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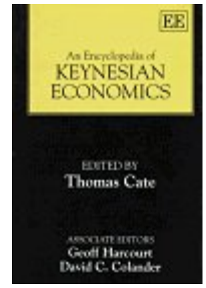
Thomas Cate, ed.. *An Encyclopedia of Keynesian Economics.* Cheltemham, UK and Northampton, Mass.: Edward Elgar, 1997. xxiv + 638 pp. $340.00, cloth, ISBN 978-1-85898-145-1.



Reviewed by Michael S. Lawlor

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Macroeconomics today is in a peculiar state. Internally, the profession seems to have lost interest. Macroeconomics is neglected as a research topic. Outside of handy data to which to apply the latest advances in time-series econometric technique, graduate students seem to frown upon it as a dissertation topic (judging from the informal sample of assistant professor candidates we have interviewed in the last ten years). No longer are the heady debates, claims and counter-claims of the theoretical battles of the 1970s and 1980s making headlines in the journals.

Yet simultaneously, externally, out in the real economy, something of a revolution (to use a phrase popular in macro-talk) does seems to be taking place in macroeconomic performance, and possibly also in policy. This is especially so in the case of the United States economy. U.S. real output growth has exceeded all consensus forecasts for the last three years (final figures for 1997 and 1998 came in at 3.8% and 4.2%). The duration of the expansion of the economy has now pushed into record territory. Unemployment has been falling for years and has now stood below five percent since 1996. And, most macroeconomically amazing of all, these good times have been accompanied by *falling* rates of inflation (below three percent for all but two quarters since 1995, below two percent since 1997:4). On the policy side, meanwhile, there is a degree of unreality. Fiscal policy, long ignored in the shadow of deficit politics, has seemingly dropped from the U.S. policy debate (although not so in Japan). Monetary policy in the era of Greenspan is widely given credit for engineering the U.S. miracle. But if you look a bit closer, both Greenspan and his cheering section seem a bit puzzled, even nervous about all the good fortune. M2 growth has fluctuated widely in the nineties, with little apparent correlation with inflation. Moreover, as inflation has declined, M2 growth has been consistently above the upper bound of its target range for most of the period since 1995. Consequently, both publicly and privately the Fed has abandoned money as an intermediate target, preferring to concentrate on the federal funds rate. Federal Open Market Committee (FOMC) minutes reveal a confusing search for signs of inflation that "must be there," given the state of unemployment, along with much vague discussion of the financial press's view that we are now in a "New Economy." The essence of the novelty and the puzzlement seems to be a search for an unexplained and unmeasured productivity boost. Finally, there is the intriguing macroeconomic record of the rest of the world to add spice to this seemingly fertile ground for macro researchers. The largest experiment in one-shot monetary reform since Bretton Woods is taking place in Europe, while all of its major member states, except the dissenting U.K. (see IMF, 1999 for complete details), are still suffering from years of persistently high unemployment. The Asian Tigers have come down with a case of financial flu-if not pneumonia. Japan, the shining light of the 80s, has been limping through a very depressed decade, with disastrous GDP growth, and an interminable financial mess. As Japanese short-term interest rates have hovered below one percent for over four years now, we are perhaps catching the first real glimpse of a that old Keynesian curiosa, the liquidity trap. These are interesting times indeed.

What does modern macroeconomics have to tell us about all this? Has the profession's enlightenment by the New Classical school helped us in understanding this state of affairs? More to the point of the book here under review, can we now profitably reassess the recent decades of macroecomic debate and experience with a less ideologically heated, more balanced and sober historical view? These are the issues that reading the current volume bring to mind, especially when considering a review for a list that has recently staged a fascinating forum calling for research on "economic history since 1950."

Let me postpone some short remarks on these questions, though, to turn to the volume I was given to read. ***An Encyclopedia of Keynesian Economics*** contains 169 entries by 144 contributors and runs to 638 pages, with no index. The entries are of three varieties: brief biographies of various economists associated with "Keynesianism," very broadly conceived (Silvio Gessel, Arthur Okun and Robert Lucas are profiled, for example); brief sketches of theoretical issues, models and tools arising in macroeconomic debates (e.g., "Okun's Law" and "The Lucas Critique"); and longer pieces which typically deal much more closely with issues in Keynes scholarship (e.g., "The Influence of Burke and More on Keynes").

