Some of the analysis, indeed, may provide useful material for a descriptive theory of institutional change. On the other hand, Bromley also shares with his illustrious predecessors a taste for "collective" action broadly and uncritically understood. Like Commons, he sees institutions as plastic, and institutional change as inevitably meliorative, at least when grounded in the politically articulated social welfare function. In his examples, social tastes are always inclining in beneficent-sounding directions (toward safety and environmental quality, for example) and away from the hated *status quo*, which always embodies the heartless extremes of traditional liberal rights (like freedom of contract for mine owners or private development rights). This is really quite as Panglossian a view as the Paretian position he criticizes.

My complaint is not merely that Bromley has no theory of how political processes articulate social welfare functions, though this is certainly true. Rather, my complaint is that this view of public policy is ultimately quite dangerous and undesirable. To say that rules and entitlements ought to change whenever some "social welfare function" changes is to endorse a kind of majoritarian utilitarianism, one that dooms the holders of "unratified" minority preferences to having their entitlements constantly taken away from them. A theory in which rights and entitlements change with majority (or other politically sanctioned) whims is not a theory of rights at all, since the meaning of a right lies in its defensibility against the wishes of the many. Another way to say this is that a theory of rights cannot escape the *"status quo"*: it must be grounded in history and custom.

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REFERENCE

GOULD, STEPHEN J. *Ever since Darwin*. NY: Norton, 1977.

## E Macroeconomics and Monetary Economics

*Modern business cycle theory*. Edited by ROBERT J. BARRO. Cambridge, MA: Harvard University Press, 1989. Pp. 337. $35.00. ISBN 0–674–57860–0. *JEL 90–0123*

This book contains essays written by distinguished authors, each surveying some recent developments in a particular area of macroeconomics, and all written or revised expressly for this volume. The book emphasizes research that assumes market clearing and rational expectations—what Barro in his introduction (p. 1) calls new classical macroeconomics.

A brief summary of the chapters in the book, in order of appearance: "Real Business Cycle Models," by Bennett T. McCallum, works through a simple but representative real business cycle model, discusses the somewhat more complicated models used in practice, and then considers some general issues related to the real business cycle program. McCallum's position might be characterized as "skeptical but willing to be convinced," presenting his and others' criticisms of real business cycle models while making clear that many important issues are yet to be resolved.

"Capital Accumulation in the Theory of Long Run Growth," by Paul M. Romer, discusses some stylized facts about growth, outlines some math relevant for solving the type of constrained maximization problem usually implied by general equilibrium growth models, and surveys some endogenous growth models.

"Rational Expectations and the Informational Role of Prices," by Sanford J. Grossman, works through some examples to illustrate the general proposition that private information can be aggregated in a rational expectations equilibrium and then reviews some earlier work of Grossman's in which imperfect information helps explain business cycles.

"Consumption," by Robert E. Hall, derives Hall's now standard proposition that consumption follows a random walk. It notes that the empirical evidence rejects this proposition, and provides a comprehensive summary of the research that has attempted to explain the rejection.

"The Neoclassical Approach to Fiscal Policy," by Robert J. Barro, uses a simple theoretical model with lump sum taxes to analyze the short- and long-term effects of government spending and then considers the effects of distorting taxation. A discussion of Ricardian equivalence, including a survey of empirical evidence, follows.

"Reputation, Coordination and Monetary Policy," by Kenneth Rogoff, reviews and critiques the literature that considers whether reputation can substitute for legal constraints on monetary policy. The chapter works through the algebra of some simple models, and summarizes the results of some others, concluding that there is as yet no attractive solution to a problem of multiple eqilibria raised in these models.

"Time Consistency and Policy," by V. C. Hari, Patrick J. Kehoe, and Edward C. Prescott, presents what the authors describe as perspective rather than a survey. For some models of capital taxation and of debt and default, they analyze the equilibria that result both when the government can credibly commit to sticking to an announced policy and when it cannot.

"Some Alternative Monetary Models and Their Implications for the Role of Open Market Policy," by Neil Wallace, works out the steady state properties of some models in which money is positively valued even though it is dominated in rate of return.

The book will be a useful adjunct to a first year graduate course. The introduction (p. 1) also indicates that the book is intended for advanced undergraduate courses. The instructor wishing to use it for this audience should be forewarned that although the mathematics used is not particularly deep—nothing more than the Kuhn-Tucker theorem (Romer's chapter) and the dynamic programming algorithm (various chapters)—parts of all chapters with the exception of Barro's and Hall's require a willingness and ability to follow technical arguments that probably are beyond the capacity of most undergraduates.

The book will also be useful to non-macroeconomists wanting to keep abreast of some recent developments. In this connection, it should be noted that while the book is broad enough that it covers much material of central interest to macroeconomics, it evidently is not intended to be comprehensive. It contains little about some topics that have received extensive attention in research that I assume Barro would describe as new classical; among these are the consumption based capital asset pricing model and cash in advance models.

And, of course, the book by and large omits models with sticky prices or market failures. But economists who consider such models of central importance will still find the book of interest. Partly this will be to present an alternative point of view (if you want a defense of Ricardian equivalence, Barro's chapter is the one to turn to). But also this is because such economists, should they choose to cover a topic considered by a given essay, would most likely be able to comfortably integrate the book's discussion into their courses. The main objection from the sticky price camp will probably be that some topics of central importance were excluded from the book, rather than that the analysis of the topics that were included is unfairly one sided.

As I was about to write this review, I happened to stumble across a copy of Haberler (1951, originally published in 1944), which I could not resist picking up given the similarity of its title with that of the book under review. The title page of Haberler's book states that the readings were selected by a committee of the American Economic Association, which led me at first to suppose that in the good old days there was a consensus about what topics to cover in a book on business cycle theory. Then I read Haberler's introduction (p. xiii), which tells us that the members of a "small group of experts" asked to make selections for the book from a list supplied by Haberler rarely chose the same essays. Eventually, it appears, Haberler imposed his own choices.

*Plus ça change, plus c'est la même chose.*

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REFERENCE

HABERLER, GOTTFRIED, ed. *Readings in business cycle theory.* Philadelphia, PA: Blakiston Company, 1951.

*Inflation stabilization: The experience of Israel, Argentina, Brazil, Bolivia, and Mexico.* Edited by MICHAEL BRUNO, GUIDO DI TELLA, RUDIGER DORNBUSCH, AND STANLEY FISCHER. Cambridge, MA and London: MIT Press, 1988. Pp. xi, 419. $27.50. ISBN 0–262–02279–6. *JEL 89–0779*

*Inflation Stabilization* is a collection of papers and comments presented at a conference in 1987. The conference examined attempts at stabilization in the mid-1980s in countries where inflation had reached extremely high levels. Often, the participants were actually involved in the design of these stabilization attempts. By