jei JOURNAL OF ECONOMIC ISSUES
Vol. XXXIII No. 2 June 1999

Roundtable on Employment Policy

Introduction: Robert Eisner's Common Sense Commitment to Full Employment and Activist Fiscal Policy

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When Robert Eisner was invited to participate in the AFEE Roundtable on Employment Policy, he not only accepted the invitation on the spot, but also immediately said that he would speak about "Employment Policy and the NAIRU." For years, he insisted that the NAIRU was a theoretically flawed and socially harmful concept justifying the politically enforced unemployment of millions of workers in the name of price stability. Eisner saw the recent drop in the official unemployment rate to well below 5 percent without any signs of inflation whatsoever as an opportunity to slay the NAIRU dragon once and for all. Activist fiscal policy should be utilized to push the official rate down further and promote full employment. Following his death on November 25, 1998, at age 76, the Roundtable participants, William A. Darity Jr., Mathew Forstater, James K. Galbraith, Philip Harvey, Robert Kuttner, and L. Randall Wray, with the support of AFEE conference organizer Ronnie J. Phillips and *Journal of Economic Issues* editor Anne Mayhew, decided to dedicate the Roundtable and this symposium to Robert Eisner's life and work.

While Eisner was a gifted technical economist, no doubt contributing to his recognition within the mainstream of the discipline (e.g., his election as president of the American Economics Association in 1987), his ideas were rooted in something missing from much of the discipline: common sense. Eisner believed that failure to understand the logical fallacy of composition was at the root of many of the theoreti-

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cal errors and misguided policy views that plague us [Eisner 1994, xi]. For the economy as a whole, contrary to the popular saying, there may be a free lunch, "and failing to take advantage of it may leave some of us without dinner as well" [1994, xiii]:

> The cost of anything is what has to be sacrificed to get it. What then would be the cost of providing lunch to the needy if we used surplus food that would otherwise be wasted? Would there be a cost to government's giving lunch to hungry children? Would the people, otherwise unemployed, who might be paid to prepare the lunches perhaps thus secure the wherewithal to purchase dinner? [Eisner 1994, xiii-xiv].

The logic of an economy with unemployed resources is very different than that of an economy running at full employment and full capacity. It is a grave error to apply the logic of full employment—the logic of scarce resources—to the society in which we actually live.

Eisner's common-sense approach led him to repeat often the truism that "for every buyer there is a seller and for every borrower there is a lender." If someone or some institution is in deficit, some other person or institution must be in surplus. Reducing the federal budget deficit must reduce the private sector surplus on the other side of the ledger, and this has economic implications. If the federal government runs a surplus, the private sector is going to have to go into deficit. If you want to reduce the deficit or to pay down the national debt, you are going to have to face the economic consequences. In response to what he called the "hysteria" surrounding government deficits and the debt, Eisner devoted a lifetime of effort and thousands of pages of scholarly articles and books, newspaper editorials and letters to the editor, as well as hours of testimony before various congressional committees, demonstrating that there is no logical or empirical support for the claims that deficits cause high interest rates and inflation or crowd out private expenditure [Eisner 1986]. Most often, such claims are derived from the assumptions that all resources are fully employed and that investment must be financed out of a fixed "pool" of savings.

Recently, Eisner's common sense was additionally focused on the "myths" concerning Social Security, which he considered "perhaps the worst of all the deficit scare stories" because they "frighten millions of elderly" and provide "cover for insidious efforts to diminish or destroy a system of social insurance that has served its purpose well for six decades" [Eisner 1997, 43]. According to Eisner, the claim that the trust funds are in prospective deficit and projections of insolvency are, in his word, "nonsense" [Eisner 1997, 43]. Likewise the claim that the federal government is "masking" the deficit by spending worker's contributions and replacing them with worthless paper in the form of non-negotiable treasury securities is:

> Also nonsense! The budget deficit . . . is the excess of total outlays by the Treasury over total revenues. All "contributions for social insurance" go directly to the Treasury, and Social Security checks—as retirees can readily attest—come directly from the Treasury. And if Treasury securities or promises to pay are worthless, then so is all our money [Eisner 1997, 43].

There is no justification for cutting benefits, investing benefits in the stock market, or raising taxes in the name of "saving" Social Security.

In the last several years, we have lost Wendell Gordon, Adolph Lowe, Hyman Minsky, William Vickrey, and now Robert Eisner. All were giants in their commitment to full employment and their insistence that, despite the "deficit scares," activist fiscal policy is available for its achievement. As the papers in the following symposium attest, we are fortunate that there are now emerging younger scholars who will carry forward the banner of a common-sense commitment to full employment and a better life for all.

References

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