The quality of the entries is varied. Some of the entries are entirely pedestrian, perhaps intentionally so to fit the evidently strictly imposed space requirements for the shorter biographies and theoretical topics. Theoretical topics suffer the most from this enforced brevity. Overall, I find the average level of the discussion in this volume inferior to some other recent reference works of its kind. ***The New Palgrave: A Dictionary of Economics*** (Eatwell, Milgate and Newman,1987), more deeply covers many of the same topics, albeit mixed in with much else. On the general topic of macroeconomics, the recent ***Business Cycles and Depressions: An Encyclopedia*** (Glasner, 1997) provides more complete coverage, especially of empirical issues in macroeconomics. Closer still to Keynesian concerns, but a beast of a different kind, is ***"A Second Edition" of the General Theory*** (Harcourt and Riach, 1997), which includes much more extensive treatments of issues arising within and from Keynes's landmark book. At a minimum I would recommend cross-references to these sources be consulted along with the entries in the present volume. In any case such short entries as are here provided for theoretical issues can only serve as a mere starting point for further reading, and in this volume the excellent bibliographies attached to many entries will be as valuable a tool in that search as the articles themselves.

Some entries are not well done--"The Monetarist School of Economics" is bizarrely written, for example. It appears to have been inelegantly ripped from the preface of the author's book on the subject, making references to that text that are unintelligible to the readers of the encyclopedia. But others are remarkable, mostly in those instances where more freedom of space was allowed. My favorite, was "Marshall and Keynes" by Peter Groenewegen, a fascinating and admirable condensation of the extensive treatment Groenewegen gave to this topic in his recent biography of Marshall (Groenewegen, 1995). It shows clearly the continuing impact of Marshall and Marshallian habits of thought on Keynes's work up to and including his framing of the *General Theory*. Other entries raise expectations that are ultimately disappointed. In the treatment of Lucas and the "New Classical School of Economics," for instance, there is a lamentable failure to confront the challenge that the last decades' theoretical debates have posed for Keynesian economics. The reader longs to see a position taken on who has been left standing after the dust settles. Instead, we get sterile recounting of the dry points of various famous articles (evidently no "books" are influential in this field anymore) with no attempt at evaluation. (For a sterling discussion of this very topic, one that goes far to redeem Keynesianism, while recognizing the contributions of Lucas, see Peter Howitt's "Expectations and Uncertainty in Contemporary Keynesian Models" in Harcourt and Riach, 1997). I suspect that the editors wanted to limit the partisanship of the volume and thus let each camp speak for itself. No conflict seems evident in this account and thus no evaluation of what we have learned from the tumultuous debates of the last twenty years emerges. Similar complaints apply to the entries on "Money," "Neutrality of Money: The Keynesian Challenge," "Monetary Policy," and "Business Cycles."

Partly this unsatisfactory nature of the debate reflects the problem of what purpose such a volume is intended to fulfill. This encyclopedia seems to be at cross-purposes with itself. It wants to reach out for inclusiveness--arguably all macroeconomics *can* be considered in some sense derivative from Keynes. Yet it must be taking sides to some extent in light of its very title. There has obviously been an explosion of scholarship on Keynes, Keynesianism, Post-Keynesianism and things Keynes-like (e.g., the philosophical issues surrounding expectation formation) in recent years. Much of this work was spurred by the combination of dissatisfaction with macro theory in the seventies and the publication of Keynes' *Collected Works*. Thus there is now a whole (often interesting) sub-culture of the sub-culture that is the History of Economics devoted to Keynes studies. Another aspect of the same period of resurgence of interest in Keynes has been the extreme partisanship of macroecnonomic debates. It came to be something of a political and methodological 'statement' to be identified as a Keynesian in the eighties. While none of the issues raised in this period were ever settled--indeed I would say that much of Keynesianism has aged the period considerably better that any one would have predicted in the midst of the New Classical heyday--the debate itself seems now to have disappeared (except to be drearily recounted in the, significantly *last*, chapters of most otherwise Keynesian intermediate macro texts). Talking to most recent Ph.D. graduates reveals a pervasive ignorance and disdain for the whole topic of macroeconomics. Thus at whom is the present volume aimed? Is it designed to convert the heathen or to preach to the choir? Consideration of this issue will bring us back to the peculiar state of modern macro theory mentioned above. To motivate that consideration I would like to direct attention to the general history of encyclopedias, looking for clues to the role they have played in past eras of scholarship.

