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Book Reviews

Editor's Note: Guidelines for Selecting Books to Review

Occasionally, we receive questions regarding the selection of books reviewed in the *Journal of Economic Literature*. A statement of our guidelines for book selection might therefore be useful.

The general purpose of our book reviews is to help keep members of the American Economic Association informed of significant English-language publications in economics research. We also review significant books in related social sciences that might be of special interest to economists. On occasion, we review books that are written for the public at large if these books speak to issues that are of interest to economists. Finally, we review some reports or publications that have significant policy impact. Annotations are published for all books received. However, we receive many more books than we are able to review so choices must be made in selecting books for review.

We try to identify for review scholarly, well-researched books that embody serious and original research on a particular topic. We do not review textbooks. Other things being equal, we avoid volumes of collected papers such as *festschriften* and conference volumes. Often such volumes pose difficult problems for the reviewer who may find herself having to describe and evaluate many different contributions. Among such volumes, we prefer those on a single, well-defined theme that a typical reviewer may develop in his review.

We avoid volumes that collect previously published papers unless there is some material value added from bringing the papers together. Also, we refrain from reviewing second or revised editions unless the revisions of the original edition are really substantial.

Our policy is not to accept offers to review (and unsolicited reviews of) particular books. Coauthorship of reviews is not forbidden but it is unusual and we ask our invited reviewers to discuss with us first any changes in the authorship or assigned length of a review.

E Macroeconomics and Monetary Economics

The Future of Money: How the Digital Revolution Is Transforming Currencies and Finance. By Eswar S. Prasad. Cambridge, MA: Harvard University Press, Belknap Press, 2021. Pp. 485. \$35.00. ISBN 978-0-674-25844-0, cloth.

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Eswar Prasad's *The Future of Money* is a wonderful introduction to, and reference for, the fast-changing world of electronic assets. If I were still teaching money, banking, and finance, I'd

use one of the standard texts along with Prasad's book, backed up by the Federal Reserve's (2022) paper on cyber currency. Money and banking courses have long been boring and repetitive, using material mostly covered elsewhere—not now. E-money and loans might be the most exciting business there is.

Prasad describes many of the individual electronic asset businesses while providing colorful stories about some. The book is well written and a fun read. All that said, I still don't see how anybody is making returns in the electronic asset business from anything but capital gains.

We owe the e-asset explosion to blockchain, which is a list of electronic blocks of coded information. Most importantly, individuals can use this technology for un-intermediated financial transactions. In other words, no banks, markets, or other financial intuitions are needed. This is a really big deal. Finance and insurance make up about 8 percent of US GDP, and a good bit of that looks to be up for grabs. But who would get that 8 percent? Certainly, people making transactions using the new technology would pay less. But what revenue would support the technology and the attached asset prices?

Which brings us to Bitcoin and bubbles. Economists define a bubble as an asset's price rising only in anticipation of future price increases—not in anticipation of future business revenue. Popular bubble discussions, however, allow for a broader definition. The things people have called bubbles, e.g., Tulipmania, always seem to occur when new ideas or markets are introduced. The new stuff requires lots of expensive learning and high hopes are attached for future profits. Some of the businesses connected to the new ideas work out, some do not. The ones that fail to produce hoped-for profits have asset prices that rise and then crash. That's the way it is supposed to work. The problem is that in the event, it is impossible to tell the difference between the economists' definition and the popular one.

Bitcoin is the first business to take advantage of blockchain on a large scale. Using Bitcoin shares, blockchain allows people to buy things without cash, checks, or credit cards (CCC). The CCC we are comfortable using come at a cost to users, which is revenue to the medium providers. Cash generates seigniorage, helping support the government. Checks draw on bank deposits, which are loaned out to interest-paying bank customers. Most credit cards go through banks, which pay fees to credit card companies. Is Bitcoin's price a bubble? Despite high and wildly fluctuating prices, no one seems to know how Bitcoin shares make returns except by share-price increases and slightly lowered transactions costs.

Prasad tells the reader about many firms looking to get into this business. Some of the associated stories are just great. My favorite is Jesuscoin (p. 187), a cyber currency founded to remove "money-grabbing churches" from the Jesus

business. All that is needed to start one of these companies is a warehouse full of computers, some programmers, a lot of electricity, and a place to dump heat. So, there's lots of competition. Most of the e-asset firms will fail—maybe all of them will. Even the much-advertised privacy associated with e-money looks to be an exaggeration.

