

A New Goal of National Policy: Full Employment

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goals; the unwisdom of relying on spending; the compulsions imposed on labor and capital; the unfortunate international repercussions —

these are to Professor McNair the pitfalls of the full employment bill.

## A NEW GOAL OF NATIONAL POLICY: FULL EMPLOYMENT

*Alvin H. Hansen*

In this brief comment I am going to limit myself to what I regard as essentials. I am not going to discuss details, important enough in themselves, but which I think can, among reasonable men, be settled in a fairly satisfactory manner. I do not think it is worth while to waste a lot of time on whether a "high level of employment" is a better term than "full employment." Both phrases need definition. Everyone is agreed that in a dynamic market economy there will be seasonal, frictional, and transitional unemployment associated with changes in the seasons, the introduction of new products and of new methods of production. Moreover, in a free society where wage earners work for whom they please, there will of necessity be a degree of labor turnover. Full employment in the United States, in my judgment, means perhaps 4 or 5 per cent unemployed at any one time; assuming a labor force of around 60 million, this would mean unemployment of  $2\frac{1}{2}$  to 3 million. If on the average 5 weeks should elapse before a new job was found, this would mean that 25 to 30 million people would shift jobs in each 12-month period. Thus an average of 4 to 5 per cent unemployed provides enormous flexibility in the labor market.

Important as these matters of detail and definition are, I turn now to what I regard as more fundamental considerations. What is really important is that the Murray Full Employment Bill, if enacted into law, would, in common with the British and Canadian state papers on Employment Policy, represent a new attitude, purpose, and responsibility of the central government with respect to the problem of unemployment. Instead of palliative and ameliorating measures, these state papers announce a positive national policy with respect to the maintenance of employment, production, and national income.

The British and Canadian state papers recognize that these are novel experiments. "This

involves a new approach and a new responsibility for the State," says the British White Paper, and adds, "In these matters we shall be pioneers." Similarly the Canadian state paper states, "We must determine therefore to learn from experience, to invent and improve the instruments of our new policy as we move forward to its goal. . . . The Government is inaugurating policies which break new ground and is confident that these policies, with full public understanding and support, will achieve . . . satisfactory results of decisive importance. In later years as experience grows they can be made to yield ever improved results, which will mark a new era in Canadian development."

Apart from announcing a new goal of national policy and a new responsibility of government, these documents are of the utmost significance in that each commits the government in question to a periodical and continuous assessment of the employment situation. The Murray Bill makes it the duty of the President to transmit to Congress at the beginning of each regular session (and thereafter supplemental reports from time to time) a National Production and Employment Budget setting forth the estimated trends and prospective developments with respect to the size of the labor force, the gross national product, national income, private consumption expenditures, private investment expenditures, state and local outlays, and alternative ranges of federal expenditures. The British White Paper stresses the importance of establishing a central staff qualified to measure and analyze economic trends, and it lists the principal classes of statistics which must be obtained "for the efficient operation of an employment policy."

These procedures assure that the government will continually take the pulse and temperature, so to speak, of the economy in order to measure how well its policies are succeeding in achieving one of its primary responsibilities. Thus the

ected government currently responsible for the conduct of national affairs must continually face up with the employment problem. A major effect of the Murray Bill if enacted, and of the British and Canadian state papers on Employment Policy, would be to focus the eyes of the nation continuously on goals of economic progress, on rising living standards, on economic stability combined with growth in real national income as rapidly as productivity and full employment permit.

These programs, moreover, are highly significant in that they announce a determination of government to act promptly and vigorously to prevent depression and unemployment. "The Government are prepared to accept in future the responsibility for taking action at the earliest possible stage to arrest a threatened slump" (British White Paper). This means that the government must be prepared to act. It must have *plans* in readiness. In the language of the Murray Bill there must be prepared "such plans and programs as may be needed during the ensuing or subsequent fiscal years to help achieve a full employment volume of production." The Murray Bill has a special section on the rate of federal expenditures which provides that, subject to standards set forth in appropriation Acts and other statutes, "the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine for the purpose of assisting in assuring continuing full employment," with due consideration being given to private investment and consumption and to state and local outlays.

It is not true, as some critics have asserted, that these programs are based on the naïve premise that all that is needed to produce full or high levels of employment is to have plenty of public and private spending. Labor mobility, wage and price policy, taxation, competition, control of monopoly, foreign trade, monetary policy, and many other matters are stressed in all three programs. These policies, about which governments have long been concerned, are of the utmost importance, and they need to be re-examined and implemented in an articulate and coordinated program. The distinguishing new feature about the documents here considered, however, is the emphasis placed on the over-all

importance of an *adequate volume of total expenditures*. "A country will not suffer from mass unemployment so long as the total demand for goods and services is maintained at a high level" (British White Paper). The Murray Bill aims to assure that the aggregate volume of expenditures by private enterprise, private consumers, state and local governments, and the federal government, shall be sufficient to create a demand for goods and services adequate to provide employment opportunities for the labor force. The British White Paper states unequivocally that "in the past the power of public expenditure to check the onset of a depression has been underestimated."

The senators who have sponsored the Murray Bill have called upon leaders throughout the country for suggestions and improvements. They are not committed to any particular line or formulation. They are not interested in petty details, but in the larger aspects of a great national policy. Out of the hearings on the Bill doubtless an improved Bill will emerge.

The British and Canadian state papers both adopt unequivocally and as a major aim and responsibility of government the maintenance of a high and stable level of employment. The Murray Bill seeks "to establish a national policy and program for assuring continuing full employment" and later uses the phrase, "to assure the existence at all times of sufficient employment opportunities." There can be no question that this is a great and important new experiment, that the policy will encounter many difficulties, that 100 per cent success will not be achieved, and that much needs to be learned in practical experience. The Canadian Government, in setting as its aim a high and stable level of employment and income, stated unequivocally that it was not selecting a lower target than "full employment." Rather it was mindful that full employment is not an easy matter, and that it needed full public understanding and support to achieve its high goal.

The real significance of the Murray Bill is that it sets up and makes at least a beginning in implementing the necessary machinery to work toward this goal, including: (a) the continuous periodic examination of the degree of success reached, and (b) reformulation of program as experience warrants.