralization and consolidation would improve program effectiveness by stimulating local experimentation and development of programs adapted to local needs. Yet the long-sought comprehensive approach appears to be even less effective than the nationally directed categorical programs, although the performance differential may be rather small. In one of the most thorough studies on CETA to date, Mirengoff and Rindler conclude that,

> The record of CETA programs compared with those of pre-CETA programs is disappointing. More people have been served, but the rate at which persons obtain unsubsidized jobs has fallen below expectations . . . . Omitting programs that are not expected to result in placement, job entry rates were low under all three titles compared with pre-CETA programs. . . . CETA programs have been least successful in finding unsubsidized jobs for the hard-core unemployed.[63]

While they acknowledge that economic conditions during the 1970s may have contributed to CETA's poor showing, they suggest that: "factors such as the inexperience of [local] sponsors, decreases in program services most likely to lead to jobs, and the downgrading of the transition objective by Congress are also responsible."[64] Likewise, the Congressional Budget Office has concluded that "highly structured training programs" similar to those of the 1960s have been the most effective in increasing post-training earnings of participants, but it notes that all manpower programs have had limited success.[65]

Part of the failure of manpower reform to produce positive program results can be traced to the difficult transition to a decentralized system. While CETA has succeeded in transferring substantial authority to elected officials at the subnational level, local planning under the system has generally been poor. Mirengoff and Rindler called it "disappointing" and "perfunctory." "For the most part," they conclude, "there was no serious, in-depth analysis or strategic planning," of the type that manpower reform had promised to produce.[66] Accordingly, anticipated changes in local program composition and procedures under CETA have been relatively few. The chief exception to this pattern has been a troublesome one—a shift by many prime sponsors away from more effective training programs and toward less promising services like work experience and public jobs:

> In two years, the direction of the Title I program has shifted from emphasis on classroom training and [on the job training] to emphasis on work experience and public service employment. Traditionally, classroom training and OJT had been expected to produce significant proportions of successful program outcomes—placements of participants in training-related jobs. This was not the case with work experience, for which placement expectations were commonly much lower.[67]

REAUTHORIZATION OF MANPOWER REFORM

Many of these issues raised by the implementation of CETA were addressed by Congress when the legislation was renewed in 1978.[68] A variety of legislative changes were made. To enhance the effectiveness and coordination of local job and training programs, the Title I block grant was combined with the Title II public employment program to create a new structural unemployment title in the new bill (Title II). This was intended to improve the performance of public jobs as a transitional link between training and permanent employment in the private sector. Other legislative changes were enacted to enhance the targeting of CETA funds on the disadvantaged. Participants in comprehensive training programs are now restricted to individuals from households earning 70% or less of the Labor Department's lower living standard, about $7,000 for a family of four. Additionally, new controls and administrative structures were established to restrict the misuse of federal funds by local sponsors.[69]

The continued gradual erosion of manpower reform as the centerpiece of CETA was one of the attendant consequences of these and other legislative changes made during the reauthorization of CETA. Over time, the tendency of Congress has been to dilute the aims of decategorization and decentralization rather than to strengthen them, although this process has been largely indirect and incremental. As problems have arisen, the federal government has been tempted to alter program performance through additional priority setting and restrictions over local comprehensive programs. Reinforcing this process has been the gradual accumulation of new program initiatives outside of the work and training block grant. In 1978 separate new activities included the private sector initiative, constituting a new Title VII of CETA, and the designation of displaced homemakers as a classification eligible for special federal services under Title III. Most importantly of all, 1978 witnessed the continuation of public employment as the focus of controversy, funding, and client participation under CETA. By this time, comprehensive reform was frequently lost or forgotten in the emphasis devoted to public jobs.

THE OVERSHADOWING OF COMPREHENSIVE REFORM

The situation in which a landmark federal block grant became overshadowed by public employment was one that developed over several years. When efforts to reorganize federal manpower legislation began in the late 1960s, activity focused on restructuring existing work experience and training programs. In order to secure Congressional acceptance

Table 7

CETA APPROPRIATIONS, FY 1974–78
(dollars in millions)

Title	1974	1975	1976*	1977	1978
I	$1,010.0	$1,580.0	$1,580.0	$1,880.0	$1,880.0
II	370.0	400.0	1,600.0	524.0	1,016.0
III	180.0	239.4	268.4	1,600.7	387.9
IV	150.0	175.0	140.0	274.1	417.0
VI	250.0	875.0	1,625.0	3,179.0	3,668.0
Summer Youth	305.6	473.4	528.4	595.0	693.0
Total CETA	$2,265.6	$3,742.8	$5,741.8	$8,052.8	$8,061.9
Title I as a Percent of Total	45%	42%	28%	23%	23%

*Transition Quarter omitted.

SOURCE: William Mirengoff and Lester Rindler, *CETA: Manpower Programs Under Local Control*, Washington, DC, National Academy of Sciences, 1978, p. 296.

of this reform, a public service jobs program was attached, but the bulk of federal funding remained centered in the Title I program of comprehensive local services.

This focus on reform was altered in the fall of 1974. Responding to a rapid growth in unemployment, the President and Congress approved addition of another public jobs provision. This program and additional initiatives in the area of youth employment were enlarged in subsequent years, eclipsing Title I and obscuring the initial purpose of the CETA act. According to the House Committee on Education and Labor,

> [CETA's] basic purpose was to decategorize the programs and to create a system of local planning and delivery subject to federal supervision . . . . The new planning and administative system was not yet in place when it was forced to deal with new challenges created by rising unemployment, increased appropriations, new programs and sharply increased enrollment. . . .The CETA program has been used . . . as a basic tool . . . to combat high unemployment, but its very ability to adjust to that role has created problems for the system and caused confusion as to its basic aims.[70]

Table 7 demonstrates that CETA's public jobs and categorical programs have far outpaced Title I in terms of funding. Title I's share of total CETA appropriations has fallen from 45% in FY 1974 to 23% in FY 1978. The manner in which such an important change occurred in the composition of the nation's manpower effort is the subject of the next chapter.

FOOTNOTES

[1]See Henry Aaron, *"Politics and Professors: The Great Society in Perspective;"* Washington, DC, The Brookings Institution, 1978, especially pp. 35-41 and 118-20.
[2]Roger Davidson, *The Politics of Comprehensive Manpower Legislation*, Baltimore, MD, Johns Hopkins Press, 1972, pp. 10-14.
[3]See "Improving the Nation's Manpower Efforts," undated position paper of The National Manpower Policy Task Force, printed in the *Manpower Act of 1969*, Hearings before the Select Subcommittee on Labor, Committee on Education and Labor, U.S. House of Representatives, 91st Cong., 2nd Sess., Pt. 1, pp. 107-109; and Stanley Ruttenberg and Jocelyn Gutchess, *Manpower Challenge of the 1970s*, Baltimore, MD, Johns Hopkins Press, 1970, Chapter 6.
[4]Davidson, p. 11.
[5]Mayor John Reading, Testimony Before The Subcommittee on Employment, Manpower, and Poverty, Committee on Labor and Public Welfare, U.S. Senate, *Manpower Development and Training Legislation, 1970*, 91st Cong., 2nd Sess., p. 2006.
[6]Interview with William Langbehn, U.S. Department of Labor, August 15, 1978.
[7]Sen. Gaylord Nelson, Hearings Before the Subcommittee on Employment, Manpower and Poverty, Committee on Labor and Public Welfare, *Emergency Employment Act of 1971*, U.S. Senate, 92nd Cong., 1st Sess., p. 91.
[8]Interview with Nancy Remine, National Association of Counties, August 17, 1978.
[9]H.R. 10908.
[10]Davidson, p. 16.
[11]H.R. 11620.
[12]H.R. 1347s.
[13]Davidson, p. 18.
[14]*Ibid.*, pp. 33, 34.
[15]U.S. Congress, Senate, Committee on Labor and Public Welfare, Subcommittee on Employment, Manpower, and Poverty, *Manpower Development and Training Legislation, 1970*, 91st Cong., 2nd Sess., Pt. 1, p. 101, 102.
[16]Mayor Carl Stokes, representing the National League of Cities and U.S. Conference of Mayors, in *ibid.*, pp. 748-49.
[17]Davidson, p. 22.
[18]*Congressional Record*, Senate, September 17, 1970, p. 32466.
[19]Davidson, p. 22.
[20]H.R. 19519.
[21]*Congressional Record*, House, Nov. 17, 1970, p. 37730.
[22]Davidson, p. 59.
[23]Advocates of consolidation obtained language permitting the Secretary of Labor to transfer up to 25% of the funds between program categories and to allocate his discretionary allotment of 30% of total program funds to any program. Also, the use of local prime sponsors cut the number of program contracts from 10,000 to around 400.
[24]Davidson, p. 59.
[25]Rep. William Steiger, *Congressional Record*, House, Dec. 8, 1970, p. 40305.
[26]Davidson, p. 60.
[27]Quoted in *ibid.*, p. 66.
[28]Rep. James O'Hara, *Congressional Record*, House, Dec. 12, 1970, p. 42061.
[29]Enactment of the *Emergency Employment Act* will be examined in more detail later in this chapter.
[30]This response was not confined to manpower policy, of course. This became a general strategy of the Administration which has been outlined in detail by Richard Nathan in *The Plot That Failed: Nixon and The Administrative Presidency*, New York, NY, John Wiley and Sons, 1975.
[31]For example, the Job Corps was to be cut back $63 million; 69 centers were to be closed down; and enrollments were to be reduced by 7,000. See Charles Culhane, "Labor Report/Mayors, Labor Leaders Add Political Muscle to Hill Challenge of Manpower Training Cuts," *National Journal*, June 7, 1973, p. 493.
[32]*Ibid.*, p. 492.
[33]For more on this, see William Kolberg, *Developing Manpower Legislation: A Personal Chronicle*, Washington, DC, The National Academy of Sciences, 1978, especially pp. 6-10.
[34]*Ibid.*, p. 16.
[35]U.S. Congress, Senate, Subcommittee on Employment, Poverty, and Migratory Labor, *Job Training and Employment Legislation, 1973: Hearings*, 93rd Cong., 1st Sess., p. 291.
[36]Kolberg, p. 21.
[37]*Ibid.*
[38]*Ibid.*, pp. 31-32.
[39]As an indication of the continuing consensus on reform within the manpower community, the National Manpower Policy Task Force reaffirmed its support for program consolidation. *National Journal*, April 7, 1973, p. 490.

[40]See, for example, the remarks on public employment of the ranking Republican on the Education and Labor Committee, Rep. Albert Quie in *ibid*, p. 497.

[41]Interview with Daniel Krivit, former Counsel, House Select Labor Subcommittee, Aug. 30, 1978. See also the remarks of Rep. William Steiger, *The Employment and Manpower Act of 1972*, Hearings before the Select Subcommittee on Labor of the Committee on Education and Labor, House of Representatives, 92nd Cong., 1st Sess., p. 989.

[42]P.L. 93-203.

[43]Carl Van Horn, "Implementing CETA: The Federal Role," *Policy Analysis*, 4, Spring 1978, p. 166.

[44]William Mirengoff and Lester Rindler, *CETA: Manpower Programs Under Local Control*, Washington, DC, National Academy of Sciences, 1978, pp. 201, 203.

[45]*Ibid*., p. 33.

[46]See data in Congressional Budget Office, *CETA Reauthorization Issues Background Paper*, Washington, DC, U.S. Government Printing Office, 1978, p. 42.

[47]This particularly appeared to be the case with the Title II employment program.

