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Review of Unemployment in History by John Garraty

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pedic" conventional text. However, it is not necessarily beyond an undergraduate level. The radical tack and discussions of theories of racism, sexism, and imperialism assure exciting reading even to the student with less than a burning interest in economic analysis.

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Unemployment in History: Economic Thought and Public Policy. By John A. Garraty. New York: Harper & Row, 1978. Pp.xi,273. $15.

This is an historical treatise. It is about the history of macroeconomic thought, economic policy, economic institutions fathered by such thought and policy, as well as a history of unemployment itself. The book is, in the author's words, "...a study of how the condition of being without work has been perceived and dealt with in different societies from the beginning of recorded history to the present, and of how the idea 'unemployment' has been understood and evaluated, both before and after the term itself was invented" (p.xi).

The author notes that before the English word "unemployment" came into general use during the mid-1890s circumlocutions such as "want of employment" and "involuntary idleness" were used to describe the phenomenon (p.4) and the unemployed were referred to as vagabonds, beggars, or the idle. Present day usage of the term "unemployment" has a social dimension and it is the author's contention that the lack of such a word itself "...suggests that the condition of being without work was seen as a personal rather than a social problem..." (p.4).

The book begins when unemployment, defined to be "...the condition of being without some socially acceptable means of earning a living..." (p.10), was insignificant and what did exist was in fact and in thought a problem of the individual; that is, those without work were seen to be responsible for their own idleness. During Greco-Roman times the attitude toward the idle was harsh; during the Middle Ages those without work were still seen to be responsible for their own idleness, but the attitude toward the idle was not nearly as harsh.

With industrialization the condition of being without work came to be not only significant but, in fact, a social phenomenon. The individual was no longer the cause of his own idleness. In thought, however, he remained his own foe. Policy emanating from such thought, thought that continued to blame an individual's supposed laziness and lack of industriousness for his idleness, stressed the need to force the idle to work and institutions such as the workhouse evolved to accomplish the task.

The development of statistical and sociological studies resulted in the discovery that the individual was not totally responsible for his own idleness. Such studies revealed, for the first time, the cyclical character of unemployment, the magnitude of it, and the poverty suffered by those without work. Policy that flowed from these discoveries had two objectives: first, caring for the unemployed through such innovations as unemployment insurance, and second, eliminating unemployment by attacking structural unemployment through such innovations as centralized labor exchanges. The Keynesian diagnosis that unemployment is caused by insufficient demand eventually came to be accepted and, although not without hesitation, Keynesian policy prescriptions came to be adopted. They were adopted, however, only after the Great Depression, World War II, and a threatening recession after the war.

Once unemployment had been discovered and the causes treated (rather than the victims assisted) the ugly head of inflation rose from the not so distant depths so that today we are on the horns of a dilemma. If reduced unemployment leads to large public outlays that result in inflation (an evil potentially as bad as unemployment) as well as increases in production which put additional pressure on resources leading to still more inflation, can it be said that "...the reduction of unemployment [is] in the public interest" (p.259)?

Summing up his book, the author cautions that "[i]nflation was the bogy of the age of John Maynard Keynes; fear of it caused a quarter of the world's work force to suffer unemployment. Fear of unemployment must not become the bogy of modern times" (p. 262).

Of interest to the student of the history of economic thought, the book addresses the problem of the actual course of events leading up to the discovery of unemployment. Necessarily, the early protagonists are "heretics" not always covered in standard histories of thought.

The classical tradition, from Smith to Mill, paid little attention to the problem of unemployment. When treated at all it was considered an aberration. An expanding economy was in itself a fully employed economy and consequently descriptions of the labor market left little room for serious unemployment.

Not all economists of the period agreed with the classical view, yet they either could not conceive of a different system, or substituting cooperation for competition, offered no intellectually satisfying theory explaining the functioning of the economy. Karl Marx's use of the "reserve army," however, effectually moved the phenomenon of unemployment from the category of an aberration to that of a normal and necessary aspect of capitalism that could not be eliminated or reduced except temporarily during boom periods. This view of unemployment as a necessary evil was to eventually predominate from the end of the 1800s on.

The continuing coexistence of progress and poverty again spurred empirical social research that illuminated the degree of unemployment (and poverty) and the cyclical character of it. Although old habits die hard, by the late 1880s "...the idea that unemployment was a special social problem, distinct from the larger problem of poverty, and that it could not be explained entirely in terms of personal inadequacy..." (p. 121) gained acceptance.

