

Book Reviews

***Commitment to Full Employment: The Economics and Social Policy of William S. Vickrey.* Edited by Aaron W. Warner, Mathew Forstater and Sumner M. Rosen. Armonk, New York/London: M. E. Sharpe, 2000, 246 pages. Cloth, ISBN 0-7656-0632-1, \$65.95.**

This collection of essays is the outcome of a commemorative symposium held at Columbia University (November 1998) in honor of Nobel Laureate William Vickrey. The theme of the conference, namely full employment, was one to which Vickrey was tirelessly committed. The contributors to this volume elaborate full employment issues in the tradition of William Vickrey. They extend his full employment analysis at the theoretical as well as policy levels, and relate it to other social policy issues. This volume also includes two unpublished articles by William Vickrey (Chapters 15 and 16) in which he rejected the argument that unemployment was necessary to keep inflation low; rather, he believed that institutional change was necessary (and possible) to make full employment consistent with low inflation. Vickrey strongly believed that economists had a moral obligation towards society to reduce unemployment. He rejected the traditional view that the “fiscal deficit” is an economic sin; for Vickrey the deficit is an economic necessity. Vickrey wrote:

[The deficit’s] most important function is to be the means whereby purchasing power not spent on consumption, or recycled into income by the private creation of net capital, is recycled into purchasing power by government borrowing and spending. Purchasing power not so recycled becomes nonpurchase, nonsales, nonproduction, and unemployment. (Vickrey 1998, 189)

Vickrey’s argument regarding the fiscal deficit and its relationship to unemployment is further developed by Mathew Forstater in the first chapter of the volume. Following Vickrey’s rejection of the effectiveness of “workfare” programs in reducing unemployment, Forstater proposes a “savings-recycling public employment” program by which the government pledges to hire anyone ready, willing, and able to work at a basic public-sector (living) wage financed through (necessary) fiscal deficits. The deficit will expand

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without any inflationary consequences up to the point where the gap between desired and actual holdings of net financial assets is closed at zero involuntary unemployment. Dimitri B. Papadimitriou, Philip Harvey, and Edward J. Nell further develop this ELR (“government as employer of last resort”) approach in chapters two, three and five, respectively.

Papadimitriou argues that even during the boom of the 1990s, there were millions of potential workers who could work if jobs were made available to them. Papadimitriou explains that ELR promotes both full employment and price stability, and that ELR would be a better approach than other proposed full employment policies, such as the reduction of the workweek and employment subsidies (e.g., the earned income tax credit and the negative income tax).

Harvey’s chapter describes the “Direct Job Creation” program, which he argues is the least inflationary way to achieve full employment. He estimates that the cost of such program for the high unemployment period of 1967–76 would have been \$213 billion per year, which is not an unusual cost for a major social insurance program. He then shows that offsetting savings and revenues would cover most of the total cost of the program.

David Colander follows his mentor William Vickrey in arguing that there exists many unemployment equilibriums for the economy, and that the job of macroeconomic analysts is to tell us which policy will give us the most desirable equilibrium (i.e., full employment equilibrium). Colander proposes a “complexity foundation” model applied to Vickrey’s concept of chock-full employment. His model tries to explain how markets develop, and tries to specify how alternative institutions can be developed in order to achieve the most desirable results. Colander’s argument is criticized in Edward Nell’s chapter, “The simple theory of unemployment,” in which he puts forward the position that Colander’s scarcity theory of value is “unnecessarily complex” and that a simple Keynesian model can fully explain unemployment. Nell’s theory of transformational growth explains how the economic system evolves through time, and transforms itself as it grew from a craft economy to a mass production economy. Nell shows that a counter-cyclical government program such as ELR could act as an automatic large-scale stabilizer for the economy.

Chapters 7, 8, and 9 address the relationship between full employment and welfare policies, which William Vickrey did not explicitly deal with, but of which he was certainly aware. Gertrude Goldberg, Helen Ginsburg, and Sumner Rosen show that welfare policy is closely related to and interdependent with economic policy, especially employment policy. The Swedish experience is frequently pointed out in this section as one that was able to sustain for a long time full employment, comprehensive social welfare

protection, national prosperity, and steadily rising standards of living (Rosen 2000, 128).

Heather Boushey (Chapter 10) and James K. Galbraith (Chapter 14) explore linkages between full employment and racial discrimination and inequality, respectively. Boushey uses a labor market model based on race and gender discrimination (which translates into wage inequality, employment inequality, and occupational segregation). She supplements her model with massive data for the United States showing how racial discrimination affects labor markets. Boushey argues that full employment policies need to take this into account. Galbraith writes in agreement with Vickrey on the possibility of achieving full employment. He further discusses how the NAIRU has lost its relevance as a policy tool but still remains a dominant practical tool that policy makers and other market players use consistently. This essay also reflects Galbraith's own research program on inequality in the United States.

Chapters 11, 12, and 13 respectively by Paul Davidson, Thomas Palley, and John Langmore address linkages between full employment and the global economy. Davidson gives credit to William Vickrey for promoting and contributing to the development of Keynesian thought. He then rejects Vickrey's support for flexible exchange rates, and argues for an International Monetary Clearing Union (IMCU) system that would stabilize the international monetary system without forcing sovereign nations to give up control over their national monetary and fiscal policies. Palley's reply to Davidson states that the international financial instability is not due to flexible exchange rates, but rather to excessive capital mobility.

The contributors to this volume point out many challenging issues related to full employment policy and theory. It seems that the best way to pay tribute to William Vickrey's contribution would be further exploring his commitment to full employment by following the path of the contributing authors of this volume and by challenging orthodox economic thought. *Commitment to Full Employment* is a must read for anybody interested in William Vickrey's scholarship, and full employment theory and policy.

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***The Culmination of Capital: Essays on Volume III of Marx's Capital.* Edited by Martha Campbell and Geert Reuten. New York, Palgrave, 2002, x + 282 pp., ISBN 0-333-96493-4, \$70.00 (hardcover).**

This book is part of the ongoing work of the International Symposium on Marxian Theory, a group of philosophers and economists whose goal is to