[48]Van Horn, pp. 181-82.

[49]Congressional Budget Office, p. 33. The effects of different formulas and formula definitions are discussed on pp. 43-54.

[50]See, for example, Juan Cameron, "How CETA Came to be a Four-Letter Word," *Fortune*, April 9, 1979, p. 112.

[51]A case of fraud in the Title III Migrant Workers program in Texas stands out as an isolated exception to this pattern. See John Crewdson, "U.S. Reported Stepping Up Inquiry on Job-Training Scandal in Texas," *The New York Times*, April 12, 1978, p. A14.

[52]Mirengoff and Rindler, pp. 64, 80.

[53]Advisory Commission on Intergovernmental Relations, *The Comprehensive Employment and Training Act: Early Readings from a Hybrid Block Grant*, A-58, Washington, DC, U.S. Government Printing Office, 1977.

[54]Mirengoff and Rindler, pp. 19, 21.

[55]Comptroller General, *Federally Assisted Employment and Training: A Myriad of Programs Should be Simplified*, Washington, DC, U.S. General Accounting Office, 1979, pp. 11, 12.

[56]Bureau of National Affairs, "CETA: Diminishing Resources Necessitate Coordination But Cause Fragmentation," *Employment and Training Reporter*, May 30, 1979, p. 657.

[57]Mirengoff and Rindler, pp. 19, 21.

[58]Passage of this legislation will be examined in more detail later in this chapter.

[59]James Singer, "When The Public Sector Doesn't Work, Give The Private Sector a Chance," *National Journal*, Sept. 29, 1979, p. 1610.

[60]John Berry and Art Pine, "19 Years of Job Programs—Question Still is 'What Works,' " *The Washington Post*, April 24, 1979, p. E1.

[61]Comptroller General, *More Effective Management is Needed to Improve The Quality of the Summer Youth Employment Program*, Washington, DC, U.S. General Accounting Office, 1979.

[62]Kathy Sawyer, "Women Off Welfare Successful on Jobs," *Boston Globe*, March 2, 1980, p. 42.

[63]Mirengoff and Rindler, pp. 221, 239.

[64]*Ibid*., p. 239.

[65]Congressional Budget Office, p. xiii.

[66]Mirengoff and Rindler, p. 69.

[67]*Ibid*., p. 123.

[68]P.L. 95-525.

[69]For additional background and details on these changes, see the 1978 *Congressional Quarterly Almanac*, Washington, DC, pp. 287-300.

[70]U.S. Congress, House Committee on Education and Labor, *Comprehensive Employment and Training Amendments of 1978*, House Report 95-1124, 95th Cong., 2nd Sess., pp. 1-2.

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Establishing A New Approach: Public Employment

Public employment programs constituted an integral part of the New Deal response to the Great Depression, but following the economic crisis such policies became a political anathema. During succeeding years, employment policy was restricted to governmental stimulation of the private economy and to training programs that prepared participants for private sector employment. Even during the 1960s, the concept of public employment as a solution to manpower problems progressed only to the fringes of the manpower agenda, although a foundation for more serious consideration in the 1970s was established. Yet beginning in 1971, public employment programs became the fastest growing major element of federal manpower policy. Public service employment thus emerged as an important example of essentially nonincremental policymaking at the federal level.

BACKGROUND OF PUBLIC SERVICE EMPLOYMENT

Federal job creation legislation was not a wholly new phenomenon when House and Senate Democrats attempted to combine it with manpower reform in 1969 and 1970. Rather, sentiment for public job creation had been slowly building in Congress throughout the 1960s. Initial efforts began in the Senate, where Sen. Joseph Clark's Subcommittee on Employment and Manpower recommended a program of public employment following a major study of manpower issues and problems in 1963 and 1964.[1] During formulation of the *Economic Opportunity Act* in early 1964, Labor Secretary Willard Wirtz dissented from the proposed focus on the Community Action Program and urged that an employment strategy be used to obtain more immediate and concrete results against poverty.[2] Soon thereafter, Sargent Shriver pushed for inclusion in the act of a job creation title similar to the 1930s' WPA. But this proposal was rejected by President Johnson because it included a new tax on tobacco to finance it at a time when the Administration was cutting taxes.[3]

As it was, a number of employment efforts gradually were created, although these were mainly work experience programs designed to supplement manpower training activities. The issue of a major public employment strategy was never confronted directly by these programs. In the original EOA, the Neighborhood Youth Corps provided jobs to youths in school and during summers. The Work Experience and Training program provided jobs with training to persons on relief and to unemployed persons ineligible for unemployment benefits. In addition, the Community Action Agencies could develop local jobs programs as part of the Community Action Program. In 1965 Sen. Gaylord Nelson sponsored the "Nelson Amendment" to the EOA which established a program of rural public service conservation jobs for the elderly. This program later became known as "Operation Mainstream." The following year, members of Congress attached two more small job-creating programs to the EOA: "New Careers" for paraprofessional work in health and welfare agencies and "Special Impacts" providing work in urban slums.[4] By FY 1969, these latter three programs enrolled 20,000 participants nationwide with combined expenditures of $70 million.[5]

In 1967, responding to growing urban unrest and violence, Senators Clark and Robert Kennedy (D-NY) introduced a major public employment bill developed by their staffs. The "Emergency Employment Act of 1967" proposed a two year, $2.8 billion jobs program in connection with the EOA.[6] The Johnson Administration adamantly opposed the legislation, however, because of rising expenditures from the Vietnam War, and it was joined by Senate conservatives in this opposition. In response, Democratic supporters of the bill championed a Republican substitute proposal on the Senate floor. Although this alternative program scaled down the legislation substantially, it failed to win Senate approval by five votes, 42-47. According to Gary Orfield, "A Democratic President had forestalled a Senate policy initiative . . . . In the face of White House resistance, the drastic break with previous policy was impossible."[7]

Additional public jobs proposals did not advance in either branch of Congress until the manpower reform legislation of 1969 and 1970. Throughout the late 1960s, however, public employment was recommended by six different Presidential commissions, beginning with the National Commission on Technology, Automation, and Economic Progress in 1966. This commission identified 5.3 million public service jobs that it believed could be filled by such a program.[8] Two years later, the Kerner Commission on Civil Disorders recommended the creation of one million new jobs through public employment.[9] This combination of a gradually rising familiarity with public employment, the identification of useful jobs that could be filled by such a program, and the growing unemployment during the early 1970s all worked to bolster political support for the concept.

THE EMERGENCY EMPLOYMENT ACT

As mentioned earlier, a major public employment title was contained in the manpower reform bill that was vetoed by President Nixon in 1970. Although the Administration had acquiesced to a program of transitional employment in conjunction with grant consolidation, the President's objections in his veto message centered principally on the WPA-type jobs authorized under the legislation. The President's strident language reinforced the disappointment caused by the breakdown in the House compromise and resulted in considerable "bad blood" and polarization between Congressional Democrats and the Republican Administration.[10] Each side went its own way in developing policy proposals for the coming year. The Nixon Administration reformulated a thoroughly decentralized manpower bill consistent with its bold new Special Revenue Sharing initiative. Key Democrats in Congress, on the other hand, completely ignored consolidation and devoted their full attention to developing a public employment program.

When Congress reconvened in 1971, unemployment had climbed above 6%, from a low point of 3.3% only two years earlier. The rapidly worsening economic situation lent powerful impetus to the Congressional drive to create a public jobs program and spurred liberal and moderate Republicans in the Senate to support the concept. Senators Nelson and

Javits introduced legislation that had been explicitly tailored to the objections expressed in President Nixon's veto of the manpower bill in December. The new bill proposed a "temporary," two-year program of public service employment. Borrowing the trigger device used in the Administration's MTA proposal in 1969, the "Emergency Employment Act" was designed to operate only when unemployment rose above 4.5%. With the support of Senate Minority Leader Hugh Scott (R-PA), the legislation easily passed the Senate. The bill was amended in the Labor and Public Welfare Committee to authorize spending of $1.75 billion over a two-year period, and the full Senate added language emphasizing the intended transitional character of the jobs to be provided. With these changes, the bill survived its closest test by 15 votes and was passed in its final form on April 1, 1971, by a vote of 62-10.[11]

At about the same time, key Democrats on the House Education and Labor Committee were advancing similar legislation with the backing of the House leadership, Mayors, and other local government officials. Under the guidance of labor subcommittee chairman Dominick Daniels and committee chairman Carl Perkins (D-KY), the Education and Labor Committee passed a bill establishing a public service employment (PSE) program for five years, with authorizations of $250 million the first year, $750 million the second, and $1 billion for each of the next three years. It also included a provision for special employment assistance to communities with unemployment levels over 6% for three consecutive months. Administration officials opposed the legislation in favor of Manpower Special Revenue Sharing, while Republicans on the committee sought to revive a combination of public employment and manpower reform. Nevertheless, the employment bill advanced from the committee on a party line vote.

As in the past, support for public employment was less strong in the House than in the Senate. With the aid of southern Democrats, Republicans led by Rep. Marvin Esch, ranking minority member on the Select Labor Subcommittee, won a procedural vote on the House floor threatening substitution of the employment bill with the manpower consolidation proposal. After a two-week delay, however, House leaders won the return of southern Democrats to the broad Democratic coalition supporting the jobs legislation. The bill passed the House on June 2 by a final vote of 244-142.[12]

As it went into House-Senate conference, the PSE legislation presented an obvious dilemma to the Nixon Administration. It was clearly not the Administration's preferred policy. However, the bills had been written with several of the Administration's objections in mind. Moreover, existing programs were not producing a decline in unemployment, the President had already vetoed an accelerated public works program passed by Congress, and no movement was likely on Manpower Revenue Sharing. Hence, the Administration decided to accept the "Emergency Employment Bill," as Hallman records,

> Neither Nixon nor his close political and economic advisors . . . had much enthusiasm for subsidized employment, but the President concluded that a program of public service jobs at this time was the least "evil" of the measures that the Democrats in Congress might possibly produce. So political pragmatism more than carefully conceived economic policy led the Administration to reconsider its position on the Emergency Employment Bill.[13]

Negotiations were undertaken by the Administration with conference committee members who had met to resolve the differences between the House and Senate bills. A compromise was finally produced which retained the additional language in the Senate version emphasizing the "transitional" character of public employment. The House provision for a separate fund for high unemployment areas was retained, and a two-year authorization was agreed on with total expenditures of $1 billion in FY 1972 and $1.25 billion in FY 1973.[14] In addition, both chambers of Congress agreed to proceed with hearings on the Special Revenue Sharing proposal. With Administration backing, this compromise passed both houses overwhelmingly, and the *Emergency Employment Act* (EEA) was signed by President Nixon on July 12, 1971. The change in public policy, wrote Gary Orfield, "was one of the most important since the government recognized unemployment as a legitimate official concern. . . . Its origin was almost wholly Congressional."[15]

COUNTERCYCLICAL EMPLOYMENT PROGRAMS: ANOTHER POLICY INNOVATION

From the late 1950s to the early 1970s, manpower policy in the United States sought primarily to address the problem of structural unemployment. Programs were directed at regional pockets of poverty and unemployment and at special segments of society that existed in a broader social context of general economic growth and affluence. Passage of the ARA marked the beginning of this strategy which culminated in the MDTA and the War on Poverty. Early proposals for public employment were directed at structural problems, as well, while CETA represented a reorganization of structural programs and a reaffirmation of the basic strategy.

