This is an outstanding work in comparative economic history, which I look forward to assigning to my students. Lindert asks big questions, and painstakingly collects the data needed to empirically answer these questions. The data sets he constructed for this work represent a major contribution to our understanding of the historical welfare state, and the fact that he has made them available on his website is an added bonus. If readers question any of Lindert's conclusions (some of which are surprising and provocative), they can go to the website, download the data, and judge for themselves.

My only quibbles are with the organization of the two volumes. Chapter 6, on the late twentieth century decline in U.S. leadership in public education, seems out of place in Volume 1, while some version of Chapter 13 (Volume 2), which provides "a minimal theory of social transfers," should appear early in the first volume. Finally, in preparing Volume 1 for non-specialist readers, Lindert has sometimes left out much of the supporting information—some chapters would have benefited from additional evidence that has been relegated to the second volume. For example, Chapter 7, on the rise of social transfers since 1880, which in my opinion is the most important chapter in Volume 1, is too short (at 20 pages, it is one-half the length of Chapter 6). I would have split Chapter 7 in two, one part covering 1880–1930 and the second covering 1940–1995, and beefed up both chapters with material from Chapters 16–17 in Volume 2.

However, these are minor issues. Any reader who wants more information than is presented in Volume 1 can turn to the second volume, to Lindert's previously published journal articles, and to the data sets located on his website. Those readers who dig deeply in these volumes will be richly rewarded. *Growing Public* greatly increases our understanding of the rise and the effects of social spending, and is a welcome empirically based response to the ever-growing economic literature arguing that the costs of the welfare state are unacceptably high.

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Labor Economics

The Institutionalist Tradition in Labor Economics. Edited by Dell P. Champlin and Janet T. Knoedler. Armonk, N.Y.: M. E. Sharpe, 2004. 368 pp. ISBN 0-7656-1286-0, $78.95 (cloth); ISBN 0-7656-1287-9, $29.95 (paper).

This outstanding book presents an overview of a very large and complex subject. Its 21 chapters, divided into four parts—"Historical and Theoretical Perspectives," "Institutionalist Thought on Labor Since World War II," "Institutionalist Analysis of Current Labor Issues," and "Social Justice"—are encyclopedic in their coverage of the relevant literature. The chapters, in general, manifest high levels of scholarship. And yet a relatively straightforward theme lends coherence to the volume: the gradual decline, since the 1960s, of the influence of institutionalist economics and economists in the field of labor economics, and the negatives associated with that change. The neoclassical framework, with its formalized abstractions and mathematical methodology, has taken over in mainstream labor economics, dominating curricula and textbook treatments. The editors, who deplore that paradigm shift, write that a "primary aim of this book is to demonstrate the continuing vibrancy and relevance of the institutionalist approach to labor economics" (p. 3).

An essential preliminary, which is especially important because some contributors to this book may not consider themselves to be institutionalist economists (even though they focus, in these chapters, on issues normally addressed by institutionalist economics), is to clarify exactly what the editors *mean* by institutionalist economics, its concepts and theory. Their attempted clarification of the "what is" of institutionalist economics (p. 9) will be addressed more explicitly below.

Many important topics related to institutionalists' long-term commitment to social reform—social justice, wealth and power, poverty, institutional adjustments, unemployment, globalization, sweatshops, labor-market structures, the impact of expanding market size, the overall labor movement, and union history, to name some of them—recur as sub-themes across the chapters. A number of the authors represented in this collection discuss the contemporary relevance of works by early institutionalist economists like John R. Commons, John Maurice Clark, and Thorstein Veblen. Others (in Chapter 4, for example) focus on the ideas originated by an exceptional group of Commons's graduate students, known as the "Commons gang," as well as by post–World War Two labor economists such as Lloyd Reynolds, John Dunlop, Clark Kerr, and Arthur Ross. Still other contributors discuss their own extensions of earlier models.