Some private e-money firms recognize that a wildly fluctuating transactions-medium price is not great for consumers, so they started stablecoins (p. 155). Tether, for example, claims to be backed by US dollar reserves to be used to maintain a fixed exchange rate between Tether's digital tokens and the US Dollar—a fixed exchange rate scheme. This works fine for 100 percent US dollar reserves but is subject to runs or speculative attacks for lower reserve backing. US banks are stablecoins' existing competition. Banks fix the price of deposits at unity with the dollar using fractional reserves—sometimes just tiny fractions. Banks' price fixing works because the Federal Deposit Insurance Corporation and the Fed stand behind them, giving the banks the enormous advantage of freedom to invest deposits in high-yielding assets without fear of being run.

It's hard to imagine big revenue streams accruing to providers and owners of e-money in well-developed countries with large and sophisticated financial markets and well-established intermediaries. It's easier, however, to think of such revenue evolving in the developing world where the nearest bank may be hundreds of miles away from many residents. Maybe this is where electronic assets will find their revenue fundamentals.

Some countries are now experimenting with Central Bank Digital Currencies (CBDC). Tunisia's e-dinar was the first (p. 245). In January 2022, the US Federal Reserve published "Money and Payments: The U.S. Dollar in the Age of Digital Transformation." It looks like the Fed is thinking about allowing all of us to have M(0) accounts. Competition in the digital money market is stiff already. The US Fed is really good at providing money and clearing transactions electronically. Fedwire clears about \$4 trillion daily—that's \$US GDP every work week. Just the threat of Fed e-money may be enough to stifle e-asset technology. Additionally, if we all

get accounts at the Fed, banks may need to find another line of work.

I think *The Future of Money* is fun to read, provides lots of fascinating material for money and banking classes, and serves as an excellent reference to the world of electronic assets. The book is solid, but the future of privately provided e-money is not.

REFERENCES

Federal Reserve System. 2022. "Money and Payments: The U.S. Dollar in the Age of Digital Transformation." Washington, DC: Board of Governors of the Federal Reserve System.

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J Labor and Demographic Economics

Measuring Human Capital. Edited by Barbara M. Fraumeni. London: Elsevier, Academic Press, 2021. Pp. xix, 201. \$99.95. ISBN 978-0-12-819057-9, pbk. *JEL* 2022-0349

Compared to research on physical capital, there has been relatively little formal work on the measurement of human capital globally. Data availability has been one of the biggest barriers to progress on this issue, especially in terms of including more developing countries. *Measuring Human Capital* makes an important contribution in this regard by focusing on six major measures of human capital, covering at least 130 countries. The book includes two country chapters—one on China and the other on the United States. Various authors contributed to this volume.

The book is about measuring human capital. It seeks to address the various measures of human capital by an overall review, and through chapters by some of the authors that created them. The book presents the major contributions, underlying theories, empirics, and implications for policy. It does not assess them outright but provides enough information for the careful reader to get a good sense of their strengths. An informative account is provided regarding the methodological issues involved in attempting to define human capital, but more importantly to measure it. The measures use similar definitions of human capital; the differences are in the measurement.

The measures presented are an attempt to move beyond GDP as the ultimate aim of development, or to complement and supplement the income approach. The various measures do this by emphasizing the role of human capital in the development process. Several of the measures have helped moved us away from over-reliance on years of schooling (or enrollment or school completion) as the sole gauge of education. This is done by including measures of student learning as assessed through standardized assessments into the definition. In other words, some of the newer measures explicitly account for the quality of education in addition to quantity.

The introductory chapter describes both monetary and index estimates. It is a most useful, succinct account of the various measures that monetize human capital, such as the Changing Wealth of Nations (CWON) and the Inclusive Wealth Report (IWR). The index measures include human capital approaches such as the Institute for Health Metrics and Evaluation's (IHME) Human Capital Index and the World Bank's Human Capital Index (HCI). It also includes the United Nations Development Programme's Human Development Index (HDI) and the World Economic Forum's Human Capital Report (WEF). The introduction and the book show how human capital is now measured explicitly in several of the indices and measures to demonstrate authoritatively the importance of human capital—education and health—as part of a country's wealth, productivity, and development. Their uses for policy are highlighted. It is shown that most of the measures are highly correlated.

While the purpose of the book is not to judge the measures, some discussion of their limitations could have been included. This can be ascertained by the careful reader. For instance, country coverage varies from 130–57 to 189–95. This begs the question of why coverage is so much higher in HDI and IHME. The answer turns out to be imputation of indicators by some of the indices.

Schooling is included in all the measures, but the definition varies. While most measures acknowledge the importance of student learning as measured through test scores as an important indicator of quality, not all include quality of