This established pattern of public policy was abruptly altered in the mid-1970s as employment efforts were redirected to combat the worst recession in the nation since the Great Depression. The resulting countercyclical programs were intended to address the rapid growth of unemployment and the fiscal consequences of the downturn in the business cycle, *not the relatively stable undercurrent of joblessness* made salient by national prosperity. The shift in focus to the countercyclical programs by the late 1970s is evident in *Table 8.* The hallmarks of this new thrust in policy were the Local Public Works Program, the CETA Title VI employment programs, and the Antirecession Fiscal Assistance Program (ARFA). The Local Public Works and Title VI programs were primarily intended as employment programs and their legislative histories will be examined here; ARFA was a program to support financially troubled local governments and largely rests beyond the scope of this chapter.

The CETA Title VI Temporary Employment Assistance Program

When CETA was passed in 1973, it included a permanent public employment program to replace the expiring EEA. The CETA Title II program was designed to be coordinated with the CETA training programs. It was to aid the transition between manpower training and work in the private sector, and it *was targeted on areas with the greatest need. It thus* comprised one element of an overall strategy on structural unemployment.

Just after CETA was enacted, however, implementation of the new program was overtaken by international economic events that stimulated high inflation and unemployment. The response was a new program of temporary public employment added to CETA to combat the recession. As economic conditions remained bleak, this program continued to expand rapidly in the mid-1970s, only to become the target of abrupt budgetary cutbacks as the decade ended.

ORIGINAL ENACTMENT OF TITLE VI

Throughout 1974 inflation and unemployment rose rapidly in response to the Arab oil embargo and to other more deep-seated problems in the economy.

Table 8

COUNTERCYCLICAL STIMULUS PROGRAMS
(outlays in billions)

	1977	1978	1979 (est.)	1980 (est.)
Local Public Works	$0.6	$3.1	$2.1	$0.3
Title VI	2.3	4.8	3.2	2.6
Antirecession Assistance	1.7	1.3	0	0
Total	$4.6	$9.2	$5.2	$2.9
Countercyclical Aid as a Percent of Total Federal Grants	7%	12%	6%	3%

SOURCE: *Special Analyses, Budget of the United States, 1980,* Washington, DC, U.S. Government Printing Office, 1980, p. 214.

By the spring of that year, Chairman Arthur Burns of the Federal Reserve Board was suggesting that an expanded public employment program could be used as part of a broad counter-inflationary policy. The concept was to use PSE to cushion the employment effects of an austere fiscal policy necessary to fight inflation, heading off in the process calls for more expansionary fiscal responses.[16]

This counter-inflationary rationale for expanding PSE was soon overtaken by a deepening recession. The rate of unemployment, which had stood at 4.5% in October 1973, rose to 6.5% in November 1974 and continued climbing to a peak of 9.2% in May 1975. As unemployment grew through the summer of 1974, support for expanding public employment mushroomed. Rep. Dominick Daniels introduced a PSE expansion plan into the House on September 11, 1974. This was followed by an alternate proposal from Daniels' Republican counterpart on the labor subcommittee, Marvin Esch. In the Senate, Senators Nelson and Javits introduced their own legislation followed by a Ford Administration bill later in the month.

This flurry of legislative proposals indicated wide support for a counter-recessionary employment program, but important differences existed in approach. The Ford Administration opposed enlarging Title II since this was a permanent program. It advocated the establishment of a separate temporary program with low wages and a six-month limit on participation. The centerpiece of federal antirecession assistance, according to the Labor Department, should be an extension of unemployment compensation, not public employment. The AFL-CIO criticized the President's proposal as "shockingly inadequate."[17] Organized labor, the public interest groups, and Congressional Democrats called instead for a permanent program of expanded PSE designed to grow with the rate of unemployment. Such differences between the President and Congress, along with an intervening election, slowed Congressional action through the fall.

The growing crisis of unemployment, however, resulted in rapid compromise following the 1974 election. Congress added to a separate, temporary title of CETA with a one year authorization. The Administration accepted a $2.5 billion authorization, a provision for accelerated public works, and fewer safeguards limiting the program. As William Kolberg reports,

> We had failed . . . to shape the new program into an effective countercyclical device with safeguards against abuse and substitution and had perhaps sowed the seeds for future problems. Instead of the programs being targeted by triggers only to areas of high unemployment (as for Title II), it was available to all areas. Instead of being restrictive in eligibility, it was available to all unemployed who had been unemployed for 15 days.[18]

With this basic agreement reached, the legislation rushed through Congress with bipartisan support and large majorities. President Ford signed the *Emergency Jobs and Unemployment Assistance Act* on December 31, 1974.[19] Within a year after the initial passage of CETA, a new public employment title had been added which overshadowed the first permanent PSE program.

PUBLIC EMPLOYMENT ACTIVITY: 1975

Beginning in 1970, two Republican Administrations displayed constant tension between support for limited forms of public employment and opposition to proposals for expanded PSE programs. Public employment was accepted in the House compromise reform bill in 1970 but was selected out for criticism in the veto message on the final legislation. The *Emergency Employment Act* was signed reluctantly in 1971 in place of public works legislation, but President Nixon opposed renewal of the program two years later. The Title II program was accepted in conjunction with a block grant under CETA, and the Ford Administration supported a supplementary countercyclical program in 1974 to combat the recession. This action, together with Arthur Burns' proposal that PSE be used in an anti-inflationary program, appeared to indicate that in a remarkably short period of time, many conservatives had come to accept public employment as a legitimate economic policy tool. Yet once again, in 1975, the Republican Administration became re-engaged in fighting off Congressional attempts to expand public employment.

In 1974 many Congressional Democrats had sought to enact a large new permanent program of PSE, not a short-term add-on to the CETA program. They compromised on the latter in order to respond quickly to what the Senate committee described as an "employment crisis of intolerable proportions."[20] But early the next year they began work on new programs to combat unemployment. As House Labor

Subcommittee Chairman Daniels had promised during floor consideration of the 1974 act: "I intend . . . to take another look at the entire program, the CETA program . . . as well as this [public jobs] program, and then we would act according to the needs of the country."[21]

What Daniels had in mind was a major expansion of the PSE programs. However, only months after the initial passage of the Title VI program, Congressional enthusiasm over expanding such legislation had begun to wane.[22] Reports of local government abuses of the Title VI program and complaints of fiscal "substitution" were already starting to emerge. To maximize its stimulative effects, Title VI was being implemented very rapidly and enforcement efforts to prevent the use of federal funds to hire regular local government employees were lagging far behind. Consequently, Congressional interest in advancing large new countercyclical employment efforts turned in 1975 to programs of accelerated public works. Such programs were always popular with Congress and had already established a record of familiarity.

Countercyclical Public Works: 1962-74

Federal spending on public works projects to combat unemployment and to stimulate the economy played a major role in the federal arsenal of programs in the 1930s. New public works programs were revived as a response to recessions in 1962, 1971, 1974, and 1976. Each time, the program was designed to further emphasize its countercyclical effects rather than its influence on structural unemployment. And in the 1970s, each successive program was substantially larger than the last.

THE APW

The *Accelerated Public Works Act of 1962* (APW) expended $880 million over the course of two years on 7,800 state and local projects.[23] William Batt, Jr., former administrator of the program, has estimated that over 250,000 jobs were created in the process, either directly or indirectly through suppliers of construction materials. He argued that the program had "real value in putting substantial numbers" of unemployed to work.[24]

Initiative for the APW originally came from Congress and from the nation's Mayors. With the support and assistance of the American Municipal Association (now the National League of Cities), Sen. Joseph Clark proposed a $1 billion program of federal grants to support state and local construction projects in 1961.[25] In order to contain the federal deficit, however, President Kennedy opposed this legislation and supported only standby authority for increased public works expenditures for use in future recessions.

This focus on a countercyclical approach gave way in 1962 to the *Accelerated Public Works Act*. This program, observed James L. Sundquist, was "directed mainly toward reducing structural employment in the depressed areas of the country."[26] Continued economic sluggishness and high unemployment caused a change in Administration thinking in 1962, and President Kennedy proposed a $600 million program of public works grants to areas of high unemployment. An election-year Congress enthusiastically approved and passed a larger, $900 million program in September 1962.

PWIP

1971 saw the enactment of a new public works effort—the Public Works Investment Program (PWIP). Compared to the APW of 1962, or to the construction programs of the ARA and EDA, PWIP demonstrated movement by the federal government toward a countercyclical public works strategy by emphasizing a rapid employment response to an economic downturn. Consequently, it abandoned the traditional EDA approach of carefully seeking out projects with long-term economic impact in favor of "labor-intensive, quick-start construction projects which did not necessarily promise a growth impact."[27] From 1972 to 1973, PWIP funded 405 construction projects at a cost of over $90 million.[28]

Politically, PWIP grew out of a $2 billion program of accelerated public works advanced by the House Democratic leadership in 1971.[29] This bill proposed to create 170,000 jobs on water and sewer projects in communities suffering from high unemployment. It passed the House overwhelmingly but survived the Senate only over considerable Republican opposition. President Nixon subsequently vetoed the proposal as costly and ineffective, and this decision was upheld by Congress. To sustain his veto of a popular bill, however, the President agreed to accept a temporary public employment program (the *Emergency Employment Act*) and a modest program of countercyclical public works (PWIP).

The following year, House Democrats tried once more to enact a larger public works bill. In an election maneuver, a $5 billion program was rushed through committee with one day of hearings.[30] But this greatly expanded proposal failed on the House floor by a narrow margin.

THE JOB OPPORTUNITIES PROGRAM

A third modern public works program was established in 1974 as part of the *Emergency Jobs and Unemployment Assistance Act* which created the Title VI program of CETA. The Job Opportunities Program was a one-year, $125 million program of accelerated public works designed to create 12-15 thousand jobs.[31] Like PWIP, it emphasized countercyclical objectives: projects were to be selected and begun promptly, to be completed in approximately one year, and to be labor intensive. The program was administered by the Economic Development Administration (EDA) of the Department of Commerce as Title X of the *Public Works and Economic Development Act of 1965*.

The Title X program originated in the Senate where it was sponsored by Sen. James McClure (R-ID). McClure offered the program as a floor amendment to the Senate's version of the emergency public service jobs legislation requested by President Ford in the fall of 1974. Backed by the Senate Republican Conference and the Democratic chairman of the Senate Public Works Committee, the program gained easy Senate approval.[32]

As passed by the Senate, the Job Opportunities Program carried a billion dollar authorization for construction grants to areas with unemployment rates exceeding 6.5%. The House-Senate conference committee, however, reduced the program size to $500 million, and it was approved in this form by President Ford. Appropriations for the program totaled $125 million in FY 1975.[33]

The Struggle for Countercyclical Public Works: 1975-76

The off-and-on battle between the President and the Congress over public works expenditures heated up again during 1975 and 1976, culminating in the largest federal public works program since the New Deal. A major public works program became the centerpiece of Congressional Democrats' efforts to stimulate employment during the recession, while the Ford Administration opposed a massive public works program as inflationary and ineffective. The ensuing struggle between the two branches lasted for a year and a half, ending when Congress overrode a Presidential veto in mid-1976.

