The Encyclopedia of Central Banking

Edited by Louis-Philippe Rochon and Sergio Rossi
ISBN 978 1 78254 743 3 (cased) GBP 155.00
ISBN 978 1 78254 744 0 (eBook) GBP 139.50

Reviewed by Morten Balling
Chairman of the SUERF Editorial Board

The editors of this impressive 510 pages volume have asked more than 150 contributors to explain topics related to monetary macroeconomics, central bank theory and policy, and to include important events in the history of monetary thought. Besides, the volume contains biographies of individuals who have played a decisive role in the development of monetary theory or in the construction and implementation of national and international institutional arrangements. The nearly 250 entries are organized in alphabetical order to facilitate reference. Authors have been asked to comply with narrow space constraints and to write in a clear and comprehensive way. This is a very positive feature from the point of view of busy readers.

No reader will start the reading of this volume on page 1 and continue to page 510. The book is intended to be and will be used by students and researchers as a reference book. Users may be looking for an introduction to a topic or may feel that they need to refresh their memory and update their knowledge about a theoretical concept, an outstanding economist, a central bank or an institutional arrangement. Probably most readers will start their search with a key word or the name of a famous economist, central banker or politician. In an electronic world, encyclopedias on monetary and financial topics must compete with Google, SSRN, RePEc, and other internet search facilities. The value added provided by an encyclopedia focused on money and finance in comparison with more general reference volumes and search engines depends on scientific quality and focus. By using a quality encyclopedia, users avoid wasting time on reading texts with low relevance or low quality. Most of the articles in the encyclopedia presented here, have a quality that provides value added in this respect.

The selection of topics involves difficult priority issues. That applies also to the editors’ selection of authors. Louis-Philippe Rochon is affiliated with Laurentian University in Canada and Sergio Rossi with University of Fribourg in Switzerland. In the procurement of contributions for this encyclopedia, they have exploited their extensive international network of monetary and financial experts. Most authors are located in Europe, in the United States and Canada. A problem in all encyclopedias is that the individual authors do not know in detail what authors of other entries are writing. Thus, some overlapping is unavoidable. The editors have done a serious effort to rectify this by cross-references (“see also”) at the end of each entry. The usefulness of the volume could, however, have been improved further by adding a subject index and an author index on the last pages.

In a short book review, it is not possible to do justice to all contributions. In order to give SUERF readers an impression of the choices made by the editors, the
reviewer has divided a sample of the entries into conceptually related groups.

One important group consists of entries dealing with central banks’ legal foundation and organization, objectives, monetary policy targets and instruments. Examples from this group are in alphabetical order: Central bank independence, exchange-rate targeting, Friedman rule, inflation targeting, interest rate rules – post-Keynesian, lender of last resort, long-term refinancing operations, monetary policy instruments, monetary policy objectives, monetary targeting, open-market operations, operation twist, outright monetary transactions, quantitative easing, repurchase agreement, reserve requirements, rules versus discretion, sterilization and Taylor rule.

Another important group is composed of entries concerning financial regulation and supervision. A sample of examples is: Asset-based reserve requirements, bank deposit insurance, banking supervision, Basel Agreements, capital requirements, financial deregulation, financial supervision, macro-prudential tools, narrow banking, shadow banking and systemically important financial institutions.

Entries covering important theoretical models include: Efficient market theory, Gresham’s Law, liquidity trap, Modigliani-Miller theorem, monetarism, money illusion, optimum currency area, Phillips curve, quantity theory of money, random walk and real-balance effect.

The volume also includes biographies of famous central bankers like Ben Shalom Bernanke, Arthur Frank Burns, Mario Draghi, Alan Greenspan, Mervyn King, Alexandre Lamfalussy, Montagu Norman, and Tommaso Padoa-Schioppa. Biographical information about Paul Adolph Volcker is given in the entry “Volcker experiment”. Readers from Germany and France will maybe miss the names of a few Deutsche Bundesbank and Banque de France governors.

Central banks have always operated in an international environment. In the encyclopedia this is for example reflected in entries on the Bretton Woods regime, European Central Bank, European Monetary Union, exchange-rate interventions, fear of floating, International Monetary Fund, international reserves, international settlement institution, Keynes Plan, sovereign lending, and the Triffin dilemma. There is also an excellent biography on Harry Dexter White, who as a member of the American delegation played an essential role at the Bretton Woods conference in 1944, and (whose White Plan) exerted a strong influence on the international monetary architecture after the Second World War. The Bank for International Settlements could, however, have deserved its own entry.

Rochon and Rossi’s encyclopedia of central banking is an expensive book. It is, however, also a good reference volume. The editors and authors know what they are writing about, and they pass on their knowledge to the readers cogently. Potential buyers of the book should of course compare it with alternative ways of procuring up-to-date information about topics related to central banking. Thus, SUERF readers should not overlook what can be found on the many central bank websites that have been upgraded considerably in recent years.