Encyclopedias as a bibliographic form can be traced back more than 2000 years (see the *Encyclopedia Britannica* entry for a useful account). The beginnings in Greek and Roman times play upon the first meaning of the word-a circle-to imply a complete system of learning or an all around education. There is a long and fascinating history of the concept since Plato's nephew Speusippus (died 339 BC) began to convey his uncle's ideas by recording the spoken word of the Forum. Some issues that arose over the course of this long development are interesting to consider in relation to our current theme. The question of audience has always been paramount. For most of their history encyclopedias were written to be a source of sound moral instruction. Hence the fashion of including biographies of exemplars from the past. The reader, it was hoped, would be elevated, inspired and refined by contact with the minds and lives of ideal man. Prior to the Enlightenment, encyclopedias were usually intended for very select groups that the author or editors could easily visualize and about whom they could therefore make certain assumptions. Early on, one could assume that he could read Latin (or "she" could-one of the most beautiful mediaeval encyclopedias is an illustrated manuscript of 636 pages by the abbess Herrad (died 1195), for use by the nuns in her charge). Other safe assumptions included that he or she was of high status and young and so in need of instruction, or later that he or she was a believing Christian, probably a Catholic cleric. In these didactic encyclopedias the common presumptions of the background of the reader were the source of the notion that encyclopedias should dispense with excessive moralizing and commentary in trade for brevity and clarity. Thus many early encyclopedias were little more than compendiums of selected passages of great writers, chosen to impart information that would be useful in the readers' work and private life.

Another closely associated concern of encyclopedias in the pre-Modern period was the issue of the division of knowledge into the Sacred and Profane, or the Spiritual and the Secular. Increasingly, as scholarship became more developed and use was found for non-Christian ancient texts in describing the world, the Scholastic encyclopedists found themselves torn between acceptable beliefs and a passion for objective reporting of scientific observations. This division of course reached its height in the Enlightenment period. In the hands of Bacon, and especially Denis Diderot, the implicit and explicit purpose was to herald a new secular order where all thought would be encompassed in a philosophical system based on logic and natural law--the Enlightenment project. Diderot's famous ***Encyclopedie*** (1751-65) enlisted, perhaps for the first time, a gigantic assemblage of high quality writers, commissioned to survey only secular knowledge. Scandalous in its day as a challenge to orthodox authority, this concept, as much as its uneven execution, has been accorded a substantial role in conditioning the revolutionary spirit of France in those crucial last decades of the Ancien Regime (Darnton, 1979).

If this can only seem incredible to us today-a revolutionary encyclopedia! --it is not only due to the irrelevance of the Academy in our post-Modern age. More directly it is due to the British reaction to the French Encyclopedia. The ***Britannica*** consciously avoided the lengthy and scandalous polemics of Diderot's work, and instead soberly set out to achieve with an extensive list of short, factual entries, the aim of complete scientific and scholarly coverage. To this day we associate this task with the very meaning of encyclopedic. In the vernacular, completeness is the essence of what might be called the popular view of encyclopedias as the ready source for the answer to all queries. (In this regard it is useful to recall that in the eighteenth and nineteenth centuries most encyclopedias were sold ahead of time by mass subscription, the funds from which went to pay the writers. Since then the notion of a mass audience, not a select few, has characterized most modern encyclopedias.) This all-encompassing authority of encyclopedias is a view that has no doubt been much damaged at the hands of encyclopedia salesmanship, but still "sells" to the general public via parental faith in educational salvation for their children and schoolroom searches for last minute research papers. Truth be told the attraction reaches much higher in the hierarchy of the knowledge industry than that. What scholar can deny the still live attraction of the promise of knowing the essentials of all there is to know? Thus we can easily connect with the marketing savvy that inspired Dominco Bandini to market his fifteenth-century encyclopedia as ***Fons Memo-***

rabilium Universi ("The Source of the Noteworthy Facts of the Universe").

