This book is the last work of the Brunner-Meltzer team. Karl Brunner's death shortly after its completion ended the extraordinarily long, fruitful, and close collaboration with Allan Meltzer which made the two such a strong influence in monetary economics and central banking over the last three decades.

It is a major work, a fitting summing-up of all those years of research, experience, and debate in many forums. In four lectures, the authors provide the best comprehensive statement of monetarism that we are likely to get. The theoretical reasoning and much empirical evidence supporting the characteristic monetarist positions are clearly laid out over some 250 pages.

Brunner and Meltzer's theoretical core is an IS-LM model augmented by an explicitly modeled credit market. The role given to credit markets (and in this context to government fiscal operations) distinguishes their position, for example, from Milton Friedman's now 20 year old Monetary Framework (Gordon, ed. 1974). Brunner and Meltzer's "almost Keynesian" views on uncertainty mark another difference, at least of emphasis, from Friedman's statement.

The demarkation lines against Keynesian macroeconomics and against real business cycle theory are clearly drawn. Present-day students uncertain about the role of monetarism in the development of modern macroeconomics could hardly do better than consult this book. Virtually all the major issues of applied monetary economics debated during Brunner's career pass in review. Vis-a-vis Keynesian theory, Brunner and Meltzer explain their view of the transmission mechanism and the effectiveness of monetary policy; give their grounds for skepticism on the usefulness of fiscal stabilization policy; bolster their opposition to discretionary policy with considerable empirical evidence and argue the case for policy rules; and take a clear-cut accelerationist/natural rate position on the Phillips curve.

The obvious instability of the Phillips relation in the 1970s tilted the balance of professional opinion sharply against Keynesian economics and in favor of monetarism. (It is more seldom noted that its apparent stability before that time might cut the other way.) It also gave much impetus to New Classical Economics. Strictly monetarist in the beginning, the New Classicals were eventually to abandon the hypothesis that (unanticipated) **money** drives the business cycle for the notion that the Solow residual does. In the choice between monetarism and strict adherence to New Classical modeling principles, Brunner and Meltzer took the road less travelled. On the one hand, they maintain that monetary shocks have real effects in the short run, not because agents have trouble finding out whether they have occurred or not, but because they have trouble extracting the permanent from their transitory components. On the other hand, they set little store in the microfoundations of representative agent models. Agents are uncertain not just about "future states of nature" but more fundamentally about the plans and strategies of others (including the policy makers). This endogenous uncertainty is not resolvable simply by rational expectations; instead, it gives rise to institutional arrangements and practices to reduce it to manageable proportions; price setting and nominal contracting exemplify such practices; the results are "sticky prices" and output/employment effects of monetary shocks (even if anticipated).

This reviewer has learned a great deal from Brunner and Meltzer (and from Friedman and Schwartz) over the years--without being altogether converted. The nexus of doubt centers on questions of causality, endogeneity or exogeneity, inside and outside **money**--or, more generally, the proper definition of M" for quantity theory purposes. In the choice between monetary aggregates, Brunner and Meltzer focus on the base (as determining the nominal scale of the **economy** in equilibrium) and on M1 (as the best indicator of the policy stance). But there is surprisingly little discussion of these central issues of monetarist doctrine. I found this the main disappointment with this book.

The Fourth Lecture on monetary policy is largely devoted to Rules vs. Discretion. The core of the chapter is a very useful study of macroeconomic forecast errors, both quarterly and annual, for both the United States and European countries and Japan. The main finding: ". . . the most accurate forecasters cannot predict reliably at the beginning of the quarter whether the **economy** will be in a boom or in a recession during that quarter." There follows an equally interesting section comparing the uncertainty attaching to various rule-based regimes. In a public choice vein, the disinterested benevolence of central bankers is not taken for granted; rather, the appropriate structuring of policy-makers' incentives is treated as an important aspect of the design of a stable regime. Part of their conclusion merits quoting: "A main lesson for the analysis of policy would seem to be that the resources of economists have been wasted for more than a generation. Too many resources and too much effort has been allocated to developing forecasting models and procedures, generating forecasts, and discussing alternative courses of policy action. Too few resources have been allocated to policy and institutional design--to developing rules that reduce uncertainty" (p. 235).

The format of the Raffaele Mattioli Lectures gives considerable space to the commentary of discussants. The contributions of Eduard Bomhoff, Mario Arcelli, Rainer Masera, and Mario Monti are each almost full-length papers. Bomhoff extends the Brunner-Meltzer critique of how uncertainty has been handled in macroeconometrics. Arcelli comments on the Rules vs. Discretion debate from the modern perspective of Kydland-Prescott and Barro-Gordon. Masera corrects and extends Brunner and Meltzer's analysis of the sustainability of the public debt and gives a reasoned defense of econometric forecasting models basically on heuristic grounds. Monti comments in considerable detail on the development of the author's work from the early 1970s to the late 80s.

The short biographies of the authors by Giovanna Nicodana are well done and comprehensive bibliographies of their works enhance the usefulness of the volume.

Karl Brunner showed extraordinary courage and tenacity in completing work on this book: almost blind, lacking the use of his right hand, in pain from his terminal cancer. He was a scrupulously honest scholar who thought economics' social importance warranted such supreme effort. For those of us who read his and Allan's papers and interacted with them at conferences for the last 30 years or more, memories of the man keep recurring in the reading of this book.