A massive countercyclical public works bill was first developed in the House during early 1975. House Democratic leaders viewed enactment of the CETA Title VI program as a temporary, stop-gap measure. While it momentarily satisfied support for additional public service employment, further public works legislation enjoyed wide popularity in Congress. Organized labor and local governments "argued vigorously" for such a program,[34] "inundating" Congress with support for public works.[35] By May 1975, the general rate of unemployment reached 9.2% nationally and 22% among construction workers.[36] So, with strong support by the Democratic leadership and despite Administration threats of a veto, the House overwhelmingly approved in May 1975 a $5 billion public works bill designed to produce 250,000 jobs.[37]

The Senate, meanwhile, developed a more diverse and complicated bill. It provided billions of dollars for local public works, plus an extension of the Job Opportunities Program and money for water pollution construction grants. In additon, the Senate legislation included an entirely new proposal—a program of antirecession assistance to state and local governments. The concept for this latter program had originated with Brookings Institution economists who were concerned about the fiscal effects of state and local budget cutbacks during recessions.[38] The program was vigorously supported by state and local governments and championed in the Senate by Sen. Edmund Muskie (D-ME). These varied elements, combined into a multibillion dollar countercyclical aid package, won Senate approval by a wide margin.

The significant difference between the House and Senate led to lengthy conference negotiations on a common bill. The final product was a massive, $6 billion program composed of three titles: a $2.5 billion local public works program fashioned after the House proposal; a program of countercyclical aid to cities and states, beginning at $125 million and rising with the rate of unemployment; and a miscellaneous title authorizing a $500 million extension of the Job Opportunities Program of public works and $1.5 billion in pollution construction grants.[39] Calling it simply "election year pork barrel," President Ford vetoed this multibillion dollar legislation on February 13, 1976.[40] The House overrode the President's unpopular veto, but the Senate failed to do so by a slender three-vote margin.[41]

Congressional action on a new piece of legislation commenced immediately after the President's veto. The House leadership pursued action on public works legislation as the "centerpiece of a proposed Democratic economic recovery program."[42] A less grandiose, $2.5 billion program quickly won overwhelming approval by the House.

In order to avoid another veto, the Senate Public Works Committee sought to enact a similarly scaled-down program. It advocated a $2.5 billion public works measure with no countercyclical assistance to local governments. This became the major focus of policy debate as Sen. Muskie fought on the Senate floor to reinstate countercyclical fiscal aid. It was necessary, he argued, to maintain the coalition supporting the vetoed legislation.[43] To attract additional support, the program's formula was watered down to spread additional funds to regions with lower rates of unemployment.[44] With this provision and the reinstatement of pollution control grants, the Senate reenacted a $5.3 billion package.

The House-Senate conference eventually reduced this sum to less than $4 billion. Included were a $2 billion program of local public works, concentrated on projects with rapid startup capability in areas with high unemployment; a program of antirecession fiscal assistance to state and local governments, with authorization starting at $125 million; and $700 million in sewage treatment grants. Deleted from the bill vetoed earlier was $2 billion derived from sizable cuts in the authorizations for public works and pollution control grants and from elimination of the Job Opportunities Program.

Despite these cutbacks, President Ford vetoed the legislation for a second time, calling it "empty promises and giveaway programs." "Bad policy is bad whether the inflation price tag is $4 billion or $6 billion," he maintained.[45] The President's position matched that of Congressional opponents of the legislation, who argued that public works programs were an ineffective method of creating jobs. They charged that such programs responded too late to recession, diverted money from employment to purchase construction materials, and focused on skilled workers. Moreover, this program was said to be torn by inconsistencies between the House and Senate approaches, "a victim of happenstance and disagreements—as to where the thrust ought to be."[46]

But Congressional Democrats defended the proposal. As Rep. James Wright (D-TX) had argued before the House: "If we want a jobs bill . . . [this] is the only way we have left in this Congress to get there."[47] With the election rapidly approaching, the vast majority of both chambers agreed. President Ford's veto was overridden in late July 1976, and a major countercyclical employment package was enacted.

RENEWAL AND EXPANSION OF PSE—1976

In September 1976, the Title VI public employment program was continued and enlarged for another year. As in the case of public works, this decision was the product of months of Congressional and Presidential conflict over the size and character of a continued program of PSE. Once again, Congressional Democrats succeeded in establishing a much larger program than the President desired.

Renewal action began in the House, where Democrats pushed through a $6 billion measure intended to expand the Title VI program from 260,000 jobs to 600,000 jobs. Labor subcommittee chairman Dominick Daniels advocated an enlarged PSE program as the "most direct" method to redress unemployment.[48] In fact, a 1975 study by the Congressional Budget Office rated PSE as the most effective countercyclical instrument for stimulating employment.[49]

The Ford Administration opposed this measure. It had strong "concerns" about public employment generally and the Title VI program in particular.[50] Most troubling was the fear that public employment failed to create new jobs at all but only encouraged prime sponsors to substitute federally funded workers for existing local employees. This "bad reputation" reinforced the Administration's "continuing doubts" about all countercyclical programs and led the President and Congressional Republicans to propose only a temporary extension of the Title VI program at, or below its current size.[51] These efforts failed to block the Title VI expansion bill in the House, which passed it overwhelmingly. But they kept support for the legislation below the two-thirds level needed to override a Presidential veto and thus succeeded in having the bill shelved on passage.[52] Consequently, the House also passed a stop-gap extension of the existing Title VI program through September 1976. At this time, Democratic supporters of Title VI hoped that electoral pressures would help push through an enlarged program. Partisan battling continued as Republicans objected to the "political ploy."[53]

During this time, Senate employment legislation took a very different course. Rather than support an extension of the Title VI program, the Senate Labor and Public Welfare Committee undertook substantial revisions in the legislation. Major efforts were made to restrict local substitution and to concentrate employment on the neediest. Lowered salaries and income criteria for participants and a 12-month limitation on participation in the program were among the provisions adopted to attain this goal. Along with these revisions, the Senate joined the House in substantially enlarging the size of the program, authorizing 520,000 public jobs.[54] Because of the changes made, however, considerably less funding was required to expand the program than in the House version.

These changes allowed the Senate Title VI renewal bill to pass with overwhelming bipartisan support. The Labor Department had engaged in negotiations with the Senate as part of its strategy "to contain the Congress" in its "election year expansion of PSE."[55] But the President, locked in a nomination battle with Ronald Reagan, remained opposed to an extension of the program throughout the summer of 1976.[56]

Long negotiations and "heated disagreements" over House and Senate differences in conference committee eventually produced a bill substantially like the Senate version. President Ford reluctantly signed the legislation on October 1, 1976.[57]

Expansion of Countercyclical Programs: Carter's Economic Stimulus Package

Despite partisan battling, countercyclical public works and employment programs underwent substantial increases in 1976. Another massive expansion of these programs occurred in 1977. Immediately on assuming office, President Jimmy Carter made enlargement of these programs a central feature of his economic policy, in the form of the "economic stimulus package."

From its peak in the spring of 1975, unemployment had moderated somewhat by early 1976, only to begin rising again through the rest of that year. From May 1976 to November, the unemployment rate jumped from 7.3% to 8.1%.[58] President Carter had made these economic difficulties a centerpiece in his campaign. His economic advisors agreed on the need for an expansionary economic policy, and politically he was expected to deliver. As Vernon Jordon, director of the Urban League wrote: "What do blacks expect their votes to win them? Jobs."[59] Consequently, work on the economic stimulus proposals was practically completed during the transition.

The central concern of the Carter Administration was to provide jobs. Ideally, the President was reported to favor providing employment through the private sector, rather than the public sector, through such policies as wage subsidies.[60] Such an approach was untenable for an effective countercyclical strategy since speed of implementation was of the essence. Established programs had to be used in order to minimize delays due to legislative negotiations and program startup. Thus, it was quickly decided to expand existing countercylical programs.

In a demonstration of urgency, President Carter proposed his stimulus package on January 31, 1977. Much of the $31.2 billion proposed consisted of tax cuts and general economic stimulus. The heart of his employment proposals, however, centered on the countercyclical programs. The President recommended that public service employment slots be increased in FY 1977 from 310,000 to 600,000 and that they reach a level of 725,000 in FY 1978. This required no new legislation, but it entailed additional appropriations of $1.7 billion in FY 1977 and $3.4 billion in FY 1978.[61] For public works, the President proposed authorizing an additional $4 billion in local grants. Finally, the President included a five-year reauthorization of the ARFA program in his stimulus package.

Congress accepted these employment proposals eagerly. While other aspects of the stimulus package came under attack, the primary issue concerning the jobs programs was whether more funding should be provided. The President was forced to warn that a larger expansion "would risk poor administration."[62] The additional public employment funding was approved by Congress in a supplemental appropriation bill on May 5, 1977. On May 3, Congress authorized spending the additional $4 billion on local public works, and this entire sum was included in the stimulus appropriation.[63] Finally, the ARFA program was continued for another two years rather than the five sought by the Administration.

PUBLIC EMPLOYMENT: IMPLEMENTATION AND RENEWAL

Widespread support for the economic stimulus package was somewhat misleading because it obscured considerable softness in Congressional and public support for jobs programs. Once the unemployment rate declined and attention was refocused on many of the problems associated with PSE that had caused its restructuring in 1976, the programs came under renewed attack. Given the rapid buildup and enormous size of the employment effort, many supporters tended to minimize the seriousness of the programs' problems. But to many, CETA became a "four-letter word," and the program underwent significant changes in 1978.[64]

CETA's difficulties began at the level of program structure and management. Originally designed around a block grant, the administrative structure of the program was inevitably rather loose and experimental. Potential administrative difficulties were exacerbated by the rapid growth and changing character of the public employment program. With the addition of the Title VI program in 1974, the public employment effort became primarily a countercyclical instrument in which the highest priority was placed on the rapid implementation of the program. As late as 1977, the General Accounting Office found that few Labor Department resources had been invested in monitoring state and local compliance with requirements concerning maintenance of effort, transitional employment, and targeting.[65] Efforts to address these issues were sidetracked once again by renewed emphasis on rapid hiring under the economic stimulus package, which one source described as "conceived in haste and executed in chaos."[66] In short, rapid policy shifts plus on-again/off-again funding inherent in a countercyclical strategy exacerbated management difficulties at both the local and national levels and kept administration of CETA in a state of flux for much of its brief history.

Substitution

Among specific problems plaguing the public employment program, none has been more serious than the allegations of widespread substitution—the use of federally funded PSE workers to displace those properly belonging on the local payroll. Large-scale substitution seriously undermines the objective of public employment by lessening the net increase in jobs, turning the program into one of fiscal relief for local governments. Consequently, the law has required "maintenance of effort" on the part of recipients. But displacement is inherently difficult to assess because it involves more than simply laying off current workers and rehiring or replacing them under CETA. Substitution may also be involved if governmental employment continues to grow but at a slower rate than would have occurred without PSE. Other potential causes of this displacement of growth, however, must also be considered, such as slowing economic growth, fiscal stress, etc. Conversely, if a prime sponsor is hard pressed financially, it may not be considered substitution if CETA workers replace city workers whose jobs would have gone unreplaced otherwise.

Given these difficulties of assessment, estimates of substitution have varied enormously. Some early studies proposed that over time, substitution could become almost total.[67] Such estimates seemed vindicated by reports that cities were laying off workers and rehiring them under CETA,[68] and that large portions of some city departments were composed of CETA workers.[69] In fact, it has been reported that some recipients sought to "embed CETA so deeply in their revenue structure that it would be difficult to extract."[70] Such reports caused great concern in Congress and undercut support for the program.

