his book is centered around the following questions: Why did the gold standard develop as an international regime? Why did the classical gold standard last for three and a half decades? And how did it work?

The working hypothesis is based on the following context: the existence of an international classical liberal consensus (norms of monetary orthodoxy, norms of fiscal restraint and small public sectors, limited political involvement in economic matters, and the free flow of goods, factors, and investment) led to the convergence of the expectations and behavior of private and public actors, the credibility of the regime, and a stable market-driven structure of adjustment. Gallarotti's introduction is both a short guide to the rest of the book and a summary of results, whereas in chapters 2 to 7, the author gives reasons for his hypothesis. The book's structure is well arranged to suit the author's purposes.

In chapter 2, Gallarotti reexamines the properties of the classical gold standard in light of the regime approach. Those properties are characterized by the dominance of market processes and rather insignificant public intervention in markets for goods and money at domestic and international levels: a decentralized allocation model of liquidity, short-term capital flows as a means of adjustment, stabilizing speculation, the absence of capital controls, and widespread confidence in the regime itself. In the following three chapters, the author states the reasons traditionally given for starting and stabilizing the classical gold standard and invalidates them to a large extent. There was no institutionalized cooperation among central banks. Although several large international conferences among national governments were held to discuss and to negotiate the currency affairs, they did not bring about formal coöperative schemes. "Problems of Britain's intransigence, moral hazard, and fear of free-riding behavior produced a situation which prevented nations from collectively achieving desired goals" (p. 85).

Gallarotti also shows that neither the British state nor the Bank of England could be considered the leaders of the classical gold standard. The author derives that interpretation from the behavior of British delegations at international conferences, from Parliament's and the Foreign Office's handling of currency matters, and from the state's very limited contacts with international banking and investment. Moreover, he could find no indication either that the Bank of England acted as an agent of the British state or that the Bank itself directly (as the manager of the international monetary regime) or indirectly (through the British financial market) exercised hegemony.

Having repudiated hegemony and cooperation as the stabilizing forces of the classical gold standard, Gallarotti explains, in the next two chapters, first its origin and then its persistence in terms of the regime theory. He distinguishes between structural forces (status of gold, economic development and industrialization, growing trade, internationalization of finance, the political rise of an urban industrial class), proximate catalysts (the emergence of a nervousness over conditions prevailing in the market for metals, trade and monetary interdependencies linking the monetary

standards of nations), and specific short-term pressures (the development of capital markets and central banking institutions, fiscal and monetary outcomes) that in the last third of the 19th century caused many nations to give up silver and bimetallist standards in favor of the gold standard. A new international monetary regime was never planned, agreed on, or dictated. On the contrary, similar framework conditions and increasing economic and monetary interdependencies brought about a change of the domestic monetary regime.

Why was the gold standard successful in maintaining itself? Gallarotti offers a clear two-tier answer. The prevailing economic ideology in the form of classical liberalism was the basis of a stable structure of adjustment. The international framework was stabilized through keeping rules at national levels. "The success of the gold standard was ultimately and inextricably tied to the success of classical liberalism" (p. 215). The stable structure of adjustment was possible because monetary relations were embedded in relatively stable international political relations; because the international economy was stable too; because the core nations (Great Britain, France, Germany, the United States) reduced their surpluses by importing goods and imposing few controls on capital exports; because there was a convergence of macroeconomic performance; and because investors regarded exchange and convertibility risks as low. Investors' inelastic expectations enabled elastic short-term capital flows that became the mechanism of adjustment.

Finally, in chapter 8 the author elaborates the properties of hegemonic, cooperative, and diffuse regimes. Gallarotti lists the (few) hegemonic and cooperative elements of the gold standard described in earlier chapters and conclusively identifies the classical gold standard as a diffuse regime (decentralized, self-enforcing, and with little need for management). "*Credible rules may function as a sufficient substitute for cooperation* and hegemony in the international political economy" (p. 235).

Gallarotti has succeeded in writing a very stimulating book. Not that the history of the classical gold standard needed to be written anew. Some of the findings in the book are already known. Sometimes the reader gets the impression that the old textbook view serves as a reference model (e.g., when the adjustment process is explained). However, the author convincingly succeeds in describing the regime dynamics in a comprehensive and consistent way. It would be extremely interesting to apply Gallarotti's approach to further case studies (e.g., the Bretton Woods period and the European Monetary System), to examine whether his far-reaching conclusions are valid for the current international monetary regime (global and regional), and to derive proposals for reforms.

The book is very thorough. It contains many references and a statistical appendix. A large number of original documents were used. In my opinion, however, there are too many summaries. There is a summary at the beginning and at the end of each chapter as well as in chapters 1 and 8. There are also summaries of each subchapter. But none of that alters the fact that this book will be a very valuable reference volume for experts

and newcomers to the gold standard, for monetary economists, and for students of economic history, economic policy, and international relations.

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No Harm: Ethical Principles for a Free Market
T. Patrick Burke
New York: Paragon House, 1994, 249 pp.

It was once the case that defenses of the free market were predominantly made from an economic perspective, with the ethical discussions added almost as a side consideration. In some instances, however, as in Milton Friedman's great work *Capitalism and Freedom*, ethics played a larger, though still secondary, role. Recent years have seen the tide move the other way. Defenses of free markets now appear with relatively little reference to economic theory or research. Speculating on the reasons for this change would deter us too greatly, but Patrick Burke's new book could be described as a kind of mirror image of a work like *Capitalism and Freedom*. Burke's book is mostly about an ethical defense of free markets, but it also refers to a significant amount of economic literature in defending its conclusions. That mix is well integrated by Burke and certainly gives the theoretical ethics a good deal of substance.

The title of the book suggests, of course, John Stuart Mill—the most famous purveyor of a harm principle. Like Mill, Burke desires his ethics and economics to be integrated, and a harm principle would appear to be the seam upon which they are unified. Yet unlike Mill, the metaethical foundations of Burke's (no) harm principle are less clear. This may be a good thing; Burke need not be bothered by the psychological and anthropological principles that underlie Mill's hedonic calculus and often encumber his ethics. Yet without those underpinnings, it is not always clear whether the conclusions fashion the no-harm principle or the principle generates the conclusions. In any case, Burke generally avoids broader philosophical commitments for the sake of more directly ethical and political considerations. This gives his no-harm principle a kind of founda-