

unemployed. Strikingly, his calculations revealed that inflows to unemployment in the early 1930s were two or three times higher than the levels observed in the 1980s. In consequence, the average (completed) duration of unemployment in the 1930s was lower than might have been expected from recent experience: about 10 weeks for all unemployed but 20 weeks for the wholly unemployed (which excludes the temporarily stopped and casual workers). But for the wholly unemployed the length of unemployment spells (weighted by work experience) rose from 15 weeks in 1929 to nearly 50 weeks in 1936. How can these observations be reconciled? The unemployed, at least in Britain, appear to have been divided according to the duration of their unemployment into two groups with very different characteristics. The first group experienced rapid movements into and out of employment with repeated brief spells of unemployment. The system of unemployment benefits, which imposed no waiting period on most claimants experiencing recurrent spells of unemployment, may have contributed to these frequent short spells of unemployment. For the long-term unemployed, however, the benefit system was less important: for all individuals the probability of re-employment declined steadily with the length of their unemployment.

In his comments, Charles Feinstein (Nuffield College, Oxford) emphasized that particularly in the period before 1914, many labour markets had been characterized by *rotating underemployment*: as many as two million workers were out of work for 20-25% of the time. In the interwar years, intermittent unemployment or underemployment was still present but the collapse of certain staple industries was an additional factor, and long-term unemployment was closely associated with these industries. Several participants pointed also to the different labour market conditions faced by different demographic groups, particularly juveniles. Barry Eichengreen noted the lower cyclical sensitivity of juvenile unemployment and the lower participation rates among this group, which may partly reflect measurement problems.

Though it is difficult to argue that the long-term unemployed were induced by the insurance system to stay on the register for such long periods, the average income loss from unemployment was limited to about 25%. Does this imply that unemployment was not a major

cause of poverty and related social ills? In his paper, "Unemployment, Insurance and Health in Interwar Britain," Bernard Harris (Birkbeck College, London) reviewed contemporary studies of the poor, arguing that these tended to underestimate poverty. Harris based much of his empirical analysis on data from the reports of school inspectors. He noted that although general mortality declined after 1911, the decline was smallest in areas of high unemployment. Maternal mortality and that among men over 55 appeared to be the most sensitive to unemployment. It is difficult, however, to obtain reliable indicators of general health, the variable presumably linking unemployment and mortality. Variations in nutrition have been found to influence the early growth and therefore the height of children, which may therefore provide a useful indicator of general health. Harris's time-series analysis for certain areas in the 1930s revealed that unemployment levels had a negative effect on stature, although this effect was weak.

Harris had alluded to the issue of 'benefit-induced' unemployment in his paper, but several participants thought that one could not really address this issue by looking at health or mortality. Nicholas Crafts (University of Leeds and CEPR) commented that although poverty lines are always somewhat artificial, nonetheless the interwar period as a whole saw a general rise in children's heights. He noted that elderly workers without children suffered the most from long-term unemployment: their experience would not be expected to influence heights. If there were any effects of unemployment on heights it would occur only with a lag and might not be picked up in analyses of annual time series.

The economic policies undertaken by fascist regimes in the 1930s are often said to have promoted rapid economic recovery and to have virtually eliminated unemployment. Dan Silverman (Pennsylvania State University), in his paper "German Unemployment in the 1930s," examined the policies for economic recovery under the Nazi regime. Could work-creation programmes explain the dramatic turnaround in the German economy, which saw unemployment fall by 60% in the first 18 months of the regime? Silverman's examination of the timing of these schemes suggested that they could have had only marginal effects on the jobless total until the rearmament drive began in 1935. Silverman also explored the suggestion that changes in the

procedures used for recording unemployment could have exaggerated the 1932-3 fall in the numbers recorded as unemployed. Although deliberate statistical manipulation is impossible to establish, the government department concerned with these statistics was thrown into chaos during the process of Nazification. Coupled with changes in eligibility for and coverage of unemployment insurance, this obscures the true picture of the German labour market in the critical early years of recovery and has led many observers in the past to exaggerate the impact on unemployment of German labour market programmes, according to Silverman.

Harold James (Princeton University) pointed out that even though there is some doubt about the reliability of the employment statistics, there is little question that Germany experienced a dramatic economic recovery after 1932. Two major factors contributed to this. First, nominal wages were held down by the Nazis following the destruction of trade unions; as a result employment grew rapidly in low-productivity sectors. Second, trade and currency controls instituted in 1931 and intensified in 1934 and 1936 led to increasing isolation from the world economy and growing employment in import-substituting sectors.

