

# Steven N. Durlauf and Lawrence E. Blume (eds), *The New Palgrave Dictionary of Economics Online* (Palgrave Macmillan, 2008)<sup>1</sup>

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How does one review a dictionary? Reading and commenting on every entry would be a huge task, unrewarding for both the reviewer and the reader. Focusing on those subjects where the reviewer has expertise would too easily degenerate into an exercise in nitpicking, unfair to the work as a whole and its intended purpose. But focusing on subjects where the reviewer does not have expertise (that is, is closest to the typical user) leads to the opposite danger: giving the tick of approval to readable and plausible entries which may contain the most outlandish rubbish. Finally, reviewing the work 'as a whole' without discussion of any particular entries is an invitation to empty pontification.

A similar dilemma must have beset the editors of this work. Their stated goal is to bring together 'the world's most influential economists writing in their own voice on their areas of expertise'. Yet in many cases, the most influential economists could not be available. Furthermore, experts by definition are on the cutting edge of controversial research that has not yet been codified into bland textbook form. Yet sadly, they retain all of their human frailties and passions. Writing a summary of their chosen field might just present them with a forum to push their own controversial hobbyhorses, rather than provide a balanced overview of their subject. Yet the opposite strategy of employing 'disinterested' writers would guarantee both less expertise and a less marketable product. Ah well. What kind of a life would it be for economists without tradeoffs?

While this editor's dilemma, thankfully, was not my problem, the reviewer's was. My imperfect response was a mixed strategy: a browse through my own speciality of labour demand, followed by a random walk through topics I was more or less interested in and ignorant about.

<sup>1</sup> 'In 2008, Palgrave Macmillan published *The New Palgrave Dictionary of Economics*, 2nd edition, edited by Steven N. Durlauf and Lawrence E. Blume. While some classic articles from the 1987 [edition] were retained, around 80% of the text was either entirely new or substantially rewritten to reflect the depth of change within the discipline between the editions.'

[http://www.dictionaryofeconomics.com/help/faq#\\_Toc198623695](http://www.dictionaryofeconomics.com/help/faq#_Toc198623695)

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This strategy got off to a rude start. ‘Labo(u)r demand’ (JEL class J23) is a completely empty set. Admittedly it is not the hottest new topic, but one would think in 1,850 entries it would rate a mention. It is true that there is an entry for **derived demand** but the word ‘labour’ appears only twice.

Moving on to **minimum wages**, I was reassured to find not just an entry but signs of controversy — the article had been revised. This happy glow rapidly faded on scanning the bibliography — mostly pre 1990s, briefly mentioning Card and Kreuger and Neumark and Washer’s criticism, but not Card and Kreuger’s reply (also in the AER, 2000), the 1998 OECD Employment Outlook cross-country analysis, or Neumark and Washer’s comprehensive literature review of 2006. It was also rather disturbing to see the naked words ‘I believe’ in this entry — this is a dictionary, isn’t it, and I thought we were pretending to be a science?

So much for my narrow area of expertise. Now for the vast and boundless plains of my ignorance.

It seemed fair to start with Palgrave’s default sample article **Growth and Institutions** by Daron Acemoglu — clearly a case where the top of the field was available. The article was clear and well written, and didn’t say anything obviously outrageous. But out of 14 references, fully half were to the author’s own work, and only one of the remainder was written post 2000. Similarly, on **rent seeking** we are informed that ‘The term ... was introduced by Ann O. Krueger (1974), but the relevant theory had already been developed by Gordon Tullock (1967).’ And of a short bibliography of four articles, three were by ... Gordon Tullock. Would anyone like to guess who the author was? By comparison, Manning on **monopsony**, Howitt & Weil on **economic growth**, and Clark on the **Malthusian economy** were paragons of modesty.

After that, it got a little messy. There are yawning gaps in some subject areas and an embarrassment of riches in others. There is no single summary of **business cycles**, but the reader may choose between separate entries for **measurement**, **real**, **international real**, **political**, **monetary (sticky prices and wages)**, **monetary (imperfect information)**, and **welfare costs**. **Unemployment** focuses narrowly on a comparison of the U.S. and Europe over the last few decades, despite the existence of a separate entry for **unemployment and hours of work**, **cross country differences**. On a more esoteric level, one Roberto Scazzieri has written on both **reswitching of technique** and **reverse capital deepening**. As far as I could tell, these deal with almost identical subjects, but for some reason only the **reswitching** article mentions Sraffa and Robinson.

