

HIS102-22 Economic History © Aug. 27, 2002

Raymond J. Jirran

In the opinion of the professor, Chambers is the most scholarly textbook on the market. Chambers well represents mainstream thinking in the history profession. The professor, however, disagrees in many significant ways with mainstream thinking. Some of these disagreements are set forth above and others in the following comments.

Page Column

Paragraph

Line

873 caption

For more on the Krupp steelworks, see caption on page 950

Endnotes

¹ Leon H. Keyserling, review of Seymour Martin Lipset, (ed.), *Party Coalitions in the 1980s* in Presidential Studies Quarterly: Center for the Study of the Presidency, Vol. 13, No. 1 (Winter, 1983), pages 169-78. Keyserling was chairman of the Council of Economic Advisers under President Truman.

² Namely, Leon H. Keyserling, review of Seymour Martin Lipset, (ed.), *Party Coalitions in the 1980s* in Presidential Studies Quarterly: Center for the Study of the Presidency, Vol. 13, No. 1 (Winter, 1983), pages 169-78.

³ Leon H. Keyserling, review of Seymour Martin Lipset, (ed.), *Party Coalitions in the 1980s* in Presidential Studies Quarterly: Center for the Study of the Presidency, Vol. 13, No. 1 (Winter, 1983), page 173, footnote ***.

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Supplement

F. Introduction (continued)

This is one of several lectures connecting the technology so much enjoyed by contemporary Western civilization with the history out of which that technology has arisen. Until the technology penetrates the civilization, the leisure required for studies such as this is unavailable. These lectures bridge a gap roughly from Newton to Einstein. This particular lecture is trying to relate the history of what is going on among historians to what is going on in the economy. The idea is to move from an economy of slavery to an economy of free men and women. The incompatible inseparables at work here are those between faith and reason, value and fact, morality and science, each claiming to be the path to truth. The commitment is to permit truth to win out over political correctness.

The Professor struggles to let truth dominate politics, including his politics. In fairness, the Professor feels obliged to share his own politics. He served as Secretary to the Newport News Democratic Party for ten years. The question then is, is the Professor a Democrat because of the truth or does the Professor offer the truth as an act of Democratic politics. The Professor hopes for the former and abhors the latter.

Insofar as U.S. politics is concerned, the Professor, who taught some Political Science and Government at Thomas Nelson Community College, insists that there is a significant difference between the Democratic and Republican parties. The professor is comfortable saying that a main difference rests between reason and compassion. To the mind of the Professor, the Republicans maintain that compassion without reason cannot be compassionate; the Democrats maintain that compassion comes as a first priority, over reason. If they must err, Republicans would prefer to err on the side of reason, Democrats would prefer to err on the side of compassion. That, at least, is how the Professor perceives what is happening. The Professor also thinks that the nation, as a people, voted in favor of morality and God when they voted for George W. Bush, rather than vote for immorality and mammon by voting for Gore. The Professor regards this vote as caused by a mistaken perception of Democratic immorality in favor of mammon on the part of the voters.

There is another problem with this lecture, that from the point of view of the professional economists. Professional economists can and some do say that the past is irrelevant to the future, because the past will never be repeated exactly again. Against this argument, the Professor observes that what the economists predict in such places as *The Wall Street Journal*, itself is best predicted based on what happened yesterday. In other words, economists tend to predict what will happen tomorrow as what happened yesterday. Most of the time, the economists making such predictions are correct, otherwise they would not be published and highly regarded. In the interests of economic education, the Professor presents his thoughts, all the while observing that if professors really knew what they were talking about in how the economy works, in how to get rich, they would not be in college classrooms.

Comments on the Seventh Edition of Chambers, pages 877-880

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era is about the economic distribution of wealth and income. The post-industrial era is about such so-called non-economic issues as human justice. Dr. Jirran agrees with the scholar² who denies that goods, services, and human justice are separable.

Dr. Jirran, furthermore, agrees with the scholar³ who says, "Economic education in institutions of learning is devoted to outmoded theories, excessively econometric, and only remotely connected with pressing problems of economic life." The pressing problems are the real production levels of goods and services rather than either budget deficits, tax loopholes, or monetarist policies.

