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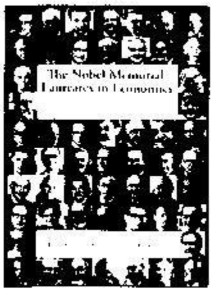
BOOK REVIEW



Vane, Howard R. and Mulhearn, Chris. *The Nobel Memorial Laureates in Economics: An Introduction to Their Careers and Main Published Works (Cheltenham: Edward Elgar Publishing, 2005, pp xii +362, Paperback $50, £29.95) ISBN 978-1-84720-092-1.*

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Students embarking on their post-secondary education, particularly in business or social sciences, quite often take courses in introductory economics during their first year. They come across a variety of introductory textbooks that come with titles that sound quite mundane: *Economics*, *Principles of Microeconomics*, *Introduction to Macroeconomics*, just to name a few. But little do they realise that some of these basic texts were authored by people who were nothing less than extraordinary. That these individuals, giants in the world of academia by their own right, devoted their lifetime to research and create groundbreaking theories and applications that culminated in the ultimate honour that can be bestowed upon them: the Nobel Memorial Prize in Economic Sciences.

Indeed, the likes of Paul Samuelson and Joseph Stiglitz are more than just names that appear on the covers of introductory textbooks; as are the likes of John Hicks, Kenneth Arrow, Wassily Leontief, Beril Ohlin, James Tobin, Gérard Debreu, Robert Solow, Ronald Coase, among others who have been immortalised by the models and theorems named after them that are religiously taught and studied worldwide by a plethora of academics and students.

The Nobel Memorial Laureates in Economics: An Introduction to Their Careers and Main Published Works by Howard R. Vane and Chris Mulhearn[7] is a

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very useful compendium on the fifty-five Nobel Memorial Laureates in Economic Sciences from 1969 till 2004. The authors have specifically targeted undergraduate and graduate students in order to give them a better understanding of the leading lights of economics and the ideas that have moulded the shape of economics into its current state. According to the authors, "students are far better placed to understand economics if they have some awareness and appreciation of the origins and development in the main field within the discipline", and hoped that they would even be encouraged to sample the original works of the laureates for themselves.

The structure of the book is very simple: a detailed introductory chapter giving an overview of the Nobel Memorial Prize in Economics, following which the remainder of the book is devoted to the Nobel laureates themselves. The life and work of each laureate have been described in separate chapters, each ranging from three to six pages in length.

The introductory chapter on the Nobel Memorial Prize in Economics begins with a historical background of the prize in Economics in context of the other Nobel prizes that were introduced originally since 1901, namely Physics, Chemistry, Physiology or Medicine, Literature and Peace. Further discussion is given on the nomination and selection, dispelling some common myths and misconceptions that are nurtured by the media when the names of the laureates are announced each year.

Several classifications made in terms of the broad disciples made in earlier studies by Lindbeck (1985, 2001), have been discussed, while the authors made their own classifications in eleven broad fields of study within economics. The authors have further discussed at length the citizenship, affiliations at the time of award, as well as their educational backgrounds. Controversies surrounding the Nobel Memorial awards and means of forecasting future laureates have also been discussed. The authors mention that economists such as John Maynard Keynes and Joan Robinson were "arguably denied the prize because they died before it was instigated or before the debt to them could be honoured". Wahid (2002) has added Irving Fisher and Joseph Schumpeter to the list of notable absentees. The chapter concludes with a table summarising the laureates in chronological order of the award with details on their citizenship, affiliated universities, broad field of study and prize citation.

It is also interesting to note that many of the Nobel Memorial laureates in Economics had their background in disciplines such as mathematics, physics, law and history. The fact that a significant number of laureates are mathematicians by training has generated a lot of discussion (Quddus & Rashid, 1994). Based on the recipients till 2004, the authors noted that all were male. This monopoly was subsequently brought to an end in 2009 by Elinor Ostrom, who became the first woman to win the prize for her analysis of economic governance, particularly on her study of common pool resources.

