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[Review of the book *Interwar Unemployment in International Perspective*]

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[Review of the book *Interwar Unemployment in International Perspective*]

Abstract

[Excerpt] The book redresses two imbalances in the recent literature on interwar unemployment: its almost exclusive focus on the United States and Britain, and its predominantly macroeconomic nature. To achieve these goals, the editors encouraged the authors of the country studies to address a set of microeconomic issues, including the extent to which the incidence and duration of unemployment varied across economic and demographic groups, and the effect of unemployment on labor force participation and poverty. Two macroeconomic issues also are addressed in several of the papers: the effects of real wages and of unemployment insurance on unemployment. These two issues have been hotly debated in the recent literature on interwar unemployment in the United States and Britain, and their discussion here for other industrialized countries represents a significant addition to the current debate.

Keywords

unemployment, demographics, interwar period, United States, Britain

Disciplines

Economic History | Labor Economics | Labor History | Labor Relations

Comments

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Comparative Industrial Relations

Interwar Unemployment in International Perspective. Edited by Barry Eichengreen and T. J. Hatton. Dordrecht: Kluwer, 1988. xxii, 434 pp. \$114 cloth, \$48 paper.

This book contains eleven articles on unemployment during the interwar period in eight industrialized countries. Two of the papers, the introduction by Eichengreen and Hatton and the paper by Newell and Symons, are comparative in nature. The others are concerned with unemployment in individual countries—the United Kingdom (two papers), the United States, Germany, Italy, France, Belgium, Canada, and Australia.

The book redresses two imbalances in the recent literature on interwar unemployment: its almost exclusive focus on the United States and Britain, and its predominantly macroeconomic nature. To achieve these goals, the editors encouraged the authors of the country studies to address a set of microeconomic issues, including the extent to which the incidence and duration of unemployment varied across economic and demographic groups, and the effect of unemployment on labor force participation and poverty. Two macroeconomic issues also are addressed in several of the papers: the effects of real wages and of unemployment insurance on unemployment. These two issues have been hotly debated in the recent literature on interwar unemployment in the United States and Britain, and their discussion here for other industrialized countries represents a significant addition to the current debate.

Considered as a whole, the book greatly extends our knowledge of various aspects of unemployment between the wars. Several of the papers construct new estimates of interwar unemployment rates for particular countries, and provide estimates of the incidence and duration of unemployment by age and gender, often obtained from previously neglected (or unavailable) data sources. The introduction by Eichengreen and Hatton provides an excellent comparative overview of various issues discussed in further detail in the individual country chapters. The other comparative paper, by Newell and Symons, examines movements in unemployment, real wages, and prices in 14 countries for the years 1923-38. The authors conclude that interwar labor markets were characterized by nominal wage rigidity, and that the combination of falling prices and rigid wages was a major cause of unemploy-

ment during the depression. Ironically, the two countries that do not conform to their scenario are the United States and Britain.

The two best country studies are Mark Thomas's paper on Britain and Robert Margo's paper on the United States. Thomas uses Ministry of Labour data to calculate the incidence and average duration of unemployment by age, gender, and region for the years 1929-38. He concludes that interwar Britain had a "bifurcated [labor] market, in which there is at once rapid turnover and persistent unemployment." High long-term unemployment was not caused by either generous unemployment insurance benefits or duration dependence, but rather by the "peculiar structural characteristics of the Great Depression of 1929-32." Thomas's paper should be read in conjunction with the recent papers by Eichen-green and N. F. R. Crafts on interwar unemployment. Together, these papers significantly extend our understanding of various aspects of unemployment in interwar Britain.

Margo's paper on unemployment in the United States makes use of a newly available and very rich data source, the public use sample of the 1940 census. Margo estimates logit regressions to examine the determinants of employment status, the duration of unemployment, and the probability of having a permanent relief job. He uses his analysis of work relief to shed light on the issue, originally raised by Michael Darby, of whether workers with relief jobs should be counted as employed or unemployed. Finally, he analyzes the importance of the "added worker" effect by estimating a logit regression of labor force participation of married women. Margo's paper provides the only multivariate analysis of unemployment incidence and duration for the interwar United States, and therefore is a major addition to the literature.

The papers by Goossens et al. on Belgium, Green and MacKinnon on Canada, and Gregory et al. on Australia also represent important contributions. All three papers provide estimates of unemployment duration. The papers by Goossens et al. and Green and MacKinnon provide estimates of the incidence of unemployment by age, gender, economic sector, and occupation, and detailed analyses of government policies to aid the unemployed. Gregory et al. compare the functioning of the Australian labor market, with its high union density and centralized system of wage setting, with the "free" United States labor market, and reach the surprising conclusion that nominal wages were at least as flexible in Australia as in the United States.

The remaining four papers are considerably weaker. Toniolo and Piva's paper on unemployment in Italy presents a discussion of Fascist unemployment policies and a sectoral analysis of the effect of real wages on employment, but offers no estimates of unemployment incidence or duration. Silverman's paper on Germany covers only the period from January 1933 to July 1935, and consists of a narrative of the debate between Hitler and his advisors over the use of public works policies, and a discussion of the accuracy of Nazi labor market statistics.

The paper by Salais on French unemployment is disappointing. Salais uncovered a rich data set consisting of the employment histories of several thousand individuals in the Paris region from 1930 to 1939, but his graphical presentation of the results of his principal components analysis is extremely difficult to follow for people not familiar with this technique.

Finally, the paper by Harris on the effect of unemployment on health in Britain contains little that is new. Harris's only original contribution, his analysis of the effect of unemployment on the height of school children in eleven British cities, consists of a simple comparison of height and unemployment rates, ignoring differences across cities in wages, cost of living, and other factors that might have caused the height differentials.

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