Recent large-scale and careful studies of CETA's public employment programs have helped to provide more complete evidence on substitution and to place the problem in better perspective. In 1978 a report sponsored by the National Academy of Sciences estimated that roughly two-thirds of CETA jobs were net additions to state and local employment, while approximately one-third constituted substitution.[71] The study found that substitution starts low in the beginning of a PSE program, begins to increase after several months of operation, and then tends to level off. It was also found that local communities tended to vary in the degree of substitution. Public jobs programs produced little net employment gain in cities under extreme fiscal pressure, although not all of this effect represents substitution since fiscal problems would have necessitated some uncompensated layoffs.[72] The study concluded that subtle displacement, in the form of smaller than expected employment growth, is most "difficult to deal with," and that the Labor Department would have to "vastly" increase its monitoring to effectively police maintenance of effort.[73]

In a largely similar vein, a 1979 study performed under contract by the Brookings Institution concluded that the displacement effects of public employment were "much lower than had been previously assumed."[74] In this report and in a preliminary study, substitution was found to equal 22% and 21%, respectively.[75] Like Mirengoff and Rindler, the

Brookings study found that substitution varied among prime sponsors, with the highest levels of displacement occurring in distressed cities (31%).[76] It also found that most displacement occurred through deferred hiring and slower employment growth, not through layoffs.[77]

Other Issues

Another focus of concern about CETA involved the misuse of federal funds. Typical of popularized accounts, one article alleged that CETA "wasted billions" and was beset with "widespread fraud and abuse."[78] By 1977, 64 indictments for the misuse of federal funds had been delivered in 15 cities, and CETA-funded patronage jobs were uncovered in several places.[79] A 1977 report by GAO also reported limited cases of patronage hiring under PSE.[80] On the other hand, Mirengoff and Rindler report that overt political influence over the use of CETA jobs was rarely found in their study.[81] In fact, given the enormous size and rapid expansion of PSE, program defenders have tended to excuse the program's record in this regard. As one Labor Department official explained,

> CETA was just barely getting under steam when it was saddled with multibillion dollar programs for countercyclical employment. I'm pleased it survived and works as well as it does. It had the potential to be the worst scandal since Teapot Dome, and that hasn't happened. These headlines are nothing compared with the potential in that situation.[82]

The characteristics of participants enrolled in public employment have been another area of controversy. PSE workers have been predominantly white, male, high school graduates who were unemployed prior to participation in the program.[83] Prime sponsors tended to hire the better qualified applicants in the public employment programs and direct those less qualified to training programs under Title I.[84] Such tendencies provoked considerable criticism within Congress and from others. Language in the CETA act encouraged that preferential consideration for employment be given to the economically disadvantaged and to the long-term unemployed. But this tended to conflict with the countercyclical objective of rapidly hiring the unemployed and with the natural incentive of local sponsors to hire the best qualified applicants.

In 1976 Congress required that new participants in Title VI projects come from low income households or be long-term unemployed. These provisions were demonstrating a substantial effect on program participants by 1977, and proportions of women and blacks were also beginning to rise.[85] Significantly, these changes in the countercyclical program had the effect of giving Title VI a larger proportion of disadvantaged participants than had the Title II program, which supposedly was a more structurally oriented program. Until this point, however, relatively few differences existed in the participants of these two programs, leading some to maintain that they were largely interchangeable.[86]

Program effectiveness constituted a final subject of concern about the PSE programs. Despite the original objective that public employment serve as a transition to nonsubsidized work, transition has "not been an important local objective."[87] Moreover, little training has been provided to public employment participants.[88] Unfortunately, efforts to restrict substitution—by placing PSE participants in distinct public employment "projects" separate from regular governmental operations—tended to hamper the transition of workers into regular governmental employment.[89] Consequently, placement of public employment participants into subsequent full-time employment tended to be rare. In 1976 the placement rate for both Title II and Title VI was roughly 30%.[90] Mirengoff and Rindler found that only about one-third of the prime sponsors studied were taking "job development" steps and that this was even lower in the cities.[91]

Program Alterations

Many of these problems were addressed during the reauthorization of CETA in 1978, at which time significant changes were made in the program. The legislative reforms did not solve all of CETA's problems. Many of these same difficulties were acknowledged by the Labor Department in a "white paper" issued in 1979.[92] And certain difficulties may be unavoidable due to inherently conflicting goals in the program. For example, effective countercyclical policy can be made more difficult by structural objectives, like strictly targeting funds on the disadvantaged or on distressed localities. Efforts to restrict substitution may conflict with efforts to enhance participant transition to private employment, while stricter federal oversight undermines local flexibility and decisionmaking. Despite such tradeoffs, major efforts were made in 1978 to restrict local substitution and improve federal monitoring, to enhance the targeting of public employment jobs on the disadvantaged and to improve the links between public employment and manpower training.

These latter goals were all supported by the Carter Administration in 1978. In February the President proposed a four-year renewal of CETA, with participation limited to individuals from low income families. A new structural employment and training title was advocated which would combine the Title I block grant with the Title II employment program. The size of the Title VI countercyclical program was to be determined by a trigger formula responding to the national rate of unemployment, and special temporary projects were advocated at the local level to limit substitution.[93]

Similar proposals, with varying details, advanced on Capitol Hill. The Senate agreed to establish a new structural employment title, but funding for public employment was to be distributed through a separate formula and eligibility was to be more tightly restricted to the disadvantaged. The trigger mechanism for determining the countercyclical program's size was rejected, but PSE employment was limited to special short-term projects, length of participation was limited, and wages were restricted. Despite complaints by some Senators that PSE was "grossly inefficient" and "ill-conceived," the legislation passed by a wide margin after additional amendments to tighter federal monitoring and limit substitution were adopted.[94]

CETA renewal faced a much more difficult reception in the House. The Education and Labor Committee made several limited modifications roughly similar to those made in the Senate, but the general sentiment of the House was far more antagonistic. This had been hinted at early in the year when the Budget Committee narrowly defeated a $600 million reduction in PSE spending. The committee approved a higher budget but noted that it "does not endorse" the administration of the program.[95] This hesitance blossomed into full-scale attack when the CETA legislation reached the House floor. Despite committee approved provisions to tighten eligibility requirements and to enhance Labor Department authority to investigate abuse and withhold and recover misused funds, the legislation confronted "widespread hostility to CETA public service employment."[96] *Congressional Quarterly* reported that,

> Sentiment in the House was so strongly aroused by the continuing reports of fraud and abuse in CETA programs that the bill seemed at one point in danger of being killed, or gutted.[97]

In spite of "strenuous efforts . . . of House members and intensive lobbying by unions and local governments officials," the House cut $1 billion from the Title VI budget and placed severe salary limits on PSE jobs.[98] To rebuild support, the legislation had to be withdrawn from floor consideration. It was easily approved a month later after a "delicately balanced compromise" was agreed to, including a cut of 100,000 jobs slots.

The final legislation modified these House alterations but left significant changes in the legislation. Included were provisions to

- give the Labor Secretary more authority to uncover fraud and withhold funds;
- limit individual participation in PSE programs to one and one-half years over any five-year span;
- restrict maximum CETA wages to $10,000 per year ($12,000 in high cost areas) and hold average wages to $7,200;
- limit Title VI eligibility to the long-term unemployed or to low income individuals;
- place half of all Title VI workers in special temporary work projects; and
- require that 5% of Title VI funds be spent on job training for participants.[99]

Subsequent Developments

The reductions and restrictions in the CETA program indicated that the period of rapid growth in PSE and countercyclical programs had ended. Other Congressional actions have reinforced this reversal of program expansion. Congress failed to renew the Local Public Works Program in 1978, although large-scale funding continued afterward due to prior contracts and commitments. The ARFA program was also not renewed, and despite Carter Administration backing, continued efforts to reauthorize the program on a modest scale have failed. Finally, the PSE programs are being targeted for further reduction in funding as part of Administration and Congressional efforts to balance the budget. The Carter Administration proposed cutting 50,000 slots from the Title VI jobs program, reducing its size to 150,000. The

Senate Budget Committee proposed eliminating Title VI entirely.[100] By limiting its attractiveness to participants and local governments alike, the 1978 restrictions on public employment have worked to keep PSE participation below its authorized levels. Consequently, local sponsors have appeared willing to accept these proposed cuts. One lobbyist was quoted as noting that: "There's nobody out there pushing to hold on to Title VI."[101]

A DILUTED INITIATIVE: THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1978

The *Humphrey-Hawkins Full Employment Act* began as a major new federal commitment to full employment, public jobs and economic planning. After four years of debate and amendment, it passed in 1978 in largely symbolic form. The act retained some significant aspects, but its objectives and administrative instruments had been greatly compromised. As such, it was a further indication of slowing innovation in employment policy.

The legislation was originally introduced by Rep. Augustus Hawkins (D-CA) in June 1974.[102] Sen. Hubert Humphrey sponsored it in the Senate later that year. In order to publicize it, Humphrey held extensive hearings on the bill before the Joint Economic Committee in 1975.[103] At this stage, the legislation proposed the establishment of new machinery for economic planning and new programs for employment. Specifically, it required the President to submit an annual "Full Employment and Balanced Growth Plan" with numerical goals on employment; it required that the federal budget be consistent with these goals and that structural and countercyclical programs be used to achieve them—including a "reservoir" of low paying jobs to fill any remaining gaps.[104] As Humphrey described it, the bill was "not just another measure for dealing with employment, unemployment . . . and subemployment:"

> It provides machinery for integrating *all* of the many measures, policies and programs that bear directly or indirectly on the level and quality of employment . . . . The proposed bill provides much more than abstract, formal machinery for democratic, nationwide and decentralized planning. It is a job guarantee measure. It is this element of *guarantee* . . . that can make the right to job opportunities a reality instead of a vague ideal.[105]

The legislation was premised on the failure of prior employment legislation to achieve full employment. In particular, it was aimed at rectifying deficiencies in the *Employment Act of 1946*. As one critic put it,

> The nature of the commitment to full employment assumed by the federal government on behalf of all its citizens is unbelievably vague. The [*Employment Act*] does not create an individual right . . . . Experience with the procedure outlined in [it] has revealed its shortcomings . . . . [It] has never produced maximum employment.[106]

Accordingly, the legislation constituted a significant departure from existing policy and came under vigorous attack. President Ford called it an "election year boondoggle" and "economic planning on a national scale unprecedented in all our history."[107] It failed to pass the House in 1976 or to get out of Senate committee. Business groups were strongly opposed to the measure.[108] Many Democrats were uncertain about it, economists were concerned by the bill, and candidate Carter was ambivalent.

Many of these difficulties continued into 1977, despite President Carter's election and his support for an economic stimulus program. Many in the Administration believed that the legislation was too inflexible and costly. Even some original supporters opposed provisions guaranteeing jobs and establishing a legal right to sue for one.[109] Such resistance led to negotiations between the Carter Administration and Congressional proponents of Humphrey-Hawkins during the summer of 1977, culminating in the submission of a revised bill supported by both parties. The new legislation no longer guaranteed everyone a job; the requirements for specific job programs were relaxed; the bill's anti-inflation language was enhanced; and the separate Presidential message on full employment was eliminated. The revised bill was immediately attacked in the media as hollow symbolism, yet only a watered-down version of the new proposal passed Congress in 1978 following strenuous debate.

