

Solving the Jobs Crisis:

HR 870: The Humphrey- Hawkins 21st Century Full Employment and Training Act

Although the Great Recession officially ended in June 2009, the US economy has failed to provide the jobs needed for long term, sustained growth. At the current rate of job creation most economists believe we would not recover the 8 million jobs lost until 2016. To generate the growth required to employ both the unemployed and underemployed, we need a serious commitment to job creation such as that embedded in HR 870- the jobs bill introduced by Rep. John Conyers, Jr. (D-MI). Following is a summary of this legislation as well as a discussion of why socialists – indeed all progressives – should support the bill.

A Deficit Neutral Jobs Program

HR 870 would not add a dime to the federal deficit. The jobs created by the act would be funded through a tax on the trading of financial assets: stocks, bonds, and currencies. The tax would be levied on both the asset itself and on the trading of derivatives (e.g., futures and options) based on the asset. The tax proposed in HR 870 is a very modest one of 0.25% of value traded or \$1 on every \$400 of value traded. The amounts raised, however, could easily exceed \$400 billion/year.

The Jobs to Be Created

HR 870 is explicitly designed to put people, large numbers of people, to work quickly. HR 870's fast track job creation focuses on painting and refurbishing schools, community centers and libraries; restoration of abandoned and vacant properties in foreclosure-decimated neighborhoods; expansion of emergency food programs; and renovation and maintenance of parks, playgrounds "and other public spaces." These jobs, which are the ones to be filled during the first 9 months of the economic opportunity grants provided for under the Act, do not require long periods of training but instead are much like those created under the CCC and the WPA in the 1930s. After the initial 9 month

period, priority is given to construction / rehabilitation / improvements of residences or public facilities. These include energy efficiency improvements and programs targeted at disadvantaged youth.

Who Would Be Employed?

HR 870 recognizes that one of the features of the Great Recession is the record high level of long term unemployment, people out of work for 26 weeks or more. These are the first to be hired under the terms of the Act. The second category of new hires is low income workers unemployed for at least 30 days.

Protections in the Act

Some job programs pose risks to employed workers because employers may replace them, often at lower wage levels, with new hires. HR 870: (i) prohibits replacement of any existing employee with someone hired with funding from the Act; (ii) requires that anyone hired under the Act be paid no lower wage than workers performing the same work; and (iii) requires that, if the Act is used to employ people in a unionized workplace, the union must agree to the terms of new hires. Finally, employment under the Act must be for a minimum of 12 months.

Why Support and Organize around HR 870

HR 870 simultaneously attacks two of the major problems of the US political economy: a labor market that fails to provide enough jobs – much less good jobs – to meet our peoples' needs and an inefficient and bloated financial sector.

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It is also rooted in the understanding that a lack of demand is the primary reason the US economy is failing to achieve levels of growth and output that are sufficient to provide employment for all who are willing and able to work.

The Act is explicit in its commitment to the role that the public sector has in generating economic growth.

Jobs and the Failure of the Financial Sector

High levels of unemployment and underemployment in the US have been a growing problem over the past three decades. In the period 1945 – 1975, the unemployment rate was 4% or below during 75 months, more than 20% of the 360 month period. However, during 1975 – 2010, the unemployment rate was 4% or below during only 5 months, barely 1% of the 420 month total time.

At the same time, financial sector growth accelerated sharply, with financial sector profits reaching almost 45% of total business profits in 2005/06. It is essential to remember that finance is a cost to the economy as a whole. Finance, when functioning appropriately, simply enables the rest of the economy to perform well by lending, raising and allocating capital to businesses and households. The trading of paper claims to assets does not help the economy to grow although it may generate large profits for some financial institutions, a significant portion of which ends up in the pockets of a small number of decision makers at financial institutions. These high rewards are a strong incentive for the firm to take on additional risk, shifting focus and resources into trading rather than capital raising and allocation. Thus, taxing this socially useless activity will not only provide funds for jobs, it will also reduce the rewards of financial speculation and help redirect resources, especially talented individuals, into other occupations.

Creating Demand

How do you restart an economy that is functioning at less than full resource utilization, as in the case of the US today? The stimulus passed in early 2009 had some good features and did save a significant number of jobs. However, it was overly dependent upon indirect jobs creation, tax breaks to businesses in the hopes that they would then

hire more workers. Households have cut back on their spending, reducing demand for goods and services and leaving businesses reluctant to expand output and increase hiring to the degree necessary to significantly reduce employment. HR 870, by using funds to hire workers quickly and directly, puts money into the pockets of working and middle class families, who will spend most of their wages on clothes, food, and shelter, increasing growth in these crucial sectors.

The Role of Government

Finally, HR 870 uses the resources and capabilities of government to restart the economy rather than cutting spending or providing additional tax breaks to employers and hoping that the result will be new hiring and a restart of economic growth. This is an explicit recognition of the central roles that government, the public sector, has in directing and generating economic growth.

What Can I Do to Help?

Building the support necessary to pass HR 870 won't be easy. It is important to let your congressman know that you support HR 870 and that you expect them co-sponsor the bill. If you are active in your union, place of worship or political club, ask it to support the bill, too. In many communities activists are demonstrating or holding "First Friday" vigils on the day that the monthly unemployment figures are released. These actions call attention to the plight of unemployed and let the public and politicians know that we expect them to do something about the jobs crisis.

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