Most of the book, as mentioned earlier, focuses on the lives and works of the laureates themselves. The authors had mentioned that the Nobel Memorial awards in the first two decades were more aimed to "clear the backlog of specific achievements by outstanding economists, many of whom made their seminal contributions in the 1940s and 1950s and even earlier". Indeed, the very first Nobel laureates, Ragnar Frisch coined the term "econometrics" in 1926, while Jan Tinbergen constructed the first macroeconomic model in 1936. Both Frisch and Tinbergen were the creators of the Econometric Society.

Paul Samuelson's Keynesian cross diagram and Simon Kuznet's measurement of national income using components such as consumption, saving and investment, are standard tools today for teaching income determination in first year macroeconomics courses. John Hicks's pioneering use of indifference curves to explain consumer behaviour, and IS-LM (Investment Saving / Liquidity preference Money supply) diagram to establish equilibrium in the goods and money market, are core components of intermediate microeconomics and macroeconomics respectively. Wassily Leontief's input-output analysis is a standard tool used in introductory mathematical economics.

Friedrich von Hayek is one of the founders of the Austrian School of economic thought and is remembered for his works on the business cycle. Gunnar Myrdal extensively focused on the problems of less developed countries, rejecting many orthodox western economic concepts to explain the problems in these countries.

Leonid Kantorovich and Tjalling Koopmans, both mathematicians by training, contributed to the theory of optimum allocation of resources. Kantorovich based his studies for a socialist economy while Koopmans broke new ground on activity analysis. Milton Friedman is considered to be the founding father of the monetarist school and champion for the cause of free market.

Bertil Ohlin's extension of his teacher Eli Heckscher's work on the pattern of international trade based on factor endowments became known as the Heckscher-Ohlin theorem, a popular model that is still studied in international economics courses almost eighty years after it was first put forward. James Meade extended the traditional theory of the balance of payments to include international capital movements.

Herbert Simon pioneered research in the field of behavioural decision making, especially in large organizations. Theodore Schultz and Arthur Lewis were recognized for their contribution to development economics, but each had focused on human capital and labour as crucial factors in economic development.

Subsequent laureates have contributed to more specialised disciplines within economics, and some have broken new ground on the foundations set by earlier laureates, or were even influenced by earlier laureates or had collaborated with them. Lawrence Klein was a graduate student of Paul Samuelson, whose contributions to econometric model building was based on the seminal works of Jan Tinbergen. James Tobin extended many basic Keynesian ideas and had significant contributions to monetary and macroeconomics.

George Stigler's groundbreaking work on industrial organization gave birth to two new areas of research: "economics of information" and "economics of regulation". Gerard Debreu's collaboration with Kenneth Arrow gave birth to the Arrow-Debreu model, which proved the existence of equilibrium prices using set theory and topology, mathematical techniques which were not previously used in economics. Richard Stone was an early pioneer of nation income measurement and had notable early publications with James Meade.

Franco Modigliani made important contributions to monetary theory, the theory of savings and the theory of finance, and developed the "life-cycle hypothesis", a staple component of macroeconomics courses. James Buchanan is regarded as one of the founders of public choice theory. Robert Solow contributed to the theory of economic growth, developing his own model to identify factors that determine growth in output over time.

Maurice Allais, and engineer by training who taught himself economics by reading the works of Leon Walras and Wilfredo Pareto, extended their work and developed rigorous mathematical proofs on fundamental propositions of welfare theory. Tygyve Haavelmo, a student of Ragnar Frisch, whose "probability approach" attempted to resolve econometric problems previously explored by Frisch.

Harry Markowitz, Merton Miller and William Sharpe were recognized for their pioneering work in financial economics. Markowitz, a student of Milton Friedman and Tjalling Koopmans, made early headways in portfolio theory. Miller collaborated extensively with Franco Modigliani and is considered to be among the founding fathers of corporate finance. Sharpe's Nobel citation highlights his work on the capital asset pricing model (CAPM).

Ronald Coase's collaboration with George Stigler on negative externalities and corrective government action became known as the Coase Theorem, and discovered the concept of transaction costs and property rights for the institutional structure and functioning of the economy. Gary Becker's contribution to microeconomics was on human behavior and interaction, his first significant publication being on discrimination, a topic not explored at the time.

