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## Fed Hearings Rooted in Failed 1978 Pledge to Fix Inequality

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(Bloomberg) -- Federal Reserve Chair Jerome Powell is testifying before Congress this week in hearings mandated by a 1978 law that was meant to prevent mass joblessness and dissolve racial inequality. Neither has happened.

The Humphrey-Hawkins Act is instead mostly known for giving the U.S. central bank its "dual mandate" of maintaining full employment and price stability. But the legislation, championed by the late Congressman Augustus Hawkins, was originally conceived as a great equalizer, one that would carry forward the legacy of the civil rights movement by ensuring that every American who wanted a job would be able to have one.

Four decades of ever-widening inequality later, a pandemic that has induced the worst economic downturn since the Great Depression is shining a spotlight on problems with how the legislation was implemented and the lack of political will to correct it.



"Hawkins observed that there had been, since the first time the Bureau of Labor Statistics started measuring the labor force by race, a two-to-one ratio of unemployment between Black workers and White workers. That's what he was focused on," said Bernard Anderson, a University of Pennsylvania economics professor who worked with Hawkins and civil rights leaders on the legislation.

Hawkins, the [first](#) Black politician sent by California to the U.S. House of Representatives, "wanted the federal government to develop a policy that would in effect guarantee a job for every individual willing and able to work," Anderson said.

But what Hawkins and civil rights leaders of the 1960s and 1970s ultimately secured in legislation fell far short of that goal, a reality reflected in the track record since then.

### Inflation and Unemployment

The Humphrey-Hawkins vision was conceived as a cooperative effort between the Fed, Congress and the White House. But since then, lawmakers have offered little in the way of federally-funded initiatives to prevent massive job losses in downturns, the brunt of which tend to be borne by low-income and minority communities. And the Fed has focused mainly on keeping inflation under control, regardless of the consequences for those communities.

Going forward, policy makers at the U.S. central bank say they will take a more relaxed approach toward managing inflation, which should help minorities catch up in times of expansion. But Powell has also warned there's limits to how much the Fed can do to help in the current situation, even though it expects to keep interest rates near zero for the foreseeable future.

"Low-income households have experienced, by far, the sharpest drop in employment, while job losses of African Americans, Hispanics, and women have been greater than that of other groups," Powell [told](#) the Senate Banking Committee on Tuesday, during the first of two days of virtual hearings. "If not contained and reversed, the downturn could further widen gaps in economic well-being that the long expansion had made some progress in closing."

On Wednesday at noon, the Fed chief will appear before the House Financial Services Committee, which is chaired by Representative Maxine Waters -- the California Democrat who succeeded Hawkins in his old congressional district.

The final structure of the legislation that was passed leans heavily on the Fed to secure full employment and price stability, objectives it can only attempt to achieve by moving interest rates up and down to influence economic activity and the hiring and firing of workers.

That's because in the political process, the bill was stripped of much its original content, which would have given the government a much greater role in the organization of the economy, according to James

Galbraith, the University of Texas economics professor who as a congressional staffer in his mid-20s [helped](#) write the legislation.

"The House bill was a broad planning and coordination bill, with a lot of social objectives written into it. Then, it had to come over to the Senate, where Hubert Humphrey's team played a role," Galbraith said. "Humphrey's team was very closely tied to the Democrats at the Brookings Institution, and to the White House -- and their version of it was much more just, we're going to coordinate our econometric forecasting."

President Jimmy Carter and his economic advisers were worried about exacerbating the high inflation rates that prevailed at the time by committing to efforts that would involve more spending. The final legislation therefore left the existing balance of power between the private sector and the government largely intact, despite what Galbraith described as its "broad exhortations" committing not only the Fed, but also the White House and Congress, to ensure full employment.

### Humphrey-Hawkins

The Act instructs the three entities to make "every effort" to "reduce those differences between the rates of unemployment among youth, women minorities, handicapped persons, veterans, middle-aged and older persons and other labor force groups and the overall rate of unemployment which are caused by any improper factors with the ultimate objective of removing such differentials to the extent possible."

While Republican administrations have long viewed government intervention into the economy as an anathema, Democratic administrations haven't taken up the call in the Act either because they've largely viewed the racism problem as one that would work itself out as companies became more aware of prejudices in their own organizations and corrected course, according to Anderson, who served as an official in President Bill Clinton's Labor Department.

The result has been an American job market in which racial inequality remains deeply entrenched -- manifesting itself once again in the downturn created by the pandemic, where Black Americans and other minorities disproportionately concentrated in low-paying jobs have taken the brunt of the pain, he said.

Labor-market patterns since the passage of the Humphrey-Hawkins Act illustrate that without funding for the types of federal jobs programs that civil rights leaders like Coretta Scott King and Hawkins sought in the original bill, it's hard to make progress toward closing those gaps, according to William Darity, Jr., an economics professor at Duke University.

"To make Humphrey-Hawkins a reality, there needs to be additional legislation that provides a financial basis for supporting the intent of the law," Darity said.

Otherwise, "the law of the land can go unheeded," he said. "In the experience of Black America, that's clearly been the case."

At the last Humphrey-Hawkins hearings in February, Representative Ayanna Pressley, the Massachusetts Democrat, asked Powell if he thought the Fed could ensure full employment, given its persistent concerns about inflation. He [responded](#) that it's always the Fed's goal, but he didn't think the central bank would ever declare victory.

In an email Tuesday, Pressley said "it was significant that he stated this for the record."

She added that it's time to reopen the Act, calling the federal job guarantee "central to the unfinished legacy of the civil rights movement."

"The Fed has an important role to play and I will always advocate it do more, but I'm glad that we're finally laying to rest this idea that all things employment should be left to the Fed," Pressley said. "With unemployment at historic levels, it is clear -- now more than ever -- that it will take an all-of-government approach to truly achieve full employment."