Considering this complex set of issues from the general history of encyclopedias along with modern economics is an interesting exercise. Let us begin with the question of audience. An outside audience for economics in its true rhetorical dress of peculiar notation and specialized jargon is now an impossibility. Most of economic "research," like most of science in general, has now progressed into corners that only the sub-discipline specialists themselves care to venture. Consequently the notion of an all-encompassing dictionary of economics, let alone of all knowledge as in encyclopedias of old, now is beyond belief. Today, the primary purpose of a scientific encyclopedia is to explain to the profession as a whole what the specialists in any area are doing. Here is one dimension in which economics truly can compare to modern science. The *New Palgrave* definitely fits this bill, as anyone who has ever sent an undergraduate over to the library to consult it has found. If ever there was one of those much discussed businessmen for whom Marshall was writing at the turn of the century, they are definitively not the targets of economic encyclopedias, the *Encyclopedia of Keynesian Economics* included.

Who among us economists then would profit from the volume? It is safe to say that anyone *could* profit from some aspect of the volume. At the most universal level some biographies are very interesting and even instructive (some are horribly dull). My favorite was the account by Robert Leeson of the New Zealander A.W.H. Phillips, of the much abused Phillips Curve (an association he was evidently loath to acknowledge). He was a kind of Henry-George-like figure in his colorful background and circuitous route to economics by way of earning his living as a fiddler, crocodile hunter, RAF officer, Japanese prisoner of war and engineer. He seems also to have been an exemplar of the gentleman scientist in the best possible sense of the phrase-disdaining both his own personal acclaim and the, as he saw it, distasteful acrimony of the macro policy debates inspired by his famous paper. But even less colorful biographies offer interesting tidbits-for instance that R. E. Lucas's parents were New Deal Democrats, that he earned his BA in history and that he prefers to be called a "Monetarist" rather than a "New Classicalist." Of course the fascination of Keynes's biography needs no elaboration. Beyond the personal stories, unfortunately, it seems very doubtful to me in our ever more unconsciously conservative profession that many besides the already initiated will find a dictionary on "Keynesian" economics worth the look.

Which brings me to the issue of fact versus faith, or what the medieval monks who compiled encyclopedias termed, "the sacred and the profane." If encyclopedias are to instruct the young and uninitiated they must have some imprimatur of authority akin to the ecclesiastical seal that the scholastics put upon medieval texts and the similarly ceremonial listing of the legion of famous authorities, resplendent in their degrees and positions, which all modern mass-market encyclopedias display prominently at the head of the first volume. Amongst the brothers and sisters of the macro faith today, though, the priesthood is in serious disarray. There is little enough agreement on basic principles for a consensus among specialists, let alone among the profession as a whole. Just who are the true priests and who are the worshipers of false idols varies by sect. It is this state of uncertainty and discord, I believe, that has effected the graduate training of new economists and turned them away from macroeconomics at just a point in time when the topic seems so interesting. If one has to spend hours learning the latest refinements of New Classical, Real Business Cycle, New Keynesian and Cash-in-Advance macro models to get through the macro sequence, there is little time left to synthesize what one really knows about macroeconomic theory, much less macroeconomic events that will not be covered on the preliminary exam. More telling perhaps is the partisanship, for no vibrant research program is ever just a catalogue of received truths, but must generate ever-new questions and puzzles to progress. If there is little tolerance shown for alternative viewpoints by the lights of the profession, then graduate students are not to be blamed for their reluctance to try to sort it all out for themselves.

Moreover, if the student does happen to have a prior interest in macro events or, more likely, finds himself assigned to teach or write about macro to a non-economist audience (like a group of Principles students) he will quickly find that the only intelligible framework for doing so is the very same old-time Keynesian macro of the pre-Lucas era that was supposedly destroyed by that JPE paper back in '75! An archipelago of islands inhabited by rational agents, continuously in equilibrium but frustrated by the signal extraction problem is interesting enough, perhaps-but what does it have to tell us about the crash of the crash of the Indonesian Baht and its implication for the sustainability of the long boom in the U.S.? Faced with the latter question, one inevitably starts talking about aggregate demand, lender of last resort, etc., in ways that would hardly surprise your average 1970s-era macro theorist.