It is hard to fault Champlin and Knoedler for the Herculean editorial effort they put into this book. Precisely because of the volume's great merits, however, it is reasonable to expect the release of new, updated editions down the road. Looking toward that day, when the editors will have to consider what coverage to add and what topics to de-emphasize, I offer two suggestions.

First, given the focus on Commons, I think his *A Sociological View of Sovereignty* (Augustus Kelley, 1965) deserves more attention than that given in the present book under review. That important book receives only a single brief recognition, by J. Dennis Chasse (p. 53). (For a recent retrospective on this 1899 work by Commons, see Warren J. Samuels, ed., *The Founding of Institutional Economics* [Routledge, 1998], especially the chapter by Glen Atkinson.) In the current epoch of corporate globalization, the trend is toward the replacement of the nation-state with the corporate state. The WTO and NAFTA, as treaties, serve as the law of the land. Article XVI of the WTO and Chapter 11 of NAFTA, for example, can abrogate labor's sovereignty by rolling back legislation promoting labor rights, including environmental protection. As a result of this loss of sovereignty, even such pro-labor legislation as might be grudgingly produced by our increasingly plutocratic democratic process is not secure.

Second, as intimated earlier, my only reservation about the book, which might border on criticism, concerns the lack of clarity about what, exactly, institutionalist economics *is,* an indeterminacy that makes the book's objectives less clear than they should be. But this problem is endemic to the whole of economics; it is equally difficult to delineate the "what is" of neoclassical, Keynesian, or Marxian economics. Complete accord might be impossible in a collection with such diverse writers. As the editors note, "Not all of these specialists would use the label 'institutionalist' to describe their work," and some might not even be cognizant of the legacy and meaning of institutionalist economics (pp. 3, 328). It is difficult to draw a line between those who are writing in the tradition of institutionalist economics and those who are not. Allan G. Gruchy, a well-known historiographer of institutionalist economics, also drew attention to this difficult problem: "Some of those whom I have included in the institutional camp have objected to my treatment of them" ("Remarks on the Receipt of the Veblen Commons Award," *Journal of Economic Issues,* June 1974). But more conspicuous than that kind of heterogeneity is an apparent disconnect between the editors and one prominent contributor who evidently *does* consider himself to be in the institutionalist tradition and who has strong views on the subject: Bruce Kaufman (Chapter 2). The editors acknowledge this difference of opinion (footnote 1, p. 9), but downplay it as reflecting merely a "slightly different convention."

Champlin and Knoedler relate institutionalist economics to four basic theoretical premises, three of which contain the concept *culture:* (1) "how any society provides for its economic needs is culturally and historically situated"; (2) "the working rules of economic behavior are cultural, legal, and social rather than universal laws of nature"; (3) "markets are legal and cultural arrangements often characterized by relationships of conflict, power, and inequality"; and (4) "government is an integral part of the economy, and appropriate economic policy is important to ensure that the economy works in the interests of all members of society" (p. 4). It is arguable that these four criteria are in the tradition of institutionalist economics. The emphasis on culture—"institutionalists maintain that culture and economics are inseparable—culture is the economy" (p. 4), as noted by the editors—is very much in line with the Veblen-Ayres tradition. By comparison, Kaufman refers to "culture" only once and without linking it explicitly to "institutionalist" economics (p. 34).

Furthermore, the editors apparently draw a distinction between institutional and institutionalist economics, in order to differentiate between a broad conception of institutional economics in the framework of the "new" (neoclassical) institutional economics, on the one hand, and the so-called "old" institutionalist tradition, on the other. Kaufman's chapter glosses over the distinction, starting with its very title: "The *Institutional* and Neoclassical Schools in Labor Economics" (italics added). Kaufman tends to use *institutionalist economics* and *institutional economics* interchangeably. Further complicating this confusion, the term *institutional economics* has been losing its identity and specificity; as the editors note, in recent years "any research involving institutions" has come to be called institutional economics (p. 4).