For John A. Hobson the prime cause of unemployment was underconsumption caused by the rich failing to consume enough (that is, saving too much, which was a natural and necessary result of a maldistribution of consuming-power). He argued that in the aggregate both the power and the will to consume everything produced might well exist. Hobson's views were, of course, heretical and his solution, a reformed distribution of consuming-power, was unacceptable. Just as with Malthus before him, "...Hobson's explanation of the cause of unemployment, much less his proposals for reducing it, had little effect on how the subject was undersood at the time" (p.127).

William H. Beveridge, suggested by the author as perhaps the world's first expert on unemployment, concluded that "...unemployment was caused by change, principally by unorderly growth that was inevitable and... a desirable result of competition between producers" (p.137). A surplus of labor was inevitable, but the surplus was too large. To Beveridge it was more important to discover why so many were unemployed than to devise methods of aiding those who were jobless, and consequently as between unemployment insurance and labor exchange he much favored the later as a means toward holding unemployment down to the irreducible minimum.

Beveridge drew on the city of London, and especially on its unemployed dock workers, as his example of an inefficient labor market. But neither they nor the proposal for helping them had much to do with the mass unemployment resulting from cyclical depressions that comprised the real problem of industry in the twentieth century. Seeing unemployment as a problem of industry rather than of individuals was forward looking, yet his analysis of the causes of unemployment can be said to have been "...rooted in the past" (p. 140).

Most other economists still tended to look at depressions as deviations while adhering to the idea that some unemployment was necessary so that expansion could take place during booms. Eventually attention drifted away from how to eliminate unemployment to learning to live with it. By the 1920s unemployment had been institutionalized as a field of study and one of the early outcomes of this institutionalization was the observation that as prices rose unemployment declined. This observation together with a fear of inflation and a committment to laissez faire governed thinking about the unemployment problem in the 1920s. As early as 1924 John Maynard Keynes was recommending massive public-works programs but, as the author notes,"...no British government of the decade attacked the unemployment problem by expanding public spending" (p.161). The rest of the story -- the Great Depression, *The General Theory*, and World War II -- is familiar to students of economics and economic history.

Garraty's book is replete with information of a historical nature. The development of economic thought on the unemployment question is placed within a larger social matrix and for that alone it is well worth reading. (An important book dealing with a very similar subject is Robert H. Bremner's *From the Depths: the Discovery of Poverty in the United States*. New York University Press: 1956.) For the non-economist, it is a painless way of gaining insights into the conclusions (if not the anlysis) of classical and Keynesian macroeconomic theory. For the economist, it provides an interesting dimension to the history of macroeconomic thought.

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Public Economics: Politicians, Property Rights and Exchange. By Adam Gifford, Jr. and Gary J. Santoni. Hinsdale, Illinois: The Dryden Press, 1979. Pp.xii, 273. $14.95.

Gifford and Santoni have admirably attempted to introduce their readers to an economic theory of government activity within the pages of this concise text. At the outset, the book appears to be a well-written introductory volume in the field of public finance which would lend itself well to use in a one-term, undergraduate-level course. However, further inspection reveals that while the topics considered in the book are ably discussed, this particular work is in need of supplementation if it is truly to serve as an adequate introduction to the body of economic theory traditionally associated with public finance.

Initially, the authors establish their positive (non-normative) approach and give a brief justification for the study of public finance. After briefly reviewing the classic microeconomic assumptions of scarcity and competition, they present a traditional argument that a laissez faire economy is efficient in exchange within those assumptions and may yield a socially desirable allocation of resources. Then some areas are reviewed in which it is common to argue that the competitive market has inadequacies -- as in the case of public goods. At this point the authors aptly discuss the literature associated with the Coase Theorem and information costs. From this modified theory of free market exhange, Gifford and Santoni argue that actual quantities of public goods supplied reflect actual demands only in a gross sense and present statistical evidence of the supply of public goods in the United States to bolster that point. This discussion is followed by a very brief treatment of budgeting and benefit-cost analysis.

A distinctive feature of this text is the extended exploration of principles and issues related to public choice. Entire chapters are devoted to the consideration of theoretical implications which follow from various choice schemes where individuals act as voters, representatives, and bureaucrats, respectively. The presentation focuses on institutions as they exist in the United States and includes contributions from the most recent public choice literature.

The text includes a chapter on the government's role in the distribution of income and property rights. The current distribution of income in the United States is discussed, and mechanisms for altering the distribution, such as the negative income tax, are examined. The chapter closes with a comment on the impact of property right assignments on a free economy.