The more I read, the more confused I became about what the dictionary was actually trying to do. Who is supposed to read it? The ‘new generation of economists’, according to the website, but are they supposed in high school, undergraduates, postgraduates, or postdocs struggling for tenure? What are its

closest substitutes? Textbooks, handbooks, JEL or JEP-style review articles, or Wikipedia and other free online resources such as Econlib?

As a very broad average, the level is postgraduate or advanced undergraduate. Anyone below this level would literally need a dictionary to read the dictionary: it is generally assumed that the reader knows a fair amount of economic and mathematical terminology. 'A random economic system is called **ergodic** if it tends in probability to a limiting form that is independent of the initial conditions.' 'The asset demand vector of every agent [in the **CAPM**] can be expressed as a linear combination of a set of basis vectors which may be thought of as portfolios or mutual funds ... [beta is] the slope of the regression line relating the return on the security to the return on the market portfolio.'

Yet occasionally, an author will feel the need to go right back to basics. Temin's description of the **Great Depression** focuses on footwear: 'Shoes in particular were a problem. Families typically could not afford to replace shoes that had worn out, and so they were patched and patched again. Some families even restricted the activities of their children to save the wear and tear on their shoes.' This is not simply a function of the subject matter: the contemporary **political economy of Stalinism** is highly theoretical: 'This article describes the economic working arrangements put in place in the Soviet Union in the early 1930s by Stalin from the vantage point of Mises' and Hayek's scepticism about the feasibility of socialism.'

In newspaper parlance, the New Palgrave erects no clear firewall between news and opinion. **Heckscher–Ohlin trade theory** and **consumer surplus**, for example, have the detachment and safe, middle-of-the-road contents that the word 'dictionary' conjures up. Some bend over backwards to avoid any controversy at all — we are told that 'empirical work has not yet produced a consensus' on the **Ricardian equivalence theorem** without even being referred to an example of this work. **Excess volatility tests** and **consumption-based asset pricing models (empirical performance)** duplicate both subject matter and conclusion (or lack thereof): in the words of the former, 'for whatever reason, prices of financial assets do not behave as the theory of consumption-based asset pricing predicts'.

By comparison, Easterly on **globalisation** read like an editorial or blog entry. Opinion seemed to flow more freely on personalities than on issues, with **Hicks** and **List** judged exhaustively if (mostly) positively. This was true even in non-biographical entries, with the imperative that 'Kaldor is to be admired' being delivered in the middle of the discussion on **stylized facts**.

'Dictionary' is clearly a misnomer. Anyone who does not know the first thing (and preferably a great deal more) about the subject they are looking up will be lost. Even 'encyclopedia' is a little misleading, with its connotations of organised, comprehensive coverage and consistent house style (**monopolistic competition**,

**derived demand** and **moral hazard** even lack abstracts). 'Compendium', perhaps, or 'treasury', or even 'menagerie'.

Substitutes? The articles are well beyond textbook summaries, but not quite as comprehensive as those in the various subject handbooks. Yet they are less focused and up to date than review articles of the sort specialized in by the JEL or JEP. Frankly, the closest match to the New Palgrave is, in fact, Wikipedia.

Many of the individual articles are excellent. It would be hard to match 'If **Hayek** was in the right place at the right time, it was usually with the wrong ideas, at least from the perspective of most of his contemporaries' or 'Economists have found it surprisingly hard to nail down the obvious intuition that in some rough unspecified way tea and coffee are **substitutes**, and bacon and eggs **complements**. Not that they can't do it. Quite the opposite, they have all too many ways of doing it ...' as pithy summaries of their subject matter.

Yet my impression of the product as a whole is of inconsistency, to put it unkindly; idiosyncrasy, if one wishes to be more neutral; or a glorious mess, to be kind. As usual, it all comes down to opportunity cost. If you have access to the New Palgrave, use it. You might find a gem. If you have to spend your own money, or even if there is a significant tradeoff in terms of library acquisitions, I just don't see enough value added over Wikipedia and other free online resources on the one hand, and handbooks and journals on the other.