Congressional Passage

Congressional action on the revised legislation began in the House. The Education and Labor Committee reported the bill on February 22, 1978.[110] The centerpiece of the bill was the establishment of a full employment goal of 4%, to be attained within five years. Price restraint was included as another important objective of the legislation, but Republican efforts to add similar numerical goals for inflation were rejected in committee as detracting from the full employment aim. Following strenuous lobbying by labor and minority groups, a similar inflation target was very narrowly defeated on the House floor, as were amendments requiring a balanced budget and a more restrictive definition of unemployment. However, "Christmas tree" amendments were included in the bill calling for 100% of farm parity, aid to small business, flexible working hours, and other matters. The final bill was approved on a party line vote of 257-152.[111]

More serious difficulties were encountered in the Senate. To begin with, the legislation had to be considered by two separate committees. It quickly breezed through the Human Resources Committee, but it was seriously amended by the Senate Banking Committee. A goal of attaining 0% inflation was added, as were goals for balancing the budget, limiting federal spending to 20% of the GNP, and allowing the President to modify the 4% unemployment target. Negotiations between the two committees on a joint report lasted two months. Even then, the legislation was held off the Senate floor for fear of a conservative filibuster toward the end of the session. The way for floor consideration was cleared only after negotiations with conservative opponents. According to *Congressional Quarterly*,

> The shape of the final bill was determined by an "ad hoc" committee, composed of the bill's managers and some of its most outspoken opponents. . . . Some type of compromise became essential when it became clear that there was not enough time to break a threatened conservative filibuster.[112]

By this point, some were calling the bill the Humphrey-Hawkins-Hatch (R-UT) bill after its conservative opponent.

The compromise goals of 3% inflation by 1983 and 0% by 1988 were retained on the Senate floor. However, the GNP spending cap and the balanced budget language were relaxed. "Eleventh-hour efforts" were required to rescue organized labor's "only remaining hope for a major legislative victory in 1978."[113] To clear the bill before recess, the House approved the Senate amendments on October 15, and the President signed it two weeks later.[114]

The final legislation retained the national policy goals of 4% unemployment, required the President to report annually on plans to achieve this goal—including use of "appropriate" job programs such as "reservoir" jobs—and it retained measures to enhance the coordination of economic policy. Because of this, some supporters considered it a "major victory and an important first step in the struggle for full employment."[115] However, the full employment goal was compromised by numerous competing goals, including specific numerical targets on inflation that supporters had earlier considered "fatal." Moreover, the earlier comprehensive proposal for economic planning and guaranteed employment was long since forgotten. "A small symbolic step," was the final judgement rendered on the *Full Employment and Balanced Growth Act* by the AFL-CIO.[116]

FOOTNOTES

[1]Howard Hallman, *Emergency Employment: A Study in Federalism*, University, AL, University of Alabama Press, 1977, p. 7. The temporary public works acceleration bill passed in 1962 also had its origins in legislation first proposed by Sen. Clark in 1961. See Gary Orfield, *Congressional Power: Congress and Social Change*, New York, NY, Harcourt Brace Jovanovich, 1975, p. 194.

[2]James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years*, Washington, DC, The Brookings Institution, 1968, pp. 141, 142.

[3]*Ibid.*, pp. 142, 144.

[4]For more details on these, see Hallman, p. 8, and Orfield, pp. 196-97.

[5]Garth Mangum, *The Emergence of Manpower Policy*, New York, NY, Holt, Rinehart Winston, 1969, pp. 73, 74.

[6]Orfield, pp. 199-201, and Hallman, p. 9. A former staff member of the Senate Employment Subcommittee, William Spring, provides some additional insights into Congressional sentiment on this legislation in "Congress and Public Service Employment," in Harold Sheppard, ed., *The Political Economy of Public Service Employment*, Lexington, MA, D.C. Heath, & Co., 1972, pp. 135-37.

[7]*Ibid.*, p. 201.

[8]National Commission on Technology, Automation, and Economic Progress, *Technology and the American Economy*, Washington, DC, U.S. Government Printing Office, 1966, p. 102.

[9]*The Report of the National Advisory Commission in Civil Disorders*, Washington, DC, U.S. Government Printing Office, 1968.

[10]Roger H. Davidson, *Coalition-Building for Depressed Areas*, Inter-University Case Program #103, Indianapolis, IN, Bobbs-Merrill, Co., Inc., 1966, p. 67.

[11]Orfield, p. 219.

[12]Hallman, p. 40.

[13]*Ibid.*, p. 42.

[14]*Ibid.*, p. 43.

[15]Orfield, p. 248.

[16]William Kolberg, *Developing Manpower Legislation: A Personal Chronicle,* Washington, DC, The National Academy of Sciences, 1978, p. 50. Much of this section draws heavily on his account.
[17]James Singer, "Labor Report: Public Employment Program Challenges States, Cities, Counties," *National Journal,* Jan. 11, 1975, p. 53.
[18]Kolberg, p. 65.
[19]P.L. 93-567.
[20]Report of the Senate Committee on Labor and Public Welfare, 93-1327, as quoted in *Congressional Quarterly Almanac, 1974,* Washington, DC, p. 266.
[21]Quoted in Singer, p. 57.
[22]James Singer, "Employment Report: Congress Eyes Changes in Public Service Jobs Program," *National Journal,* May 24, 1975, pp. 769-72.
[23]James Singer, "Employment Report: Public Works are Debated as Solution to Job Shortage," *National Journal,* June 21, 1975, p. 939.
[24]Quoted in *ibid.*
[25]For details on the development and passage of the APW, see Sundquist, pp. 92-97.
[26]*Ibid.*, p. 97.
[27]Curtis Martin and Robert Leone, *Local Economic Development*, Lexington, MA, D.C. Heath, 1977, p. 72.
[28]Singer, "Public Works are Debated," p. 939.
[29]For more on this, see Orfield, pp. 233-39.
[30]*Ibid.*, p. 237.
[31]Singer, "Public Works are Debated," pp. 939-40.
[32]*Congressional Quarterly Almanac,* 1974, Washington, DC, p. 267.
[33]Singer, "Public Works are Debated," p. 940.
[34]*Congressional Quarterly Alamanac,* 1975, Washington, DC, p. 155.
[35]Singer, "Public Works are Debated," p. 943.
[36]*Ibid.*, p. 940; and Kolberg, p. 64.
[37]*Congressional Quarterly Almanac,* 1975, p. 156.
[38]*Ibid.*, p. 155.
[39]*Ibid.*, pp. 153-54.
[40]*Congressional Quarterly Almanac,* 1976, Washington, DC, p. 69.
[41]*Ibid.*
[42]*Ibid.*, p. 68.
[43]*Ibid.*, p. 69.
[44]*Ibid.*, p. 71.
[45]*Ibid.*, p. 74.
[46]Sen. Pete Domenici (R-NM), quoted in *ibid.*
[47]Rep. James Wright, quoted in *ibid.*
[48]*Ibid.*, p. 365.
[49]Congressional Budget Office, *Temporary Measures to Stimulate Employment: An Evaluation of Some Alternatives,* Washington, DC, U.S. Government Printing Office, 1975, p.v.
[50]Kolberg, p. 73.
[51]*Ibid.*
[52]*Congressional Quarterly Almanac,* 1976, p. 364.
[53]*Ibid.*, p. 368.
[54]*Ibid.*, p. 369.
[55]Kolberg, pp. 83-84.
[56]*Ibid.*, p. 85.
[57]P.L. 94-444.
[58]James Singer, "Carter's First Big Job—Getting People Back to Work," *National Journal,* December 25, 1976, p. 1794.
[59]*Ibid.*, p. 1795.
[60]*Ibid.*, p. 1798.
[61]*Congressional Quarterly Almanac,* 1977, Washington, DC, p. 98.
[62]Quoted in James Singer, "Congress, Carter Getting to Work on Putting People Back to Work," *National Journal,* February 12, 1977, p. 245.
[63]*1977 Congressional Quarterly Almanac,* p. 112.
[64]Juan Cameron, "How CETA Came to be a Four-Letter Word," *Fortune,* April 9, 1979, p. 112.
[65]Comptroller General, *More Benefits to Jobless Can Be Attained in Public Service Employment,* Washington, DC, U.S. General Accounting Office, 1977.
[66]Carol Easton, "The CETA Saga," *The Grantsmanship Center News,* September-December 1978, p. 27.
[67]George Johnson and James Tomola, "The Fiscal Substitution Effect of Alternate Approaches to Public Service Employment Policy," *The Journal of Human Resources,* Winter 1977, pp. 3-26.
[68]Comptroller General, *Using Comprehensive Employment and Training Act Funds to Rehire Laid-Off Employees in Toledo, Ohio,* Washington, DC, U.S. General Accounting Office, 1976.
[69]Roger Wilkins, "New Look at Parks Department: Some Progress, Some Problems," *The New York Times,* Sept. 7, 1979, p. D17. This article reported that 50% of New York parks personnel were CETA employees.
[70]William Mirengoff and Lester Rindler, *CETA: Manpower Programs Under Local Control,* Washington, DC, National Academy of Sciences, 1978, p. 162.
[71]*Ibid.*, p. 180.
[72]*Ibid.*, pp. 183, 184.
[73]*Ibid.*, pp. 188, 189.
[74]National Commission for Manpower Policy, *Monitoring the Public Service Employment Program: The Second Round, Special Report No. 32,* Washington, DC, U.S. Government Printing Office, 1979, p. 18.
[75]*Ibid.*, p. 17.
[76]*Ibid.*, p. ii.
[77]*Ibid.*, p. 49.
[78]Cameron, p. 112.
[79]*Ibid.*, p. 113.
[80]Comptroller General, *More Benefits to Jobless Can Be Attained,* p. 63.
[81]Mirengoff and Rindler, p. 172.
[82]Interview with William Langbehn, August 15, 1978.
[83]Mirengoff and Rindler, p. 204.
[84]*Ibid.*, p. 171.
[85]*Ibid.*, p. 204.
[86]Comptroller General, *More Benefits to Jobless Can Be Attained,* p. 37.
[87]National Commission for Manpower Policy, p. 97.
[88] *Ibid.*, p. 90.
[89]Mirengoff and Rindler, p. 191.
[90]*Ibid.*, p. 232.
[91]*Ibid.*, p. 233.
[92]Philip Shabecoff, "Reforms Promised for Job Programs," *The New York Times,* February 2, 1979, p. A10.
[93]"Comprehensive Employment and Training Act Extension, Message to the Congress," *Public Papers of the Presidents of the United States, the Administration of Jimmy Carter, 1978,* Washington, DC, U.S. Government Printing Office, 1979, pp. 390-93.
[94]*Congressional Quarterly Almanac, 1978,* Washington, DC, p. 295.
[95]*Ibid.*, p. 290.
[96]*Ibid.*, p. 296.
[97]*Ibid.*
[98]*Ibid.*, p. 297.
[99]P.L. 95-525.
[100]Harrison Donnelly and Elizabeth Wehr, "Lobbyists Struggle to Hold Down Losses in Federal Funding of Social Programs," *Congressional Quarterly Report,* May 12, 1980, p. 948.
[101]*Ibid.*
[102]*Congressional Quarterly Almanac,* 1976, p. 371.
[103]*Ibid.*
[104]*Ibid.*, p. 372.

[105]Hubert Humphrey, "Guaranteed Jobs for Human Rights," *The Annals of the American Academy of Political and Social Science*, 418, March 1975, p. 21. Original emphasis.

[106]Moses Lukaczer, "The Idea of Full Employment," *Civil Rights Digest*, 8, Winter/Spring 1976, p. 16.

[107]James Singer, "The Humphrey-Hawkins Bill—Boondoggle or Economic Blessing," *National Journal*, August 24, 1976, p. 812.

[108]"Putting Americans to Work," *The Christian Science Monitor*, November 16, 1977, reprinted in *Congressional Record*, December 6, 1977, p. S19315.

[109]James Singer, "The Latest Humphrey-Hawkins Bill—What Hasn't Changed is the Name," *National Journal*, December 10, 1977, p. 1930.

[110]Details on the legislative consideration of the bill are derived primarily from *Congressional Quarterly Almanac*, 1978, pp. 272-79.

