The Defining Moment: The Great Depression and the American Economy in the Twentieth Century. *Edited by Michael D. Bordo, Claudia Goldin, and Eugene N. White* · Chicago: University of Chicago Press, 1998. xvii + 474 pp. Illustrations, maps, notes, and indices. $60.00. ISBN 0226065898.

Reviewed by Rick Szostak

This book explores the effects the Great Depression had on the American economy. Following a brief editorial introduction, twelve chapters examine different aspects of this topic. Generous funding from the National Bureau of Economic Research and the National Science Foundation allowed authors and discussants to gather at two conferences in 1996; this in turn ensured that there was little overlap and that authors tended to handle a similar set of questions. Would Depression-era policies likely have occurred even without the Depression? If so, did the Depression nevertheless shape these policies in particular ways? How great was the staying power of Depression-era innovations? How did the Depression change the attitudes of politicians, economists, and the wider public?

The editors correctly note that given the volume's focus on the effects of the Depression, little attention need be devoted to its causes. They could, however, have recognized that contemporaries tended toward different explanations than are common today. The finding by Charles Calomiris and David Wheelock that Federal Reserve policy, in terms of goals, targets, and methods, changed hardly at all for decades after the Depression, would be hard to understand if the public or politicians had felt as strongly as many modern economists that these Fed policies were the primary culprit. The changes which did occur—the end of the gold standard, the decreased independence of the Fed, and resulting concern with employment and government debt—are felt by these authors to have made monetary policy worse rather than better.

People in the 1930s were much more likely to blame real, structural, and particularly technological forces for the Depression than are modern economists. Though I think they were correct in this, I agree with many of the authors in this book that the policies which flowed from this worldview were often misguided. Brad De Long, for example, is certainly right to bemoan excessive postwar experimentation with discressionary spending while hailing the performance of automatic stabilizers, and to regret the fact that voters proved unable to distinguish between beneficial cyclical deficits and harmful structural deficits. He could, though, have attributed the blame more equally, for economists were long guilty of exaggerating the possibilities of finetuning, and now too often forget the merits of stabilization when preaching fiscal prudence. Hugh Rockoff's paper provides somewhat of an antidote here, in noting that both the good and bad policies of the Depression were favored, and often drafted, by leading economists of the time.

Gary Libecap's study of agricultural programs supports the thesis that government expenditures ratchet up in times of crisis. Libecap finds that all government programs with a substantial price or income support element introduced between 1884 and 1970 were tied to the New Deal. While this does not prove that increased support would not have occurred as postwar incomes rose, Libecap does show how a coalition of regulators and beneficiaries emerged to protect and extend programs once these were in place.

John Wallis and Wallace Oates find that the share of the federal government in total government expenditure jumped 9 percent in the 1930s after decades of stability, and has risen since. They note, though, that there are sound reasons for focussing redistributive spending at the national level, and thus some shift was likely even without the Depression.

Katherine Baicker, Claudia Goldin, and Lawrence Katz find that while unemployment insurance was probably inevitable, the administration of the system by states reflected the states-rights orientation of the Supreme Court and perhaps Congress in the mid-1930s. A system introduced a few years later would likely have been nationally administered, as many of Roosevelt's advisors wanted. They point to evidence that state management has led to a race for the bottom, and thus less generous benefits than in other countries (though the same has not happened with worker's compensation). The authors note that Canada spends some eight times as much per capita on UI, primarily because of generous treatment of seasonal workers and poorer regions introduced to its national system in the 1970s. The authors also feel that the employer penalties which characterize American UI systems would likely not have been incorporated in a later introduction of UI, but argue that these penalties have served to reduce seasonal unemployment in highly seasonal sectors.

Richard Freeman argues that the Depression was a temporary diversion from American exceptionalism with respect to union activity, and that the laws passed at the time have done little to facilitate organization over the longer term. Other papers in the volume look at deposit insurance, social security, trade policy, international finance, and international monetary arrangements. Readers will find that regulation of business receives scant attention.

While not covered in the text, one wonders whether the various authors think that the policies which resulted from the Depression would actually serve us well in the event of another Depression. Would monetary policy necessarily be more enlightened? While automatic stabilizers would surely be beneficial, De Long's insistence that we avoid discretionary stimulation would serve us poorly in such an event.

The individual papers each draw on an extensive literature, with most adding varying degrees of novel calculation. While each author brings a particular macroeconomic perspective, the result is a comprehensive guide to the relevant issues. Since the subject matter does not generally lend itself to the narrow form of "rigorous" testing favoured by economists, the tightly argued essays rely on a much more satisfactory mix of rhetorical techniques. The book is essential reading for those interested in the effects of the Depression or the evolution of postwar policy.

Rick Szostak is Professor of Economics at the University of Alberta. He is the author of several articles and three books, including Technological Innovation and the Great Depression *(1995), which concludes with some policy commentary. He is presently researching institutional change in the Newfoundland fishery and co-editing a CD-Rom text in Canadian history, as well as pursuing projects in economic methodology and interdisciplinarity.*

· · ·

Liberty, Equality, and Justice: Civil Rights, Women's Rights, and the Regulation of Business, 1865-1932. *By Ross Evans Paulson* · Durham, N.C.: Duke University Press, 1997. vii + 361 pp. Notes, bibliography, and index. Cloth, $59.95. ISBN 0822319829; paper, $18.95. ISBN 0822319918.

Reviewed by Angel Kwolek-Folland

In this synthetic treatment of the connections among "civil rights, women's rights, and the regulation of business" (p. 1) between 1865 and 1932, Ross Evans Paulson argues that "the failures and disappointments of these three social movements stemmed primarily from the fact that so many Americans ranked liberty (for themselves) higher than equality (with others) and justice (for all)" (pp. 1-2). As this quote suggests, much in this book will sound familiar. There are no startling revelations based on new primary research or a radical rethinking of already-published materials. But this is not to say that *Liberty, Equality, and Justice* is not worthwhile. Its usefulness and interest to business historians lie in Paulson's efforts to place business history in the context of a national intellectual history; and to use business history to expand our understanding of national efforts to deal with racial and gender inequities.

Paulson argues that business change is intimately connected with what he terms "core values" in American history, and he uses anthropological theory to explore that change. He defines "core values" as those normative beliefs and actions that arise from traumatic, public historical events, from private, "daily, routine patterns of behavior (what sociologists define as institutions)," and from "tacit assumptions about gender roles, generational responsibilities, and personal aspirations (what anthropologists call culture)" (p. 4). Change comes, Paulson claims, when the gap between individual and institutional perceptions, practices, and claims becomes too wide to tolerate (p. 16). When this occurs, individuals or institutions can "*rationalize* the gap as inevitable," "attempt to *return* to