

INCOME AND EMPLOYMENT

By

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*Instructor in Economics
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NEW YORK
PRENTICE-HALL, INC.

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PRENTICE-HALL ECONOMICS SERIES

E. A. J. JOHNSON, EDITOR

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70 FIFTH AVENUE, NEW YORK

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First printing September 1947
Second printing July 1948

To
MARK

PREFACE

This book is an essay in aggregative economics, with theory tied close to data of the United States. The subject matter falls naturally into three divisions: the measurement of income, production, employment, and average prices; the trend and determinants of production and productivity; and influences on and policies toward the level of employment.

I am grateful for effective criticism and encouragement from Professors W. L. Crum, John T. Dunlop, Gottfried Haberler, George N. Halm, Alvin H. Hansen, Wassily Leontief, Joseph A. Schumpeter, and Sumner H. Slichter. Each of them has on occasion given his time and attention to special problems as they arose. I am also indebted to Dr. Andreas Papandreou for useful discussions. Chapter XIII has been improved by the criticisms of Mr. John Greene and Dr. David Easton. Mr. Harlan Smith read the whole manuscript with scrupulous care; many a page has benefited from his comments. Dr. George Jászi and Professor A. G. Hart also read the entire manuscript, and influenced its development. I am deeply indebted to Professor Hart, who went over it at two stages. The final draft gives evidence of his thought and stimulus in both content and style. Professor H. H. Burbank has my sincere thanks for useful suggestions and for an arrangement of my teaching schedule which gave me time to work on the book when I most needed it. Finally, I am indebted to my brother Donald for having turned my thoughts toward the general field in which this book lies.

T. M.

CAMBRIDGE, MASS.
JUNE 9, 1947

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THE PLAN OF THE BOOK

THE nineteenth century viewed depression as Mediaeval Europe viewed the plague—as an inevitable accompaniment of this life, to be borne with resignation. It is unlikely that we shall in the future retain the tolerance toward depression we showed in the past century. There are a number of reasons. Our common sense rejects that some men should rust in idleness while they and others lack goods. We have been impressed by how completely we have employed our labor force during wartime and by how well we have produced as principal supply center of the United Nations. We have seen fascist states and Soviet Russia obtaining full employment of their resources, although their productivity has been lower than our own and their people have yielded up kinds of freedom we prize. Our own political parties have of course generously accepted praise or dispensed blame for boom and collapse; and so disposed us to look upon depression as controllable. Finally, there are co-operating sentiments of personal apprehension, humaneness, and prudence at work—apprehension lest we should ourselves be impoverished and jobless, humane concern lest others be so, and prudent fear lest social decay and hate rot away the foundations of our society.

The question is not whether we are to seek effective action against depression. The only question is whether we are going to have policies set into effect *after* a crisis is upon us, so that the action will be hastily planned and hastily put into action—and so relatively ineffective—or whether we are going to have a program and facilities set up ahead of time to avert or meet the day of need. Recent advances in technical economics justify a tempered optimism: We can do the job if we set about it.

The chief purpose of this book is to present plainly, but with all important qualifications, the problems and policy alternatives faced by the United States economy in maintaining productive and high employment. Chapters VI to XVI deal primarily with the maintenance of employment.

High employment is an aim in itself because of the morale and educational values of work; but it is not the basic aim of the economic system. The basic aim is the highest production reasonably possible of those goods and services which best satisfy human wants; and high employment is best looked on as a means to, and a by-product of, this high production. Hence we are concerned throughout the book with production and productivity. As soon as we speak of production in the whole economy (or of income which is its money equivalent) we face the problem of measurement, which is the subject of Chapters I and II. The following chapters, III to V, discuss special aspects of total production—changes in total production and in productivity, production and price levels, and the behavior of certain main constituents of total production.

We start out, therefore, with the measurement of production and income; continue with a survey of changes in production and productivity; and spend the last part and bulk of the book on the problem of maintaining effective high employment.