The New Deal did more than lend an emotional boost to a troubled country. The New Deal put permanent braces into the economy that have softened the impact of subsequent economic turndowns. The point is that capitalization without demand is fruitless; supply does not create demand; but, rather the other way around, demand creates supply. The history of the rise of common people is the rise of this demand. Dr. Jirran worries that there is too strong of a parallel between high taxes before the fall of the Roman Empire and high taxes now.

D. Causal Relationships

Beware of writers who avoid working through causal relationships. Such avoidance is a good sign of sloppy thinking. Minimum wages makes a good focus.

Minimum wages are one way of increasing demand. Most of the competent studies of the results stemming from the Fair Labor Standards Act of 1938 show positive results. History does not support the idea that economic difficulty arises from too much income and consumption. Real wages are actually down today, thus, causing trouble.

The issue is not how to get people to save, but rather how to translate what is saved into income and spending. Tax bonanzas have little or no historical support in improving the economy, but increased spending by common people does help. Productivity has declined because industry has been operating inefficiently, at less than seventy percent of capacity.

The temptation is to read history as about what people have had to do without. Rather read history as about what people have done to improve their lots. Students need to be sensitive to both areas.

E. Conclusion

By studying the Introduction, Contemporary Concerns, the Nature of the Economy, and Causal Relationships, the student is better able at least to begin to evaluate the rise of common people through an evaluation of economic history: the nature of business cycles; the meaning of birth rates; the impact of inflation, deflation, and productivity. The lack of scholarship on the circumstances of place, people, and time involved establish a great deal of uncertainty. The lecture is more designed to look for a sense of the right questions to ask, than to portray much of what is not there, namely relevant economic history. After this, the lectures get back to more standard topics, until Topic Forty, The Economy, at the end.

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A. Introduction

Political ramifications make this lecture the most difficult of all the lectures presented by the professor. Then why not eliminate the lecture? Because the subject matter is too important and something is better than nothing. The collapse of the Soviet Union is closely related to the viability of the history of economic theory. Evaluating the rise of common people demands an **evaluation of economic history**: the nature of business cycles; the meaning of birth rates; the impact of inflation, deflation, and productivity.¹ Students are reminded to read, study, and think.

B. Contemporary Concerns

History is important only insofar as history is important to the present. The assumption here is that the United States has been in a state of decline, and especially economic decline, since 1968, the election of Richard M. Nixon through December 26, 1992, just before Bill Clinton took office. The problem comes down to sound leadership, which, in turn, requires a sound understanding of what has gone before, viz., history. The problem of interpreting what history means is quite tangled with contemporary issues.

Ronald Reagan blamed inflation, high unemployment, horrendous federal deficits, and ruinously high interest rates on what happened during the fifty years from Franklin Delano Roosevelt to Harry S Truman to Lyndon Baines Johnson. Those years were known for real economic growth, low unemployment, low inflation, and moderate or nonexistent Federal deficits. What actually happened was that present troubles were caused by abandoning sound earlier policies.

These policies were stated in the Employment Act of 1946 and codified in the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978. These policies were utterly ignored during both the Jimmy Carter and Reagan period to the end of 1983. The bedrock thinker for all of this was John Maynard Keynes, an English economist who lived from 1883 until 1946.

C. The Nature of the Economy

Keynes and Dr. Jirran hold that maldistribution of income results in a greater supply of economic goods and services than what is useful. The solution is, at least metaphorically, to print some money in order to increase demand for goods and services among the common people. Printing money is, in fact, a useful tax upon those with money.

Keynes advocated the use of this power of taxation to cause a redistribution of wealth with the explicit purpose of increasing demand for goods and services. This meant that the bad results of the Kennedy 1964 tax cuts became apparent after 1966 and that present tax cuts are the source of trouble. What this really meant was that, historically, the more goods and services the common people have been able to absorb, the better off everyone has been.

A knot in the thematic rope holding this interpretation together occurred in 1952 with the election of Dwight D. Eisenhower. Thinkers have cited this point as a transition into the post-industrial era. Chambers is concerned very much with the production of goods during the industrial era. The post-industrial era, supposedly, focuses much more on the production of services. The industrial

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