THE ECONOMICS OF THE GREAT DEPRESSION: A TWENTY-FIRST CENTURY LOOK BACK AT THE ECONOMICS OF THE INTERWAR ERA, by Randall E. Parker, Cheltenham, UK: Edward Elgar, 2007, ISBN: 978-1-84542-127-4; 257 pages.

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When I was a first-year Ph.D. student in 1983, Arjo Klamer published *Conversations with Economists*, which took a novel approach to presenting the debate over macroeconomic policy by interviewing several leading New Classical economists and their critics. Because Klamer put the dizzying array of macro models we were expected to master into historical context, and more importantly, provided fascinating insights into how the experiences and training of economists shaped their work, many of us who read *Conversations* at that time learned more from it about macroeconomics than from the technical courses we were required to complete.

Randall E. Parker's *The Economics of the Great Depression: A Twenty-First Century Look Back at the Economics of the Interwar Era* is his second Klamer-style book about the interwar period. In his earlier work, *Reflections on the Great Depression* (2002), Parker presented the personal recollections of notable economists who lived during that era. This book, however, focuses on the scholarly work about the Depression that has been published in the last twenty-five years. Unfortunately, because the cast of characters is different for each book, the connection between personal background and scholarship that distinguished Klamer's work is missing. However, despite this and other limitations described below, Parker's work provides a useful synthesis of the substantial literature about the Great Depression.

The book begins by discussing the stylized facts of the interwar period, and then outlines how mainstream economists have explained them. Although this section gives readers the necessary background to understand the conversations that comprise the bulk of the book, it suffers from three shortcomings. The first is that Parker, unlike most economists I know, seems to have an aversion to graphs and tables, which forces readers to sift through and organize a significant amount of data in the narrative. Likewise, Parker has an annoying habit of referring to graphs in his interviews that do not appear in the book. Second, Parker makes little effort to appear objective. A case in point is his excitement about recent research that employs dynamic stochastic general equilibrium (DSGE) models, despite the obvious absurdity of constructing equilibrium models to explain the Depression – a point made by many of the interviewees. Finally, although Parker's survey of the neoclassical literature is informative, it largely ignores heterodox viewpoints. Two exceptions are the Austrian explanations of the contraction and the Keynesian uncertainty channel, both of which are sketchy and incomplete. Given Parker's narrow perspective, it is unsurprising that his choice of economists to interview does not stray far from the mainstream.

Despite the heterogeneity of this group, most of its members are renowned scholars of the interwar period who have interesting things to say. The notable exception is Nobel laureate Robert Lucas, who offers few enlightening comments about the Depression. Interestingly, when Arjo Klamer asked Lucas in the early 1980s to explain the slow post-1933 recovery in the United

States, he was unable to provide an answer. Twenty-five years later, Parker repeated the question to Lucas and received the same response! Obviously, Lucas did not spend much time thinking about this issue. On the other hand, there is no such waffling from top economic historians like Peter Temin, Christina Romer, and Barry Eichengreen, who offer enlightening insights and novel interpretations of critical events. Even technical economists like Federal Reserve Chair Ben Bernanke provide thoughtful commentary. Most heterodox economists, however, would side with Temin, whose emphasis on institutional change and the importance of Keynesian aggregate demand shocks differentiate his work from the others. Perhaps the most controversial interview is with DSGE guru Lee Ohanian, whose argument that productivity shocks played a major role in the downturn differs from many of the other scholars who stress monetary and financial disturbances. Ironically, despite his real business cycle orientation, Ohanion planned at the time of the interview to investigate whether the increase in income inequality during the 1920s had real effects. Again, notably missing are dissenting views, such as discussions with the type of Post Keynesian and Marxian thinkers who met with Klamer. Moreover, Parker's work would have been livelier and more balanced if he had talked to Michael Bernstein about his work on long-term secular change, Alexander Field on technological development in the 1930s, and perhaps Gene Smiley on the Austrian position.

Thus, it is unsurprising that there is general agreement among these scholars on the major questions concerning the Depression. As noted, most of the economists emphasize the role of monetary and financial shocks in the early years of the downturn, which were propagated globally by the gold-exchange standard. Many also concur that leaving the gold standard, which permitted countries to pursue expansionary monetary policies, set the stage for recovery. However, some nations like the U.S. required the World War II stimulus to restore employment to its pre-Depression levels. On the other hand, one issue that remains controversial is deflation – whether it was anticipated or not, and if it was a cause of the downturn or a result of it. Hopefully, future research will help resolve this issue.

Overall, Parker provides an interesting, detailed account of recent mainstream thought on the origins, transmission, and the end of the Great Depression. He is a skilled investigator, whose knowledge and preparation contributed to a series of informative conversations with renowned scholars. My main disappointment is the lack of intellectual diversity. To be fair, however, there has been little work on this topic by heterodox economists recently. Perhaps their absence from the debates about the "Holy Grail" of macroeconomics will motivate them to revisit these important questions.

References

Klamer, Arjo. *Conversations with Economists: New Classical Economists and Opponents Speak Out on the Current Controversy in Macroeconomics,* Totowa, NJ: Rowman & Littlefield Publishers, 1984.

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