Or, alternatively, we have this puzzle that Alan Greenspan has now spoken of on numerous occasions of how to determine if the recent (pleasant) inflation surprise was a temporary cyclical artifact of reduced world demand or a new era of increased productivity growth. From the realm of high theory we might well sense a resemblance to both the new endogenous growth literature and the real business cycle model. But what do they have to offer in explanation for the current short-term situation or as a guide to Fed policy making? Next to nothing it would seem, judging from the discussions at the recent FOMC meetings. Yoo (1998) offers a very interesting analysis of the "puzzlement" in the FOMC over what they should do to respond to the current macro situation. His analysis, following their discussion, is framed in terms of such issues as the state of "aggregate supply," "productivity," the "investment and consumption components of aggregate demand" and the "capacity constraints on the economy." Reflecting on the impact of the recent macro theory debates, he notes that the Fed continues to distrust money supply growth as a reliable indicator and finds itself "puzzled" by recent performance. The minutes for the FOMC meeting of May 20, 1997 report that:

> The members found it very difficult to account for the surprisingly benign behavior of inflation in an economy that had been operating at a level approximating full employment, indeed, possibly somewhat above sustainable full employment in labor markets in the view of a number of members, especially taking into consideration the recent further decline in the unemployment rate. On the basis of historical patterns, any overshooting of full employment would be expected to generate rising inflation over time. (quoted in Yoo, 1998, p. 35)

In one fashion we might say that the big puzzle for the Fed has been to try to uncover what the non-accelerating inflation rate of unemployment (NAIRU) is now, after having seen virtually every consensus estimate of it for the last 15 years succumb to continuing growth with falling inflation.

My point is that virtually all of this policy discussion is conducted in terms of an aggregate short-run supply and demand framework that most closely resembles textbook Keynesianism of the kind that still dominates the intermediate course market. It bears little evidence of influences from the last 20 years of macro research. And if such an application were to be attempted, what would it suggest? That we continuously measure the elasticity of substitution between labor and leisure and between present and future consumption? That we try to anticipate the next shock to the economy's production function - which are after all considered completely stochastic in the New Classical/Real Business Cycle literature anyway? At best such models approach reality by a non-unique calibration of a whole set of parameters that allows the model to simulate the record of past business cycles. They seem to have no forecasting ability. Note, that while automatic "rules" are very popular among recent theorists of macro policy, no central bank is actually bold enough to seriously adopt one. Flying completely blind, counting on the economy to right itself, neglecting any attempt at anticipation of events, is not in the repertoires of central bankers today - if it ever was (see John Wood's forthcoming book (Wood, 2000) for a fascinating argument about the mindset of central bankers versus that of economists).

Yet confidence in the self-correcting automaticity of the macroeconomy is the bedrock of classicism (old and new), considered as a policy framework. Thus to give the classical view its due we should also consider the possibility that we have returned to the long-run stability of some past macroeconomic golden age-the gold-standard era seems to be a favorite. This would be a period when budgets were routinely balanced, governments non-intrusive and money so stable in value that actors on the economic stage did not even consider monetary policy in their calculations. Or, put more theoretically, the explanation might be that macroeconomics is not even at issue and what we are dealing with today is long-run supply considerations that no macro policy could do anything to foster in the first place. It is tempting to reply, "tell that to the Japanese!" More soberly, what evidence can we bring to bear on this proposition?

First I believe it is the economic historians who staged the debate in the last fifteen years or so on the question of the relative stability of older (pre-war, pre-Keynesian) business cycles, versus newer (post-war, activist government-era) cycles. The exact outcome of the debate as I read it (Romer, 1986, Lebergott, 1986, Weir 1986, Diebold and Rudebush, 1992) is that the initial, and macroeconomically conventional, claim that the post-war business cycle was more stable (challenged by Romer, defended by the others) still holds up. But whatever the case, no one has suggested that the post-war cycle is *less* stable than the pre-war one. Outside of price stability (where the Gold-standard era is clearly superior), data scarcity makes macroeconomic comparisons before 1929 difficult. But an argument can certainly be made (given one's weighting of low unemployment and growth along with price stability) that the 1950-1970 era (1961-1969 is still the longest expansion on record but is normally discounted for the "war" effect when compared with "peacetime" expansions) is the most 'golden' of ages from the standpoint of macro performance - particularly if we look at international comparisons. Is returning to a pre-war policy context *necessarily* a good thing?