As a way out of this conundrum, it perhaps is time for institutionalist economists to call a spade a spade and relabel their school of thought

Veblenian Economics. One argument for "Veblenian" is that it would recognize the founding father of the tradition in the same way that "Keynesian" and "Marxian" do. The term would also have the advantage of suggesting an overall rubric for the field, resting on three emphases: *evolution, culture,* and *instrumental value theory.* And such a name might dispel the air of mustiness that has sometimes clung to discussions of "old" institutional economics.

Kaufman, whose contribution is one of the best in the book, does address the question of definition. When we "step back and examine the corpus of institutional economics writ large," he writes, we must ask, "What defines the common denominator that unites [these works] as institutional?" (pp. 14, 24). But his answer and conclusion are wanting, I believe: "institutional economists in recent years have succeeded in formalizing and developing a core theoretical model, built around the concept of transaction cost . . . an agenda of heterodox-theory development built around the transaction concept" (p. 35). While this quasi-definition can certainly be defended—it is close to John Commons's conceptualization of the field—I believe it lacks the holistic scope and interdisciplinary connections afforded by the concept of culture that is a core concept of Veblenian Economics.

Overall, this book is a welcome, necessary addition to labor economics literature. The editors succeed in "demonstrate[ing] the continuing vibrancy and relevance of the institutionalist approach to labor economics." The book also makes a strong case that the neoclassical framework misrepresents and obfuscates key aspects of challenges facing labor today: "One clear message of these chapters is a rejection of neoclassical labor theory as a useful or appropriate model" (pp. 9, 317).

In the final analysis, however, the extent to which heterodox labor economics breaks into the mainstream and becomes standard textbook fare will depend only secondarily on the validity or usefulness of the theoretical framework presented in the book under review. The economists represented in this collection have done their job: they have made a solid argument on behalf of a rejuvenated Veblenian Economics. For what happens next, look to the insights provided by the field of the sociology of knowledge; in particular, look to the interplay of power elites in economics (Kaufman, p. 34). As Wesley C. Mitchell aptly wrote, "That economists still cling to their traditional analysis is to Veblen merely the latest illustration of the cultural lag theory—a lag readily accounted for by the institutional approach" (*What Veblen Taught* [Augustus M. Kelley, 1964], p. xlviii).

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Wage Dispersion: Why Are Similar Workers Paid Differently? By Dale T. Mortensen. Cambridge: MIT Press, 2004. 160 pp. ISBN 0-262-13433-0, $30.00 (cloth).

This monograph develops a search theory of wage dispersion, which is the term for unequal compensation of workers who have identical productive attributes. The theory is based on the model of equilibrium search developed by Kenneth Burdett and Dale Mortensen ("Wage Differentials, Employer Size, and Unemployment," *International Economic Review,* Vol. 39, No. 2, 1998). This model is a seminal contribution to labor market theory and has led to numerous theoretical as well as empirical developments. The monograph provides an overview of developments stemming from the model as well as an assessment of its progress in explaining elements of the distribution of earnings.

The monograph began as a record of the Zeuthen Lectures presented by the author, Dale Mortensen, in November 2000 at the University of Copenhagen. In addition to theoretical implications of equilibrium search, the monograph incorporates empirical results derived from extensive Danish matched data on firm and worker wage rates as well as results using U.S. and French data.

Mortensen begins in Chapter 1 by reviewing the evidence on wage dispersion. Large average wage differences related to firm size and industry have been extensively studied in the literature. Mortensen analyzes these results to identify elements of wage dispersion that do not arise from worker differences. He then discusses the ability of previous theories of equilibrium search (without on-the-job search) and bilateral bargaining to explain the presence of wage dispersion.

In Chapter 2, Mortensen systematically presents the equilibrium search model developed by Burdett and himself. In this model, workers can search for jobs both when they are unemployed and while they are employed. Workers quit a job whenever they are offered a higher