MACMILLAN
DICTIONARY
OF

**MODERN
ECONOMICS**

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ECONOMICS**

FOURTH EDITION

GENERAL EDITOR
DAVID W. PEARCE

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‘A Writer of dictionaries – a harmless drudge’

Samuel Johnson (1755)

‘Letter to Lord Chesterfield’,
Boswell, Life of Johnson.

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Preface to the First Edition

The idea for this dictionary of economics originated within the reference books division of Macmillan Press. When we were approached to put that idea into practice there was widespread agreement that there was a need for something different in this area of reference studies, despite the excellent contributions that already existed. The dominant thought was that the 'average undergraduate' (for which no entry will be found in this dictionary or, we suspect, any other) needed to be led, sometimes gently, sometimes a little more forcibly, into realms that lay beyond the conventional first year economics course. Hence the coverage of the current dictionary. It extends significantly beyond what the first year student will need. At the same time, and here we can only hope we have succeeded, it covers all that the traditional market has aimed at. In short, we felt that there was a demand for coverage of the words and phrases, concepts and institutions that a first year student might want, and more. Economics is undergoing yet another 'revolution', albeit one that is difficult to secure great perspective on at the time of writing. We have therefore done our best. In so doing, all the authors are conscious that they have been selective in choosing entries, that the 'balance' in a book authored by no less than fourteen people must inevitably be open to criticism and that they will have omitted something, somewhere which others will see as being far more important than many of the entries chosen. To this end all criticism and suggestions for improvement are welcomed. For the moment, we believe that the dictionary we offer is unique, tempting and useful.

Each entry contains cross references except in the few cases where a word or phrase is 'self contained'. To build a picture of a given area of economics, the reader is therefore encouraged to pursue the cross references indicated at the end of each entry. We have also included many business terms which some will argue do not belong in a dictionary of economics. The growth of courses in business finance and analysis, however, testifies to the need to make such an excursion in a dictionary of this kind. We have also included 'potted' bibliographies of celebrated economists. It is not too difficult to decide who deserves mention when they are dead – although students of the history of thought will dispute that statement – but it proved decidedly controversial as to whom among the living should deserve an entry. We therefore followed a general rule, again which some will dispute, that those who have received the Nobel Prize for Economics should automatically gain mention. Others, perhaps no less deserving, receive mention because they have lent their names to a particular growth model, a theory of this or a theory of that. We have not eschewed the use of simple mathematical symbolism. When used, it is explained in each entry. Where the axe had to fall, for reasons of time and space, was in the area of institutions. International institutions of note are therefore included, but institutions peculiar to one country are generally not always excluded. It proved impossible, for example, to explain some words in current

usage without reference to UK banking institutions. Against this, we are very conscious that many important Acts of Parliament, Royal Commissions, committees of investigation and so on are excluded. If future editions allow, that is one area we would seek to remedy.

The ready enthusiasm with which we greeted the initial idea for a new dictionary of economics contrasted somewhat with the falling tempers that characterized the indecent haste of the final preparation of the manuscript. That most of the ill temper focused on the so-called 'editor' was predictable, and apologies are owed to all other authors in this respect. The work share in the dictionary is virtually impossible to allocate. Everyone gave freely of their time and it is best to think of each author as being equally responsible, or equally at fault. The more than occasionally bewildering task of typing the manuscript was begun by Mrs Pearl Watson in truly efficient style, subsequently to be equalled by Mrs Betty Jones. That the task was beyond one secretary towards the end was quickly realized. Entries flew faster into the 'in tray' than they appeared in the 'out tray'. Winnie Sinclair, Phyl McKenzie, Aileen Fraser, June Begg and Sandra Galbraith all shared the final dash to the final furlong. We owe them everything in terms of seeing the book actually materialize. We also owe a debt of thanks to Shaie Selzer of Macmillan for being very patient, for extending at least one deadline and for providing encouragement in the form of nearly threatening letters towards the end of the preparation period. It would be a miracle if such an enterprise were not full of errors and omissions. We make no claim to miracles, merely to having done the best that we can in the time available.

David W. Pearce
General Editor

Preface to the Fourth Edition

Compared to the previous edition about one sixth of the content has been changed in some way with revisions being the most common form of alteration. To make way for the new entries there have been deletions, largely of little-quoted international organizations or of terms deemed less important now than they were a decade ago. The overall result is a modest growth in the size of the dictionary to some 2800 entries.

It was suggested that the changes in Eastern Europe deserved greater recognition in the dictionary. The Polish economist, Professor Adam Gwiazda, kindly supplied entries, considered important from an East European perspective. His task was difficult, for he was aiming at a moving target as the economies of the region daily assimilated to a market structure. The existing entries will assume increasing relevance for Eastern Europe as the economies make the transition from the centrally planned model to a free market economy. We are also grateful to Ross LaRoe, Associate Professor of Economics at Denison University, for supplying updated or new material on American entries.

This edition also contains the innovations of a list of acronyms, data about the economic performance of some major countries and bibliographic references at the end of the more important entries. For those, who wish a fuller state-of-the-art account of any of the theoretical entries, we can do no better than offer the general rule that they consult *The New Palgrave: A Dictionary of Economics*, also published by the Macmillan Press in 1987.

Finally it remains for those responsible for the bulk of the work in this revision to declare their identities: they are John Cairns, Robert Elliott, Ian McAvinchey and Robert Shaw.

Robert Shaw
Aberdeen, April 1992