Lotz on local government taxation, Andel on EEC tax harmonization and Mutén on international double taxation. Finally, Part VII, the longest, is devoted to "Tax Policy Issues" with de Wulf on income distribution, Kopits on income taxation and inflation, Ballard and Shoven on taxes and capital formation and Tanzi on taxation and price stabilization.

It can be deduced from this account that the editor was a disciplinarian determined to run a tight ship. So the book does not suffer from a lack of cohesion arising from individual authors wandering off into whatever subjects happened to take their fancy. Inevitably, individual chapters will have different appeals to individual readers depending on their interest in more theoretical or more factual matters, but no one need fear that the discussion in the book is other than clear, sensible and up to date. It is certainly true that those versed in the literature will get more out of it than non-specialists, but in no way can it be regarded as something tailored to the tastes of a small minority. It is a set of essays written by the great in honour of the good, if I may be excused such a bad pun.

At the same time, some features of the book are a little odd. Richard Goode is best known for his work on US income taxation and public finance in developing countries. While four chapters (3, 8, 9 and 17) are concerned mainly with the former, only one (Chapter 15) bears more than marginally on the latter. On the other hand, there are three chapters on specifically EEC tax matters, which seems to be going a little far. Nor are some of the individual chapters free of errors or omissions. Thus on p. 243 the UK is said to have introduced a turnover tax in 1940, when it was a selective wholesale level tax; one would have thought the cash-flow corporation tax merited a mention in Chapter 4; the argument in Chapter 17 for a gradual move from income to expenditure taxation by increasing deductibility of saving begs the question of how to treat dissaving. Nor are references always given correctly, e.g. p. 293.

But by far my most important complaint relates to the price of the book, which amounts to an act of robbery and not just one of extortion by the publishers. Unfortunately, it may substantially reduce the number of readers of what is a very welcome addition to the literature of public finance.

The London School of Economics A. R. PREST

Money: in Equilibrium. By D. GALE. Cambridge University Press. 1982. ix+349 pp. PCB £8.95.

Monetary theory addresses three questions: whether it is possible for money, a fiat asset, to maintain a positive price at equilibrium; whether the introduction of money affects the allocation of resources at equilibrium; and whether variations in the quantity and distribution of money balances induce variations in the allocation of resources at equilibrium. Schools of thought are distinguished by their differing positions on the correct answer to each of these questions or, rather, on the conditions under which an affirmative or a negative answer obtains.

The most attractive feature of *Money: in Equilibrium* is methodological. With only rare exceptions, in which the work of others is being directly exposited, Gale develops arguments either explicitly derived from or clearly compatible with rational individual optimization and market-clearing; this is most welcome, especially in a field in which microeconomic foundations are often neglected thus leading to unnecessary ambiguities. The choice of topics and the emphasis and treatment they receive I find, however, much less satisfactory.

The conditions under which money maintains a positive price at equilibrium are not discussed. True, a complete treatment would require pedantic and mostly obvious arguments; a few subtleties might still be worth mentioning, however. An example is the case of economies in which money, even though it does indeed maintain a positive price along some equilibrium paths, is eventually driven out as its price tends to zero at infinity.

The possibility of effective monetary policy receives only cursory treatment. First, the simple, aggregate, linear, rational expectations model and its counterpart in the context of an overlapping generations economy with segmented markets and incomplete information are presented and the neutrality of anticipated changes in the supply of money is derived. The exposition adds no insight or generality to the well-known argument. Changes in the supply of money are, for instance, limited to changes effected through subsidies or taxes; the alternative, changes effected through open-market interventions by the monetary authority, is not considered. This choice is in accordance with common practice in current literature, but it leaves a gap, not only with respect to the Keynesian approach, but also with respect to the rest of the book, a large part of which is devoted to the study of asset markets. Almost immediately following is a treatment of the problem of time consistency of monetary policy. It is correctly pointed out that the problem has a direct analogue in game theory in the notion of perfect equilibrium. The latter is then discussed to quite an extent, but the final link back to the macroeconomic literature is never explicated.

The question of whether monetary equilibria differ from non-monetary ones receives the most extensive treatment, first in the framework of economies extending over possibly infinite time and under possibly incomplete asset markets, and second in the framework of non-Walrasian, either cooperative or non-cooperative, equilibria. The latter is most interesting, probably because of its proximity to the author's own research. The former fails. Even though the general framework is most appealing, key insights are missing from the exposition. The intricacies, for example, of defining restricted optimality under incomplete markets are not brought out; instead, the reader is offered as natural a generalization of market by market optimality, an unsatisfactory concept. Last but not least, the possibility of a multiplicity (continuum) of monetary equilibria in overlapping generations economies, even though central to the argument, is barely touched upon; furthermore, when it is discussed, the analytical argument is strictly speaking false. The initial, nominal, price level can indeed by chosen arbitrarily, but within a (generically) non-degenerate interval, not totally arbitrarily, as Gale claims—his construction works only backward.

The task of a handbook is twofold: to provide, on the one hand, the analytical clarity that enables the reader to see through to the literature and, on the other, the global view that allows for a synthesis. On both counts *Money: in equilibrium* falls short of expectations.

H. M. POLEMARCHAKIS

The Rational Expectations Revolution in Macroeconomics: Theories and Evidence. By DAVID K. H. BEGG. Philip Allan, Oxford. 1982. ix+291 pp. £16.00. PCB £7.95.

Rational Expectations. By STEVEN M. SHEFFRIN. Cambridge University Press. 1983. x+203 pp. £17.50. Paperback £5.50.

Rational Expectations and the New Macroeconomics. By PATRICK MINFORD and DAVID PEEL. Martin Robertson, Oxford. 1983. xiii+253 pp. £18.50. Paperback £7.95.

Academic publishing seems to be the living embodiment of the competitive market. For a period during the 1970s the literature on rational expectations and its macroeconomic implications was accessible only through the journals. Unexploited opportunities for profitable dissemination more widely should not, however, persist and, sure enough, the last year or so has brought a stream of texts of varying degrees of difficulty expounding the literature. It will be interesting to see what the equilibrium number of firms in this industry will turn out to be, but I expect that at least two of these books are likely to remain firmly entrenched as market leaders for some time.

Begg and Sheffrin both cover very similar ground. Each discusses the Lucas–Sargent–Wallace proposition and the objections to it at length; the implications of the Lucas critique of macroeconometric policy evaluation; the problem of dynamic inconsistency in policy formulation and the literature on efficient markets. Both introduce the reader to that essential tool of rational expectations macro-models, the phaseplane diagram, and use it to highlight the impact that the introduction of rational expectations can have in a model where some prices adjust only slowly in response to excess demand.