Inadequate data make the unemployment picture for Italy even more obscure. In their paper, "Italian Unemployment in the 1930s," Francesco Piva (University of Rome) and Gianni Toniolo emphasized the 'dual' nature of the Italian interwar economy. Until 1929 there were high rates of migration from the agricultural sector, where underemployment was common, to the industrial cities and abroad. Although industrial employment declined by only 6% between 1929 and 1932, disguised unemployment undoubtedly increased. There is evidence of job-sharing in the sharp decline in hours worked per employee and the high rates of employment turnover. Although the level of unemployment is unclear, the authors' estimates suggest a dramatic recovery between 1933 and 1937. As in the German case, however, Mussolini's public works policy had only marginal effects on industrial unemployment in 1931-3. Piva and Toniolo argued that in Italy there is evidence of a strong inverse correlation between the real wage and total hours worked, at both the aggregate and industry levels. But whether policies aimed at reducing average hours

and holding down the nominal wage contributed to the Italian economic recovery remains unclear.

Stefano Fenoaltea commented that, in his view, the Italian labour market in the interwar period was not unusual. It shared many of the features of other European countries and of countries such as Britain at a much earlier stage in their development. In such cases the phenomena of 'rotating underemployment' and a high degree of seasonality in employment were common, but the characterization of the rural sector as holding huge labour reserves was misleading. Charles Maier (Harvard University) disagreed with this interpretation, arguing that there was less seasonal variation in agriculture in the Italian south than in the United States.

France and Belgium are two of the countries whose economic recoveries in the 1930s were hindered by their adherence to the gold standard. In both countries, however, unemployment rates remained surprisingly low. In his paper, Robert Salais asked "Why Was French Unemployment So Low During the 1930s?" One reason is that the French labour force declined dramatically between the 1931 and 1936 censuses. It is sometimes argued that the large exodus of foreign workers was the major reason for this decline, but there were other important factors, according to Salais. Recorded unemployment in France was also moderated by the return of urban workers to rural areas and by the prevalence of self-employment. Salais found little relation between employment loss and unemployment across departements of France, although recorded unemployment was strongly correlated with urbanization and with the mix and organization of industry. Home workers and those employed in small businesses who experienced a loss of work were less likely to appear as 'unemployed' due to the nature of their employment contract; those in large firms were more likely to be permanently laid-off and hence to be recorded as unemployed. Institutions devoted to the relief of unemployment and the concepts used to measure it were less developed in France than elsewhere; this may have led to serious undercounting of the jobless. Salais's analysis of the records of over 6000 individuals extended relief in Paris showed that those who did not head households often experienced termination of benefits after only brief periods of unemployment.

A number of participants questioned whether the low aggregate unemployment rate could be satisfactorily explained in terms of the peculiarities of different types of employment. Robert Gregory (Australian National University) pointed out that demographic variations and changing participation rates made more important contributions to changes in French unemployment than in most other countries. Charles Maier remarked that unemployment was unusually low even in the factory sector, where similarities with the experience in other countries might have been expected. He suggested that the existence of a large traditional sector disguised much of the unemployment and that the late onset of the depression delayed its recognition as an issue of public concern.

Martine Goossens, Stefaan Peeters and Guido Peppermans (Université Catholique de Louvain) considered the Belgian experience in their paper, "Interwar Unemployment in Belgium." They provided the first time-series estimates of the Belgian labour force for the interwar period, using both census data and the records of the voluntary unemployment insurance system. This insurance system had been extended in the 1920s as a result of trade union pressure and government intervention; by the early 1930s it covered nearly a million workers. As in France, the census indicates a sharp drop in the Belgian labour force from 1930 to 1936. The authors' new estimates of the total number unemployed suggest that this contraction of the labour force made a major contribution to the fall in unemployment between 1933 and 1938.

In his comments Bradford Lee (Harvard University) suggested that, since the Belgian unemployment insurance system was linked with trade union membership, one might have expected lay-offs to be more prevalent than reductions in hours. Peeters indicated that there was insufficient data available either on lay-offs and hours or on the nature of employment contracts to address this question. Others questioned the authors' assumption, in constructing their estimates, that unemployment rates among insured and uninsured workers were the same.

