often using personal computers as smart terminals to access the mainframe database. . . . In this sense, computers have been around for almost 50 years. Instead of waiting for the productivity boost to arrive, it is more plausible that the main productivity gains of computers have already been achieved."

Another reason computers have yielded diminishing returns, he observes, is the continuing need for human beings to perform many jobs—to pilot aircraft, drive trucks, provide medical care, teach classes, and cut hair. "No matter how powerful the computer hardware and how user-friendly the software, most functions provided by personal computers . . . still require hands-on human contact to be productive," writes Gordon, and that limits potential productivity gains.

Nor has the rapid diffusion of the Internet since 1995 given productivity more than "moderate" boosts. Humans' time is limited, Gordon points out, and much Internet use "represents a substitution [of] one type of entertainment or information-gathering for another. . . . Internet surfing may be fun and even informational," but its contribution to the American standard of living is no match for the improvements made by many past inventions, including the electric light, the electric motor, and the internal combustion engine.

Making Sense of Labor

"The Development of the Neoclassical Tradition in Labor Economics" by George R. Boyer and Robert S. Smith, in *Industrial and Labor Relations Review* (Jan. 2001), Cornell Univ., Ithaca, N.Y. 14853–3901.

During the 1950s and 1960s, theory-minded neoclassical economists came to dominate the field of labor economics, pushing their more fact-oriented colleagues to the margins. But in more recent years, the theorists have become interested in just the sort of quotidian issues whose study they once disdained, report Cornell University economists Boyer and Smith.

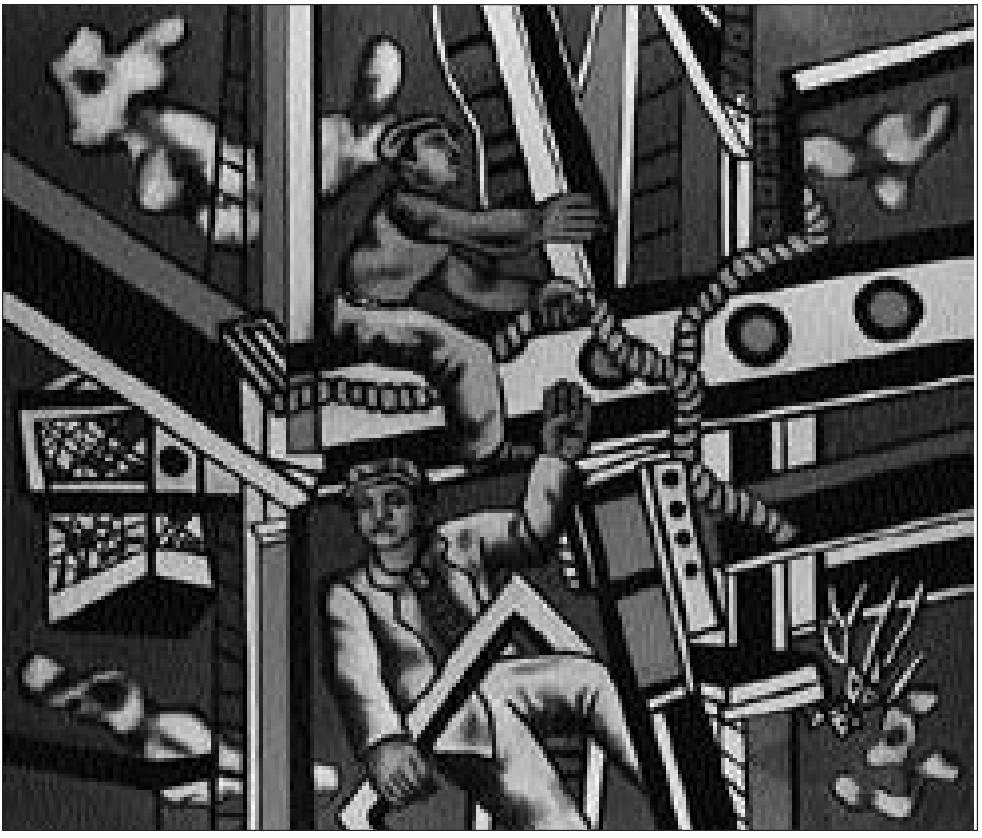
Prior to World War II, the field was dominated by "institutionalists" such as John R. Commons of the University of Wisconsin at Madison. They generally did "intensive, often historical" studies of particular cases or events, producing "detailed *descriptions* of various labor-market institutions or outcomes," Boyer and Smith note. They might, for instance, detail the history of a labor union in a particular steel factory, and show how it affected workers' pay and benefits.

The rival neoclassical approach better satisfied "the scholarly yearning for general principles that can organize 'mere' facts," the authors note. These economists used mathematical models to test theoretical propositions about such things as the "price" of labor under various conditions of supply and demand.

After the war, leading "neoinstitutionalist" labor economists, such as John Dunlop, Clark Kerr, Richard Lester, and Lloyd Reynolds, remained "deeply skeptical of [neoclassical theory's] relevance to the real world," say Boyer and Smith. But the neoclassical economists prevailed. As the Nobel laureate Paul Samuelson once wrote, "In economics it takes a theory to kill a theory; facts can only dent the theorist's hide."

By the early 1970s, the trend toward neoclassical economics was clear. Reynolds revised his classic textbook, putting economics to the front and relegating the discussion of unions to the rear. Albert Rees sniffed in his neoclassical *Economics of Work and Pay* (1973) that economists trained in the "institutional tradition . . . have tended to move into industrial relations . . . and [become] somewhat isolated from the main stream of economics."

Yet a kind of convergence was also underway. Econometrics—which uses sophisticated statistical techniques to test theoretical propositions in various "realistic" contexts—became popular in economics, especially after the advent of the computer. In the field of labor econom-



The Constructors ***(1950), by Fernand Leger***

ics, Boyer and Smith point out, pioneers such as H. Greg Lewis used the new tools to look at traditional topics, including "the effects of unions in raising the wages of their members relative to those of nonunion workers."

As neoclassical economists became intimately involved in debates about government policies, "they were forced to give more attention" to institutionalist concerns, Boyer and Smith point out. "Seemingly small administrative details about how unemployment or workers' compensation insurance premiums are set, for example, have huge implications for the layoff or safety behavior of employers; labor economists wanting the ear of policy-makers had to know these details." Today, say the authors, a permanent fusion of "the neoinstitutionalist *interests* . . . with the neoclassical *approach*" may be in the works.

The First Crash

"The First Bank of the United States and the Securities Market Crash of 1792" by David J. Cowen, in *The Journal of Economic History* (Dec. 2000), Social Science History Institute, Bldg. 200, Rm. 3, Stanford Univ., Stanford, Calif. 94305–2024.

The Panic of 1792 was America's first market crash, and historians usually have blamed it on a speculator named William Duer and his confederates. Evidence freshly assembled, however, suggests a different culprit: the First Bank of the United States.

The brainchild of Secretary of the Treasury Alexander Hamilton, the semipublic national bank received a charter for 20 years in February 1791 and, with a colossal $10 million in capital, opened its doors in Philadelphia the following December. Its mission was to facilitate commerce by lending money, and, not incidentally, to