Rogoff (eds), *Handbook of International Economics*, Volume III, North-Holland, Amsterdam; Hamilton, James D. (1994), *Time Series Analysis*, Princeton University Press, Princeton, New Jersey; Johnson, Paul A. (1991), 'Aggregate Price Indexes, Cointegration, and Tests of the Purchasing Power Parity Hypothesis', *Economics Letters*, **36**, 305–9; Johnson, Paul A. (1994), 'Estimation of the Specification Error in the Fisher Equation', *Applied Economics* **26**, 519–26; Lothian, James R., and Taylor, Mark P. (1996), 'Real Exchange Rate Behaviour: The Recent Float from the Perspective of the Past Two Centuries', *Journal of Political Economy* **104**, 488–509; Miron, Jeffrey A. (1991), 'Comment', in Olivier Jean Blanchard and Stanley Fisher (eds), *NBER Macroeconomics Annual 1991*, MIT Press, Cambridge, Massachusetts; Perron, Pierre, and Garcia, René (1996), 'An Analysis of the Real Interest Rate under Regime Shifts', *Review of Economics and Statistics* **LXXVIIII**, 111–25; Taylor, Mark (1995), 'The Economics of Exchange Rates', *Journal of Economic Literature* **XXXIII**, 13–47.

Australian Readings in Monetary and Financial Economics, edited by P. Stemp and J. Milne-Pott, (Addison-Wesley-Longman, South Melbourne, 1996), pp. viii + 401. $A42.95 (softcover).

This text is a collection of readings which examine various aspects of the Australian monetary system. The readings are drawn from the writings of academic, private-sector and business-sector economists with, not surprisingly, a substantial representation of writings from the Reserve Bank. The editors have compiled these readings as a text for second- and third-year undergraduate courses in monetary and financial economics at Australian universities with the purpose of providing a description of the Australian monetary institutional setting. The editors suggest that the text could serve either as a supplement to standard textbooks of monetary economics or, possibly, as a stand-alone text. My view on this is somewhat more cautious. While I believe the editors have provided a useful collection of supplemental readings for courses in monetary economics, I would hesitate to use the text by itself for reasons which should become clear.

The readings are organized into nine chapters. The first six are described as core chapters, concerned with the institutional structure of the Australian monetary system, the final three address topics related to monetary policy in Australia: inflation, the 1990–1992 recession and national saving. Each chapter has an introduction by the editors to the theme and issues of the chapter. In addition, questions for each reading and for the chapter overall are provided as are additional readings. This seems an ideal structure for presenting the material. The introductions to each chapter and the questions are all of a high standard and would be invaluable in presenting the material in the classroom.

The book commences with an overview of the financial system and the role of the Reserve Bank and other regulators within the system. This is largely descriptive and provides a useful picture of the Australian system. Unfortunately, the articles included pre-date the introduction of the new settlement system and the removal of the distinction between the official and unofficial money market is only discussed briefly in the editors' introduction to chapter 2. Chapter 3 provides a set of papers which usefully summarize the empirical behaviour of financial aggregates. This is a nice feature of the book since it brings together a variety of data which can be used when discussing Australian monetary policy.

Chapter 4 examines the regulation of the Australian financial system. It includes two papers which briefly examine the background to deregulation (in addition, the editors provide some background in their chapter overview), a short description of the Campbell Committee Report, a longer article on the impact of deregulation on the banking industry and finally a short note on NBFI reform. I find this collection somewhat less than ideal as it doesn't really provide a very complete picture of the effects deregulation had on the operation and goals of monetary policy. For example, there is little discussion of how the regulatory structure affected monetary aggregates and their control nor is there any discussion of the implications for foreign exchange markets. These are typically discussed when examining deregulation in Australia and readings which address this would be beneficial.

Chapters 5 and 6 contain papers which focus explicitly on monetary policy. Papers considering the monetary transmission mechanism appear in chapter 5 and this is a nice selection of papers on an important topic. In particular, Grenville's article is an excellent statement of the RBA's view on the transmission mechanism and is likely to assist students in understanding the difficulties of implementing monetary policy. Chapter 6 presents a variety of papers concerning monetary policy, both its structure and goals. In addition to the expected papers on monetary and inflation targets and central bank independence, a useful contribution is Jonson's statement on transparency and accountability of the central bank. This topic has perhaps not received as much attention as central bank independence in Australia and this is a nice (but brief) introduction.

All together, and with some minor exceptions noted, the readings that comprise the core chapters provide a good description of the Australian monetary system.

The final three chapters address specific topics of Australian monetary economics. The first topic is inflation and includes articles on the costs of inflation, costs of disinflation, the measurement of inflation and finally the role of expectations. Of these, the discussion of the costs of inflation and the measurement of inflation stand out as being nice statements of important issues. One topic which could be addressed here but is not is the effect of price shocks on inflation measures. The Reserve Bank has examined this issue within the framework provided by Mankiw and Ball (1995) and so provides the Australian perspective.

The chapter on the 1990–1992 recession contains four articles that identify possible causes for the recession. The first examines the role of accounting and business practices in contributing to the growth of debt during the 1980s. The difficulty here, though, is that we are left to our own devices in determining to what extent and how this contributed to the subsequent recession. The next draws a historical parallel between the 1890s and the early 1990s; whatever the merits of the arguments, the article demonstrates the usefulness of historical comparisons. The remaining two articles attempt to examine the contribution of Australian policy settings to the recession of the early 1990s. Unfortunately, neither paper can surmount causality issues and this would have to be explained with some care to students.

Finally, we are left with the chapter on savings and investment in Australia. Without a doubt this is the most tiresome policy topic in Australia and I would be very surprised if any student reads with much relish the articles of this chapter which is unfortunate, as the chapter contains an excellent and scholarly article by Max Corden about the current account deficit. I was unaware of this article and enjoyed its balanced perspective and the manner in which it presented its arguments within the wider perspective of the economic literature.

Overall, this is a nice collection of readings well suited as a supplementary text for second- and third-year undergraduate monetary subjects. Apart from the minor issues raised above, I do have one additional criticism of the text in general. The articles of each chapter deal with Australian policy issues all of which arise within a broader academic literature. For example, issues of Reserve Bank independence arise from a theoretical literature initiated by Kydland and Prescott (1977) while monetary transmission mechanisms are the focus of considerable debate including whether or not credit channels are important (see for example Gertler and Gilchrist, 1994). Despite this, many of the policy topics within the text have no reference to the broader literature from which they arise. This means that readers without sufficient background in monetary economics may not be able to put the Australian policy issues into a wider perspective—part of the story is missing. My suggestion to the editors in this regard is to include some brief commentary in the introductions to each chapter as well as to identify important related articles in the additional readings sections which provide the necessary background.

G.M. Voss

University of New South Wales

References: Kydland, F.E. and Prescott, E.C. (1977), 'Rules rather than discretion: the inconsistency of optimal plans', *Journal of Political Economy* **85**(3), 473–92; Gertler, M. and Gilchrist, S. (1994), 'Monetary policy, business cycles, and the behaviour of small manufacturing firms', *Quarterly Journal of Economics*, 309–40; Mankiw, G. and Ball, L. (1995), 'Relative price changes as aggregate supply shocks', *Quarterly Journal of Economics* **60**(1), 161–94.

The Economics of Seasonal Cycles, by Jeffrey A. Miron (MIT Press, Cambridge, Massachusetts), pp. 225. $US30 (hardback).

Jeffrey A. Miron's *The Economics of Seasonal Cycles* provokes, educates, and envisions the reader with the potential importance of seasonal