links between transport and telecommunications are analysed: To what extent telecommunication represents a substitute for transport?

The final chapter looks at the political economy of environmental policy in the context of the transport sector. It considers the reasons why particular policy instruments tend to be favoured by policy makers and which are the difficulties in the setting and enforcement of international agreements.

This book is not only essential reading for economists, but also for experts of other disciplines such as transport planners, policy makers or environmental scientists, for instance. The volume is decidedly non-mathematical, and the large number of diagrams requires only relatively rudimentary skills. However, the book would be easier to read if the abbreviations made use of in the diagrams were explained and if some short summaries at the end of the chapters and conclusions at the end of the book were added. To sum up: *Transport, the Environment and Economic Policy* is an excellent survey of the (English) literature and research and examines closely the on-going debates in transport and environment issues from the perspective of an economist.

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DOW, SHEILA C.: *Money and the Economic Process,* Aldershot, UK/Brookfield, USA: Edward Elgar, 1993. 219 pp. £ 39.95. ISBN 1-85278-566-7.

This book contains eleven essays, nine of which are slightly amended versions of papers that were previously published in various journals between 1982 and 1988. All the essays are set within a monetary production economy, and deal within this framework with issues such as methodology, business cycles, speculation, money endogeneity and money multipliers in closed, regional and open economies. The last two articles, specially written for this volume, tackle the question of the appropriate institutional arrangements for the international (or European) financial system.

Volumes of this sort offer a mixture of advantages and disadvantages. On the one hand, there is always the danger of boring repetitions, the author putting forth her broad views in each article. On the other hand, since the main point is being made on several occasions, it cannot but draw the attention of the reader. Furthermore, by studying in succession all eleven papers, written over a period of ten years, one cannot fail to notice how the ideas and the theoretical background of the author have gradually evolved In the case of Dow, it is interesting to note that her views about money have drifted away from the not-so-orthodox towards the really non-orthodox. For instance, up until the mid-eighties, there are passages from which one could infer that Dow has some loanable funds view of finance. Furthermore, in her earlier work about money in an open economy, she still clings on to some standard neoclassical distinctions. By contrast, in her later work, these leftovers from orthodoxy are removed Indeed, in her later essays, Dow explicitely rejects the loanable funds view which is at the basis of most of the

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literature on finance and development. She also quite rightly underscores the monetarist underpinnigs of several suggestions regarding the international monetary order in general, and the Maastricht accord in particular; and she quite convincingly points out that the latter has a deflationary bias.

Dow's theoretical framework is greatly influenced by MINSKY's financial fragility hypothesis and his interpretation of KEYNES's preference for liquidity theory. Just as MINSKY, DOW believes that business cycles are inevitable. Prosperity brings overly optimistic expectations, which inevitably turn out to be wrong. Financial markets exacerbate swings in activity by over-extending their lending activities during the boom, as a result of shifts in risk assessments, while in the slump they have an overly conservative behaviour. The liquidity preference of banks is thus too low in expansion times, and too high in recessions. These ideas, which used to remain intuitive rather than formalized, have now given rise to several models making use of non-linear dynamics. Dow's contribution in that regard is her analysis of speculation and its relationship with the endogeneity of credit-money: do the funds allocated for speculative purposes reduce in any way the amounts that can be allocated to productive activities? While one may disagree with some of her answers, there is no doubt that Dow is asking the right questions Her views of speculation and the business cycle leads her to conclude that bank credit ought to be controlled. As with many other post-Keynesian economists, she believes that deregulation is the wrong way to go about money matters.

As indicated above, many of Dow's papers deal with regional economics. Besides her analysis of regional money multipliers, her main contribution there is to extend the framework of the preference for liquidity theory to a spatial setting, by analyzing the consequences of regional differentials in liquidity preference. Her main thesis is that both the households and the banks in the Periphery regions will have higher liquidity preference; furthermore, she argues that the Centre region will provide more liquid assets. She concludes, as in the case of business cycles, that financial markets exacerbate regional or international inequalities, a result that contrasts with what is usually asserted by mainstream authors.

Although many more good things could be said about the ideas being put forth in these essays, such as the paradox of liquidity – in analogy to the paradox of thrift – one cannot resist voicing some criticisms. There are repetitious incantations of the sort 'Long run is a series of short runs', or about the importance of historical time and uncertainty. One wished that authors making such claims would give examples of formal models incorporating such specifications (do these correspond to the now fashionable hysteresis concept?). There is also the implication, unfortunately made by other post-Keynesians as well, that some heterodox advocates of a theory of endogenous credit-money, such as KALDOR and B.J. MOORE, did not realize that only credit-worthy borrowers get credit funds and that there could be credit-rationing. While there are differences in emphasis between various brands of post-Keynesianism, such an interpretation of liquidity preference is certainly not one of them.

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