

BOOK REVIEWS

and consequently Friedman cites few cases (although there are more on the Web site accompanying the book), and he gives little sense of legal history, legal evolution, or contemporary issues, such as mass toxic tort cases. The single chapter on the American legal system is short and perfunctory, saying little about federalism, constitutional law, or the replacement of common law with regulatory and statutory law, a prominent factor in 20th century American law. *Law's Order* surveys only the broad features of the law; it does not delve into details.

Increasingly, the World Wide Web is being used to provide supplementary material to books. *Law's Order* takes this approach further than most by placing *all* the notes and supplementary material on the Web. Instead of footnotes or endnotes, the margins of *Law's Order* contain icons indicating when supplementary material is available. To access that material you have to log on to the book's Web site, click to jump to the chapter you are interested in, then click again to jump to the page number that contains the icons you wish to read, and at this point you are presented with an electronic page identical to that in the book. You must then click on the relevant icon to—at last!—discover the supplementary material. Since the icons are not numbered, there is no way to jump straight to the material of interest, nor can you access in one page all of the notes to a particular chapter. The reader cannot create either a page of links, as a professor might want to do to draw the attention of students to important cases or other material. Some of those problems can and hopefully will be fixed. Once found, the supplementary material can be quite useful, as it includes links to online cases, papers, and references. It is unfortunate, however, that that material is not easier to access.

In short, David Friedman has written a superb introduction to law and economics. *Law's Order* would make an excellent textbook for undergraduates; it is fun reading for an economist not specializing in law; and it has enough interesting questions and advanced material to be of interest to scholars.

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Money, Exchange and Production: Further Essays in the History of Economic Thought

Thomas M. Humphrey

Northampton, Mass.: Edward Elgar, 1998, 178 pp.

The subtitle "Further Essays" alludes to an earlier collection, *Money, Banking and Inflation: Essays in the History of Monetary Thought* (Edward Elgar, 1993). Thomas Humphrey, vice president and research economist at the Federal Reserve Bank of Richmond, specializes in applying the perspectives of doctrinal history to current policy problems. His new book reproduces six articles published in the bank's *Economic Quarterly* from 1993 to 1997.

The earlier book also consists of reproduced articles, 35 on monetary topics and 3 on geometrical tools. Dating from 1971 to 1992, all but 5 of them come from the Richmond Fed's *Economic Review* (as the bank then called its journal). Drawing on a longer period and being much larger (38 against 6 articles, 455 against 188 pages), the 1993 book is a richer collection, ranging more widely over monetary issues, than its 1998 update.

The new book's first article traces the understanding of the velocity of money not as a constant but as a function of several variables back to Sir William Petty in 1662 and 1664. The second article shows that Knut Wicksell, despite his discussing price-level changes and price-level control in terms of interest rates, was as much a quantity theorist as Irving Fisher. It illustrates how illuminating what I call the "translation test" can be—the rephrasing of ideas or theories from one conceptual or terminological framework into another. The third article reveals John Wheatley, active during the Bank Restriction period 1797–1821, as a hypermonetarist who believed that money-stock changes exert no influence on real variables even in the short run, thanks to perfect wage-price flexibility.

The three remaining articles deal with techniques and their histories—reciprocal-demand (offer) curves, the Edgeworth box and its elaborations, and mathematical production functions before Cobb-Douglas. Humphrey illustrates how analytical problems call forth techniques and improved techniques find application to further problems. Humphrey sets an admirable example by titling his diagrams clearly and stating in English, not just in symbols, what is measured along each axis. Furthermore, most diagrams have substantial captions summarizing what they are supposed to show, and how.

Since the diagrammatics and mathematics do not readily lend themselves to a reviewer's comments, I'll simply recount three stories from those articles. One tells why Abba Lerner's 1933 paper on "Factor Prices and International Trade," which made pioneering use of the production box diagram to prove the factor-price-equalization theorem, did not see print until February 1952. A fellow student to whom Lerner had given his only corrected copy to be retyped for submission to a journal lost that copy on a London bus. Not until after reading Paul Samuelson's 1948 and 1949 papers on the same topic did Lionel Robbins recall Lerner's old term paper, find another copy still in his files, and urge Lerner to publish it unaltered in *Economica*.

Humphrey quotes Jacob Viner's diagnosis of Alfred Marshall's puritanical sense of guilt over mathematics, especially geometry. It yielded him "so much intellectual and aesthetic delight that it for that reason alone become somewhat suspect to him" as a tool of economics (quoted on p. 81).

Around 1877 Leon Walras sought the help of a fellow Lausanne professor, the mathematician Hermann Amstein, in formulating the least-

cost conditions of factor hire. Responding in a letter, Amstein “worked out virtually the entire theory of marginal productivity in modern algebraic dress,” complete with partial derivatives and Lagrange multipliers. Unfortunately, Walras had not yet taught himself enough mathematics to understand Amstein’s formulation, while Amstein knew too little economics to appreciate its significance. Thus it languished in the Lausanne archives until rediscovered and published in 1964 (pp. 152–54).

In a fresh preface Humphrey points out some of the lessons illustrated by his reprinted articles. He correctly (if unfashionably) defends the importance of the history of ideas, and he demonstrates the advantage of organizing it by analytical techniques rather than only by dates, leading personalities, or schools of thought. History gives insights into how science progresses. Ideas from different specializations interact, as do problems and techniques.

In his preface, Humphrey advocates presenting economic reasoning in a variety of ways—words, diagrams, and math. Irving Fisher comes to my mind not only as a creative economist but also as a painstaking expositor who did not think it beneath himself to make repeated stabs at getting his ideas across to the reader. Besides using words, diagrams, and math, he sometimes also devised mechanical models. Humphrey regrets the apparent trend toward abandoning diagrams. (Again I can make a pitch for the “translation test” while also regretting the blanket condemnation of mathematics in economics by some segments of the Austrian school.)

I have long been an admirer of Humphrey’s work and his attitude toward economics as a cumulative science, a serious intellectual endeavor, not just an academic game. His preface pays tribute to the professors who had the greatest influence on him—Howard Dye at the University of Tennessee and Erskine McKinley, Jacques Melitz, and Herbert Geyer at Tulane University. Humphrey’s 1993 and 1998 volumes together (though scarcely the latter alone) provide a fine introduction to his work. They would serve well as primary or supplementary texts in advanced courses in monetary theory or the history of economic thought.

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Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships

Mancur Olson

New York: Basic Books, 2000, 199 pp.

Shortly before his untimely death in 1998, Mancur Olson had nearly completed a manuscript that he first titled *Capitalism, Socialism, and Dictatorship*, a title reflecting the inspiration of Joseph Schumpeter’s classic 1942 book on *Capitalism, Socialism and Democracy*. For better than any other economist since Schumpeter, Olson addressed the most