Robert Fogel and Douglass North are acknowledged as the founders of "cliometrics", as systematic application of economic history which involves the use quantitative techniques, hypothesis testing and economic theory to explain economic growth and decline. John Harsanyi, John Nash and Reinhard Selten were pioneers in the field of game theory. The Nash equilibrium has even been applied to other social sciences and in evolutionary biology.

Robert Lucas is considered to be a leading figure in new classical macroeconomics, having developed the rational expectations hypothesis. James Mirrlees made path-breaking advances in the analysis of optimal income taxation and principal-agent contract design. William Vickrey, whose insights into auctions paved the way for other researchers, died just three days after the announcement of is Nobel Prize.

Robert Merton, who had worked as a research assistant for Paul Samuelson, was awarded with Myron Scholes for establishing new methods to determine the value of derivatives. Amartya Sen's works on welfare economics were laid on the foundations set by Kenneth Arrow's fundamental theories on welfare economics. Robert Mundell developed the Mundell-Fleming model and its implications for the effectiveness of fiscal and monetary policy under different exchange rate regimes.

James Heckman made contributed to the field of microeconometrics, the theoretically informed study of individual behavior using individual data. Daniel McFadden contributed to the empirical study of discrete choice, which fundamentally changed the approach of empirical researchers to the analysis of individual behavior.

George Akerlof's paper on the "Market for 'Lemons'" is considered to be the single most important contribution on the economics of information. Michael Spence based Akerlof's paper to develop his pioneering work on the economics of signalling. Joseph Stiglitz explored information asymmetries in the insurance market, and is considered to be the most cited researcher in the field of information economics.

Daniel Kahneman, a psychologist by training, introduced "prospect theory" as an alternative to standard utility theory as a means of observing the behavior of economic agents. Vernon Smith was a pioneer in the field of experimental economics. Robert Engle and Clive Granger were recognized for their contribution to the field of time series econometrics. Finn Kydland and Edward Prescott contributed to dynamic macroeconomics, identifying a link between technological change and fluctuations in output and unemployment.

There have been other published works on the Nobel Memorial laureates in Economics, each of them special in their own way. Wahid (2002) comes closest in organisation in comparison to this book, with a similar detailed introductory chapter, followed by write-ups on the Nobel Memorial laureates from 1969 to 1999; the only difference being that individual chapters on the laureates are more detailed, ranging from six to ten pages each, and written by separate contributors. Breit and Hirsch's (2004) book was organised on the basis of a series of lectures where the selected laureates were asked to present a "personal memoir under the general rubric, 'My Evolution as an Economist'", and has more personal details about the laureates. Lindbeck's (2001) compilation was more condensed, with the discussion on the laureates from 1969 to 2000 being grouped according to the broad disciplines within economics.

Vane and Mulhearn (2009, 2010) have also put together a more detailed series that "brings together a critical selection of key papers by the Nobel Memorial Laureates in Economics that have helped shape the development and present state of economics." The series has been organised by theme, with each volume focusing on those laureates working in the same broad area of study. Currently there are ten volumes in print, with more volumes forthcoming. If this book lays the foundation on the works of the laureates, then the series would surely be a colossal superstructure.

The authors have done a highly commendable task of compiling this book. The background, career and major works of each laureate have been succinctly encapsulated in individual chapters that are not too long and drawn out as to bombard the reader with too much information, but sufficiently enriched with details on the laureates' contribution to economics, along with examples and illustrations. Each chapter concludes with a list of books and articles written by the laureates themselves, or by other academicians.

For a book that aims to be concise, perhaps the readers would have been better served if the various contributions of each laureate were separately categorized and discussed, as opposed to being a continuous treatise. As a matter of conjecture, it would have been interesting if there was also a discussion on laureates who influenced other laureates.

On the whole, this book would be an extremely useful and ready reference for those studying economic history, or even for those who are not too familiar with economics but would like to know more about the laureates without getting too deep into the technical details. It is indubitably ideal for those wanting to have a taste of the most influential economists of our times and their groundbreaking work. Perhaps a budding economist perusing through this book would even be encouraged to win accolades in the years to come.

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