Canada's unemployment in the 1930s was nearly as severe as, and largely originated in, conditions in the US. In their analysis of "Unemployment and Relief in Canada During the 1930s," Alan

Green (Queen's University, Kingston) and Mary MacKinnon (Australian National University) made use for the first time of census figures and regional data on unemployment relief. They found that, despite the regional specialization of the Canadian economy and its reliance on a narrow range of staple exports, the regional diversity in unemployment rates was surprisingly small. Differences in unemployment rates were more marked across occupations and between the sexes, with females and those in non-manual occupations experiencing the lowest rates. In 1930-1, 44% of wage-earners lost hours of employment and on average their loss represented six months work. Despite this, Canadian work relief projects started in the early 1930s did not develop into a full-scale programme like that in the US. Compared to the "New Deal," Canadian relief provision in cities was meagre, but in rural areas assistance to farmers was more generous. Although agricultural areas suffered a disproportionate income loss, the proportion of the Canadian labour force employed in agriculture rose between 1931 and 1941.

In his comments, John Wallis suggested that the regional dispersion of unemployment rates was more significant than the authors had maintained. He also raised the question whether female unemployment was low relative to that of males because of industries in which they were employed, or whether these industries were less affected by the depression because they employed females. Gianni Toniolo and Charles Feinstein noted that lower female unemployment was found in most countries and suggested that this reflected strong 'discouraged-worker' effects in the early 1930s.

The distinctive feature of the Australian experience was the rhetoric of 'equal sacrifice,' i.e., that the burden of unemployment should be shared equally. Robert Gregory, in his paper "The Australian Labour Market During the 1930s," written jointly with V. Ho, L. McDermott and J. Hagan, demonstrated that in practice sacrifice was very unequal. 'Job-sharing,' as reflected in the decline in labour productivity and the fall in hours worked per employee, was not as common as in the US. Had the US output-employment relationship also held in Australia, Gregory estimated, unemployment would have risen to only 12% in 1932 rather than the 19% observed. Moreover, once out of employment, Australians had very

little chance of regaining jobs. By 1933 there were more workers who had been unemployed for two or three than for one or two years, reflecting the almost permanent nature of the job losses that had occurred in 1930-2. Gregory concluded that labour market theories emphasizing rapid employment turnover and search behaviour are particularly inappropriate to Australia. A distinctive feature of the Australian institutional framework was the centralized wage-setting process whereby wage rates were linked to the cost-of-living index in the previous quarter. Gregory pointed out that despite this unique feature, the course of real wages over the depression was remarkably similar to that in the US, where no such institution existed. In neither country did real wages alone seem to account for much of the variation in employment.

Stephen Nickell remarked that unless perfect competition prevails in the product market, the product wage might either rise or fall as a result of a negative demand shock. Since the real wage is not determined solely in the labour market it should not be seen as measuring labour market

flexibility. He also pointed out that labour hoarding is a form of inflexibility and should not necessarily be regarded as desirable. Ben Bernanke (Princeton University) suggested that labour hoarding in the US might have reflected the climate of industrial relations, in which employers desired to retain a stock of skilled workers attached to the firm. John Wallis stressed that the rules governing work relief schemes under the New Deal tended to lower actual, or at least reported, hours.

These papers together provide a new and much richer picture of interwar unemployment, which emphasizes the diversity of experiences across countries, regions and individuals. Revised versions of the papers presented at the conference will be published for CEPR by Martinus Nijhoff in early 1988, edited by Barry Eichengreen and Tim Hatton.

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World Congress Plans Proceed

Plans for the Second World Congress of Cliometrics are moving forward at a good pace. The tentative date and location is the latter half of June 1989 in Spain. Further details will be in the February Newsletter, but be sure to mark your calendar now. Olé!

Coming up in the next Cliometrics Newsletter

Reports on the fall meeting of the ESRC Quantitative Economic History meeting in Britain, and from the 3rd biennial ANU Economic History Conference in Australia. Further information on the up-coming World Congress, and more...

CLASSIFIEDS

The deadline for submissions to the February Newsletter is December 31st.

ANNOUNCEMENT -- The 1988 Cliometrics Conference will be held at Miami University on May 13-15. The deadline for submitting requests to attend or to give a paper is February 1st and should be sent to: Cliometrics Conference Secretary, Department of Economics, Miami University, Oxford, OH 45056. The official call for papers will be sent to the membership in December.