[111]*Ibid*., p. 275.

[112]*Ibid*., p. 278.

[113]*Ibid*., p. 272.

[114]P.L. 95-523.

[115]Coretta Scott King, quoted in *ibid*.

[116]Quoted in *ibid*.

Chapter 8

The Dynamics of Federal Involvement in Unemployment Policy: An Overview

POLITICAL ACTORS AND PROCESSES

Many different actors in American politics have played important roles in the development or maintenance of at least one of the employment and training programs examined in this study. More so than in most other policy areas, political parties, the President, Congress, the bureaucracy, the general electorate, and various interest groups have each exerted a noteworthy impact on unemployment policy at some point. In part, this reflects the broad range of activities that is encompassed within this policy sphere. It also reflects the importance and visibility of economic policy and the comparatively long history of federal involvement in the field.

One of the most prominent roles in the development of employment and training policy has been played by political parties—and the Democratic party in particular. Democrats have consistently exerted leadership over most manpower issues since the New Deal. To be sure, American parties are broad and loosely structured, especially in the Congress where unanimity is exceptional. Some moderate and liberal Republicans, like Jacob Javits, have also been active proponents of new manpower initiatives at times. Job and training programs like MDTA and comprehensive manpower reform had long histories of bipartisan support, while many southern Democrats have been unwilling to endorse certain programs. Nevertheless, federal unemployment policy has been predominantly Democratic in origin, and conflict over the role of government in the management of the economy and promotion of employment has divided the parties since the 1930s. In the words of Richard Dawson,

> Differences in policy opinions between supporters of the two parties are greatest on the traditional economic welfare type issues . . . . [This] fact . . . is not unexpected. The party system that has been in operation for the past few decades was formed . . . around the issues of social welfare and regulation of industry and the economy. The leaders of the Democratic party have been more apt to support the development and extension of welfare state type programs, and the party has drawn the bulk of its support from groups that have tended to support such programs. . . . It has largely been around the issues of economic security and industrial regulation that Democratic and Republican party leaders have been able to hold their supporters together and to do electoral battle.[1]

Thus, a Democratic President and Congress formulated and instituted the programs of the New Deal. Democratic activists in the Senate led the way on the *Employment Act of 1946,* and in the 1950s they also proposed measures like the *Area Redevelopment Act,* a Youth Conservation Corps, and manpower training programs. The latter proposals gained the support of the Kennedy Administration when it assumed office in 1961. President Johnson's Administration developed the War on Poverty and pushed it through Congress in "a singularly partisan fashion."[2] Democrats in Congress were the driving force behind the public works and employment programs of the 1970s. Lastly, they formulated and won passage of a modified Humphrey-Hawkins full employment bill which represents a symbolic crown to 40 years of partisan initiatives on the economy.

If mainstream Democratic leadership on training and employment programs is unambiguous, Republican behavior on these issues has been somewhat more complex. At times, Republican leaders have vigorously opposed employment programs, including various New Deal measures, the ARA, the War on Poverty, Public Works, and PSE. Yet, at other times, Republicans have followed Democratic leadership or acceded to initiatives in a modified form. The *Employment Act,* the MDTA, and CETA's employment titles are examples of this pattern.

Public employment stands out as an example of Republican ambivalence on the issue of expanding federal involvement in manpower policy. The Nixon Administration originally opposed establishment of a separate PSE program, vetoed the comprehensive reform bill of 1970 for its inclusion of "dead end jobs in the private sector," excluded PSE from the Manpower Revenue Sharing proposal, and vetoed a public works bill in 1971. President Ford vetoed public works and public jobs legislation several times. Yet such opposition was never total nor thoroughly consistent. From the beginning, PSE was accepted as an eligible activity at the local level under a manpower block grant. A separate "transitional" employment program was accepted as a part of the 1970 compromise bill developed in the House and again under CETA. The *Emergency Employment Act* was eventually signed by President Nixon, who also proposed a major "workfare" program as a principal component of welfare reform. Countercyclical employment was proposed by, and expanded under President Ford.

This process of gradual—and often not so gradual—accommodation to the growing federal manpower role appears to vindicate James Q. Wilson's observations on the breakdown of ideological opposition to federal growth. Wilson argues that growth occurs through a cumulative process of legitimation:

> Until very recently, the chief issue in any Congressional argument over new policies was whether it was legitimate for the federal government to do something at all . . . . But once the initial law is passed, the issue of legitimacy disappears . . . . Political conflict [then] takes a very different form. New programs need not await the advent of a crisis or an extraordinary majority, because no program is any longer "new"—it is seen, rather, as an extension, a modification, or enlargement of something the government is already doing.[3]

In the case of public employment, the "legitimacy barrier" was first stretched by work experience programs in the 1960s and then broken by transitional employment. Once this was passed, debate over public employment focused on the form, length, and size of subsequent public jobs efforts but not on the question of government jobs itself.

Another very broad process propelling increased federal involvement in employment and training policy might be termed the "onion-skin" effect. As new programs and strategies were developed over time to "peel away" one layer of employment problems, new and more intractable layers of unemployment would be discovered within. This discovery, in turn, spurred the search for additional new initiatives and approaches. Garth Mangum described the operation of this process as follows:

> Each success in reducing unemployment only revealed a more intransigent employment problem, leaving the search for solutions no less intense as the end of the sixties neared than it had been at their beginning, despite reduction of overall unemployment.[4]

Of course, the processes of federal growth described by Wilson and Mangum are very general, encompassing a range of behavior on the part of various political actors. The role of the parties has already been described, although parties, too, encompass a variety of different institutions. Among the critical roles played by other institutional actors in the development of manpower policy, none has surpassed that performed by legislative entrepreneurs. Political scientist David Price defines Congressional policy entrepreneurs as those members recognized for "stimulating more than . . . responding" to outside political forces.[5] A host of employment programs analyzed in this chapter owe their formulation and much of their orchestrated support to the determined efforts of such legislative activists. Unemployment insurance, the Wagner Act, the *Employment Act of 1946,* the ARA, the MDTA, the Youth Conservation Corps, public service employment, and the Humphrey-Hawkins full employment act are inextricably associated with a tally of legislators like Robert Wagner, Paul Douglas, Joseph Clark, and Hubert Humphrey, among others. Certainly, Presidents have sought at times to capture leadership of several of these programs, and Congressional leaders have become involved in many also, especially in the difficult task of coalition building. Presidential leadership stood out in the initial War on Poverty and in many measures of expansionary fiscal policy. One could expect no less in an area like economic policy which is "among the two or three major issues in Presidential politics."[6] But it is this matter of presumed executive leadership which makes the prominence of Senatorial activists in the realm of employment and training policy all the more significant. In the words of Gary Orfield,

> *The striking fact in recent political history* is the degree to which Congress has dominated the shaping of policies in the manpower field. Nowhere is Congressional initiative more unambiguously clear than in the contemporary development of the idea of government as the employer of last resort.[7]

This critical Congressional role helps to explain much about the nature of manpower policy. Its contours reflect, in large part, the structure of Congressional incentives. This is evident in both the tendency to distribute funds broadly and in the proliferation of narrowly focused categorical programs. Many programs, like Area Redevelopment and Economic Development, won passage through the widespread dispersion of funds. This aspect of Congressional coalition building was also apparent in Congressional resistance to more strictly targeted public employment programs. Likewise, Congressional organization and behavior have tended to favor the enactment of numerous categorical manpower programs. Many have identified the general tendency of Congress to favor limited-purpose grants. In the words of one Congressional observer,

> Across policy areas generally the programmatic mainstay of Congressmen is the categorical grant. In fact, the categorical grant is for modern Democratic Congresses what rivers and harbors and the tariff were for pre-New Deal Republican Congresses. It supplies goods in small manipulable packets.[8]

Besides applicability to narrow constituencies, categorical programs also correspond to the organization of Congress in committees, to the limited resources of legislative entrepreneurs, and to certain patterns of coalition building. Accordingly, the employment and training field was characterized for many years by the accumulation of categorical programs.[9] After a long and arduous struggle, many of the manpower programs created in the 1960s were successfully consolidated in the *Comprehensive Employment and Training Act.* Yet, since that time, the forces that promoted categorization in the first place have reasserted themselves, producing steady pressure to recategorize manpower programs. According to Mirengoff and Rindler,

> What started out to be . . . a relatively simple block grant program . . . has gradu-

ally become more complex and specialized as the nation has attempted to deal with a recession longer and deeper than any since the Depression. What is unfolding is a trend towards establishing discrete national programs as the federal government sets new national objectives to meet emerging needs. Inherent in this process is a larger degree of national control in determining categories of clients to be served and in specifying the kinds of services to be provided.[10]

Congress has not been the only actor promoting a categorical approach to employment and training policy, however. The extraordinary complexity of this policy environment has contributed to this result as well. "Program fragmentation," writes Roger Davidson, "is a product . . . fundamentally of the manner in which policies are formulated and sustained in a pluralist political system."[11] As previously noted, a greater range of political actors has participated in the making of manpower policy, at least at some point, than has generally been the case in other policy fields. With the involvement of so many separate actors and interests on different pieces of legislation, programs have tended to be shaped by distinctive constellations of influence, a process which has reinforced the fragmentation of policy. In addition to the actors already discussed, several bureaucratic agencies helped to mold the basic outlines of the programs incorporated into the *Economic Opportunity Act*. And the Department of Labor was responsible for formulation of the Nixon Administration's first reform proposal, the "Manpower Training Act."

Interest groups have also had a measurable impact on certain programs studied in this chapter. Conservative, business, and labor groups were active in the struggle over passage of the 1946 *Employment Act*. The vocational education lobby exerted a significant influence over aspects of the MDTA in 1962. And labor played an important role in deliberations over CETA and the fight for public jobs.[12] More important, perhaps, has been the growth of interest group influence *after* the enactment of many manpower programs rather than before. This pattern was established as early as 1937 with the development of the Interstate Conference of Employment Security Agencies.[13] Although sources agree that interest groups played very little role in the establishment and passage of the poverty program, they sprang up in profusion around the programs following enactment. State and local governments became involved in manpower policy during the 1970s through a similar process. Their organized influence in this area developed largely in response to federal funding received through the CAMPS program. As one Labor Department official remarked confidentially during an interview,

> Probably the strongest interest groups have been the PIGs [Public Interest Groups], and that was sort of creating our own Frankenstein. We had used them in the voluntary CAMPS program. We'd give them funds to hire planning staffs and this built up a strong infrastructure. We also had policy assistance contracts with the various PIGs to provide a mechanism for educating and sensitizing officials on the new initiative. So yes, we were creating constituency and an adversary group prior to CETA.

