

GEORGE A. AKERLOF

*Cartea de povești a unui economist. Eseuri despre
consecințele noilor ipoteze în teoria economică*
(*An Economic Theorist's Book of Tales. Essays that Entertain
the Consequences of New Assumptions in the Economic Theory*)
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George Arthur Akerlof (born June 17, 1940) is an American economist and Professor of Economics at the University of California, Berkeley. **In 2001, he won the Nobel Prize in Economics** (shared with Michael Spence and Jose E. Stiglitz), for the article, “The Market for Lemons: Quality Uncertainty and the Market Mechanism”, published in *Quarterly Journal of Economics* in 1970, in which he identified certain severe problems that afflict markets characterized by asymmetrical information. He is also known for the role he played in approaching the behaviorist economy.

An Economic Theorist's Book of Tales. Essays on the Consequences of New Assumptions in the Economic Theory, translated into Romanian by the Publica Publishing House in 2009 (the sixth book in the Co-Economy Lesson series – a selection of “classical” books on how economy operates and the principles shaping the economy science and, implicitly, our life) includes eight essays that approach the consequences of the new hypotheses in the economic theory:

1. The essay that made him famous: The Market for Lemons: Quality Uncertainty and the Market Mechanism.
2. The Economics of Caste and the Rat Race and Other Woeful Tales.
3. The economics of “tagging” as applied to the optimal income tax, welfare programs and manpower planning.
4. A Theory of Social Custom, of which Unemployment May be One Consequence.
5. Jobs as Dam Sites.
6. The Economic Consequences of Cognitive Dissonance, with William T. Dickens.
7. Labor Contracts as Partial Gift Exchange.
8. Loyalty Filters.

As an invitation to reading this book on economy, Robert M. Solow, Massachusetts Institute of Technology, was stating about the eight essays: “...show how many good things are derived from the economic analysis mixed with the openness to the basic facts of social life. Many preach this ideal. But George Akerlof is one of the few truly living it, with an outstanding outcome.”

A review of the celebrated essay “The Market for Lemons: Quality Uncertainty and the Market Mechanism” will follow below, focusing on pivotal and interesting issues involved by the existence of goods in different categories (superior and inferior quality) for the theory of markets and interaction with

uncertainty. On the one hand, the interaction between the quality heterogeneity and uncertainty may account for important institutions on the labor market. On the other hand, this essay is a successful attempt to provide a structure for the statement: “Business is tough in underdeveloped countries.”

Many markets give the possibility to the buyers to use a market statistics to interpret the quality of the future purchasing. In this case, Akerlof considers that the sellers have an incentive for trading merchandise of a poor quality, since the turnover for high quality concentrates mainly at the level of the entire group and not the individual one, thus affecting the group statistical position. Therefore, the trend of reducing the average quality of goods and of the market size emerges. At first, Akerlof used the cars market (low-quality cars are known in America as “lemons”) as a practice for explaining and elaborating this issue; then, he extended the analysis by examples and applications in the area of health insurance for people of over 65 years of age in terms of employment for minorities and credit status in the underdeveloped areas. On that account, he reiterated what George Stiegler had stated: “In a political system of ignorance, Enrico Geremi would have been a gardener and Von Neumann a cashier in a store”. Similarly, the “lemons” pattern also brings into the spotlight the costs of bad faith (unfair transactions tend to drive the fair transactions out of the market), where bad faith in business is a poignant issue in the underdeveloped countries.

The opening of the book with this essay is an offer that the readers should not dismiss in their attempt to approach more deeply the new hypotheses in the other essays, all making a new vision and solid arguments for a new discipline, which Akerlof calls “psycho-socio-anthropo-economics”.

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