But other problems are also evident in a crude classical view from a shorter-term perspective. One, the fiscal policy aspect is not at all clear. The long-boom(s) of the last 15 years (the expansions 1982:4 -1990:3, plus 1991:2 - today) were of course mostly a period of extremely high and growing deficits, though followed by shrinking ones after 1992. Moreover, as the European countries positioned themselves for monetary union, they too shrunk their deficits as a percent of GDP (since about 1994). But they have mostly seen no similar decline in the unemployment rate. Thus the role of fiscal effects is not easy to untangle. An alternative story could be told that the U.S. example is one of fiscal demand stimulus (under the banner of supply-side economics), followed by a cyclically balanced budget as the Clinton tax-plan and output increases pushed up tax revenue. Finally, as to the benefits of the productivity shocks we may be experiencing, they are of course part of the Keynesian view in terms of the effect on aggregate supply. But one does wonder about Japan in this context, which seems to be the source of much of the information management and inventory techniques that are often cited as the source of the "New Economy," but which can't pull itself out of a very deep recession. (It has been interesting to watch the US administration, the policy institutes and even the *Wall Street Journal*, admonish the Japanese for not pushing a more aggressive fiscal stimulus package. Evidently the rhetoric of balanced budgets stops at our shores.)

Lastly there is the hand wringing over the financial and monetary situation. We have seen the Fed successfully intervene to ward of the contagion of financial crises and stock-market crashes both at home and abroad in this time period. The money supply seems to have become unhinged from inflation. Most policy moves are made today with a fearful eye on how the bond and stock markets will react. And the guru of the whole era's prosperity, Alan Greenspan, has nothing but stern words for the high-flying stock market. This potentially unstable combination of interlocking psychologies and ultimate dependence on the Fed to do what is right when the Fed itself seems puzzled over what is going on, does not look like an "automatic adjustment" economy to me. In fact it looks very much like the kind of economy Keynes was describing in the *General Theory*. Is this what the advocates of the supposedly unmanaged economies of old have in mind?

The French Aristocracy and Jesuits together vehemently opposed Diderot's *Encyclopedie*. They were astute enough to realize the threat of Diderot's self-consciously secular system of knowledge becoming widely disseminated. It was not dangerous that the Philosophes were themselves embracing a new language in which to conduct their professional conversations. What was dangerous was for the two thousand subscribers and the members of the Paris salons in which they gathered, to begin to notice that the entries on government and morality put forth in the *Encyclopedie* declared their position to be derivative of natural laws and not divine or ecclesiastical authority. If this view were to become widespread, they correctly sensed, the basis of the Ancien Regime was at risk.

Today in macroeconomics we have a curious reversal of this old conflict between social authority and profane science. The 'science' of macroeconomics itself has retreated into a kind of religiousity--what Keynes, complaining of his classical critics, called "scholasticism." To him this was a discussion that proceeds in a kind of infinite loop, sustained by shared cherished assumptions that are not allowed to be questioned- like continuous market clearing and the insistence on modeling all choice as if it were made by rational anticipation of the consequences in situations defined by the impossibility of such anticipation. The risk of such private conversations is that Macroeconomics may be in the process of becoming irrelevant. Meanwhile the macroeconomy marches forward and policy analysis has become the province of non-economist policy analysts and low-status (within the economics profession) government staff economists. Much of the toolkit of these (evidently very successful) practitioners are filled with theories and tools that modern highbrow theory has relegated to historians and outmoded "Keynesians." Many of these tools are profiled in the encyclopedia under review.

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Michael S. Lawlor is Professor of Economics at Wake Forest University. His most recent publication on Keynes was the chapter "The Classical Theory of the Rate of Interest," in G.C. Harcourt and P.A. Riach, eds, 1997. *A 'Second Edition' of The General Theory*. London and New York: Routledge.

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