One effect of this process of constituency building has been to make program growth primarily a one-way process. Once established, programs became extremely difficult to turn off or reduce. This "ratchet effect" was demonstrated during Congressional debate over reauthorization of the poverty program in the late 1960s. Although the program had managed to antagonize many of its earlier supporters in Congress, many Mayors joined program beneficiaries to work to save it because it had created a need for itself.[14]

Enveloping these other actors in the political process has been the general electorate, which at crucial times has proved supportive of major new employment and training programs through elections and public opinion polls. As in most areas of public policy, popular opinion tends to say little about the details of manpower programs or to differentiate between alternative approaches. But it has tended to provide a positive environment for growth, ranging from diffuse support at most times to occasional demands to "do something" during periods of economic crisis. This was demonstrated clearly enough during the 1930s, of course. James L. Sundquist notes that it was evident again in the election of 1960:

> On domestic affairs the people had already rebuked the Republicans in 1954 and castigated them in 1958 . . . . The message was simply repeated in 1960 . . . . The clearest example was, of course, on unemployment. The people said, in their votes as in their

responses to survey questions, that they would not tolerate recessions. . . . They did not specify the means . . . that was for the experts to figure out. An exception was the *Area Redevelopment Act*: Kennedy had made the twice-vetoed bill the symbol of his promises to deal with unemployment, and the response from the depressed areas of the nation was decisive enough to comprise a mandate from those areas alone.[15]

Since that time, the most controversial issue of manpower policy has been public employment, and popular support for this policy has been undeniable, through somewhat mixed of late. At the height of the recession in 1975, one study found 64% of the population in favor of a "government sponsored job guarantee for all," with 26% opposed.[16] In 1977 a *New York Times* poll found twice as many people preferred economic stimulus through job creation programs than through tax cuts—60% to 30%.[17] By 1978 this support for public jobs was still evident, although it was reduced in the face of rising prices and falling unemployment. A federal responsibility to provide everyone who wants one with a job was agreed to by 47% of the sample, while 43% disagreed.[18] Job training enjoyed more support, with 54% favoring federal responsibility compared with 36% opposed.[19] Among five different options to the problem of unemployment, a plurality favored government training and job programs over business incentives, tax cuts, and other alternatives.[20] Thus, even in a period of growing conservatism, generalized support continues to exist for many training and employment programs, although the level of backing appears to be declining along with slowing momentum for new initiatives or budget increases.

FORCES AND RATIONALES

Popular support for manpower programs during recessions suggests that underlying features in the economy may be a significant influence on the development of federal employment policy. Indeed, some observers have emphasized the relationship between economic forces and public policy to the point of oversimplification. *Congressional Quarterly* explained the rapid passage of the Title VI program in 1974 this way: "When the national jobless rate rose to 6.5%, Congress then acted quickly."[21] Similarly, Martin and Leone wrote that: "Congress, under recessionary pressures, has increasingly turned to public works as a remedy to cyclical problems."[22]

In fact, there clearly has been a relationship between employment policy and economic upheaval. This was demonstrated in the 1930s, the early 1960s, and the 1970s. In additon, civil disturbances in the 1960s helped to promote the maintenance of the poverty program, while World War II influenced economic policy in the 1940s and set the stage for consideration of the *Employment Act*. On a larger scale, long-term economic forces have also played a role. The rise of an urban industrial economy and its attendant problems is an obvious example. More recently, Garth Mangum has related the development of federal training programs to the growth of a post-industrial economy based increasingly on specialized skills:

> The conclusion that manpower policy has a permanent and growing place in U.S. public policy rests on a profound historical change: The primary source of individual income and wealth, which was once the ownership of real property and then came to be native wit and brawn, has increasingly become formally developed individual talents and skills.[23]

While such economic and social forces have registered an obvious impact on many manpower programs, no simple or direct process of causation is generally identifiable. Even in the clearest cases, economic forces have been mediated by the complex of institutional actors and processes discussed above. In additon, certain programs like the *Economic Opportunity Act* defy understanding by reference to outside forces of this kind. When this act was passed, a poor people's lobby did not yet exist and the unemployment rate was actually falling. In the case of PSE, the greatest increase in funding occurred considerably after unemployment had peaked in 1975.

If institutions have played a complex mediating role, so have abstract notions about the nature of employment problems. Over time, employment and training policy has evolved in conjunction with various different theories about the nature and causes of unemployment. Beginning with the *Employment Act of 1946*, postwar economic policy increasingly was tailored in accordance with Keynesian economic principles. This was explicitly the case with the tax cut of 1964 and with the countercyclical employment programs of the 1970s. Theories of structural unemployment developed in the late 1950s and early 1960s helped to shape and justify the manpower training programs of this era, while intellectual concern about residual poverty was one contributor to the development of the EOA. In each such instance, intellectual currents formed perceptual screens that influenced the way in which economic forces were interpreted in the shaping of public policy. The current loss of dynamism in the manpower field may have an intellectual root as well, reflecting the skepticism of evaluation methodology on the one hand and the paucity of new ideas for dealing with stagflation on the other. If anything, the current fashion in economic thinking points toward tax cuts and investment policies for alleviating unemployment and inflation, not to new manpower programs.

Constraints on Federal Involvement

Despite the enormous growth of manpower programs over the past 20 years, the outlines of policy have been shaped at many junctures by a series of constraints on federal action. Until the 1960s, the federal training and employment effort was relatively small. Massive programs for relief and employment had operated in the 1930s, of course, but almost all of these had been dissolved before the end of World War II. The only Great Depression program that survived intact and thrived was the employment security system. Not by coincidence, this was also the program that most attentively served the needs of the private economy. The operational components of the 1946 *Employment Act* were largely gutted during passage, resulting in a largely symbolic gesture and an institutional framework for economic policy advising. The ARA experienced a long and difficult battle over adoption in the 1950s, as did proposals for a Youth Conservation Corps. The MDTA represented the first major breakthrough in adult training policy. It did so by once again appealing to Republicans who saw skill training as a useful adjunct to the private sector. The War on Poverty was successfully rammed through Congress as part of the Great Society, but it inherited a legacy of political trouble from this fact. Finally, an arduous struggle was required before public employment was accepted as a tool in the modern federal economic arsenal.

Such strenuous efforts are a testament to the strength of the ideological constraints that confronted the expansion of federal employment efforts. New initiatives were frequently dependent on the added impetus of major economic stress for their success; witness the emergency relief programs of the Depression and the *Emergency Employment Act of 1971*. Political realignments and changes in the party balance in Congress assisted the passage of other programs. As noted earlier, however, once passed, most programs have been accepted and expanded. In part, this results from having crossed the threshold of legitimacy, and partly it represents a process institutionalizing support.

In addition to affecting the timing of enactments, political constraints have affected the structure and operation of manpower programs. This, too, was evident in Unemployment Insurance, which required a design that "would alienate the smallest number of people" to pass.[24] As a result, the UI system was made heavily contributory, was limited in scope and coverage, and was operated through a federal-state system rather than nationally. Similar constraints on most federal manpower programs have forced a reliance on intergovernmental grants and state/local program administration. Even the War on Poverty had to conform to the fundamental contours of American social values. It was, after all, entitled the *Economic Opportunity Act,* not the "Equality of Results Act" or something of that sort. As Bibby and Davidson pointed out, the Johnson Administration sold the program to Congress and the country as "consistent with the American tradition of local initiative, voluntarism and self-help."[25] Again, political constraints required that public employment programs begin as experimental efforts for transitional employment. Most training and employment programs originated from equally modest beginnings.

The ability of political constraints to mold the direction of federal policy may have been demonstrated most completely during the early 1960s. Mangum argues strongly that: "With the advantage of hindsight, the first order of business in 1961 was to increase the rate at which the economy was growing."[26] At the time, however, conservative opposition to a policy of overt Keynesianism put a general tax cut several years away. This placed structural approaches like the MDTA in a more favorable light as an alternative employment strategy more acceptable to Republicans.

The current mix of constraints on federal manpower efforts differs noticeably from the past. Momentum for new spending and program initiatives in the policy field apparently has peaked, but this does not appear to have resulted primarily from a resurgence of the conservative values that worked to slow progress on earlier programs. Instead, current constraints are largely budgetary in nature, as symbolized by public jobs reductions proposed in President Carter's revised 1981 budget. Furthermore, experience with several programs has proved disappointing to many, helping to reduce the hopeful enthusiasm that preceded most programs. A final constraint may be intellectual in nature, reflecting the relative absence of major new proposals in the area. In large part, the agenda of manpower proposals descending politically from the New Deal has been instituted. Few innovations from that heritage still remain waiting in the wings.

FOOTNOTES

[1] Richard Dawson, *Public Opinion and Contemporary Disarray,* New York, NY, Harper and Row, 1973, pp. 161, 164.

[2] James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years,* Washington, DC, The Brookings Institution, 1968, p. 151.

[3] James Q. Wilson, "American Politics, Then and Now," *Commentary*, February 1979, p. 41.

[4] Garth Mangum, *The Emergence of Manpower Policy,* New York, NY, Holt, Rinehart and Winston, 1969, p. 35.

[5] David Price, *Who Makes the Laws?*, Cambridge, MA, Schenkman Publishing Co., 1972, p. 297.

[6] Thomas Cronin, *The State of the Presidency,* Boston, MA, Little, Brown & Co., 1975, p. 15.

[7] Gary Orfield, *Congressional Power: Congress and Social Change,* New York, NY, Harcourt Brace Jovanovich, Inc., 1975, p. 191.

[8] David Mayhew, *Congress: The Electoral Connection,* New Haven, CT, Yale University Press, 1974, p. 129.

[9] By one count, there were 17 such programs by the late 1960s. ACIR, *The Comprehensive Employment and Training Act: Early Readings From A Hybrid Block Grant,* A-58, Washington, DC, U.S. Government Printing Office, 1977, p. 5.

[10] William Mirengoff and Lester Rindler, *CETA: Manpower Programs Under Local Control,* Washington, DC, National Academy of Sciences, 1978, pp. 198-99.

[11] Roger Davidson, *The Politics of Comprehensive Manpower Legislation,* Baltimore, MD, The Johns Hopkins University Press, 1972, p. 7.

[12] The former counsel to the Senate Employment Subcommittee states that, "If I were to rank groups in 1973 in terms of their influence [on CETA], I would put the AFL-CIO first with their main interest in jobs." Interview with Richard Johnson, December 14, 1978. Richard Fenno describes in detail the close relations between organized labor and members of the House Labor Subcommittee in *Congressmen in Committees,* Boston, MA, Little, Brown & Co., 1973, pp. 31-34.

[13] Stanley Ruttenberg and Jocelyn Gutchess, *The Federal-State Employment Service: A Critique,* Baltimore, MD, The Johns Hopkins University Press, 1970, p. 52.

[14] Daniel P. Moynihan, *Maximum Feasible Misunderstanding,* New York, NY, The Free Press, 1969, p. 157.

[15] Sundquist, p. 468.

[16] Joe Feagin, *Subordinating the Poor: Welfare and American Beliefs,* Englewood Cliffs, NJ, Prentice-Hall, Inc., 1975, p. 134.

[17] *Public Opinion*, March/April 1978, p. 54.

[18] Albert Cantril and Susan Cantril, *Unemployment, Government, and The American People: A National Opinion Survey,* Washington, DC, Public Research, Inc., 1978, p. 86.

[19] *Ibid.*, pp. 86-89.

[20] *Ibid.*, p. 84.

[21] *Congressional Quarterly Almanac,* 1974, Washington, DC, p. 262.

[22] Curtis Martin and Robert Leone, *Local Economic Development,* Lexington, MA, D.C. Heath, & Co., 1977, p. 71.

[23] Mangum, *The Emergence of Manpower Policy*, p. 13.

[24] Daniel Nelson, *Unemployment Insurance: The American Experience, 1915-1935,* Madison, WI, University of Wisconsin Press, 1969, p. 205.

[25] Bibby and Davidson, p. 238.

[26] Mangum, p. 35.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1982-341-857:1014

THE FEDERAL ROLE IN THE FEDERAL SYSTEM: THE DYNAMICS OF GROWTH

What is ACIR?

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The Commission is composed of 26 members—nine representing the Federal government, 14 representing state and local government, and three representing the public. The President appoints 20—three private citizens and three Federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated by the National Governors' Association, the National Conference of State Legislatures, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Congressmen by the Speaker of the House.

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