

Anne O. Krueger, *Exchange-Rate Determination* (Cambridge University Press, Cambridge, 1983) pp. ix + 218, \$34.50 (\$8.95 paperback).

This book is an ambitious attempt to survey the entire (pre-July 1981) theoretical literature on exchange-rate determination. Considering the practical limitations of such an endeavor, the amount of material Krueger succeeds in covering is remarkable. The professional economist will find the book useful as a reference which contains clear, concise summaries of a large number of important articles. The writing style is sufficiently non-technical that most of the material will be easily accessible to graduate students and advanced undergraduates: some saddle-path sore economists may also appreciate Krueger's ability to translate mathematical results into lucid prose.

The lay reader is aided by two introductory chapters which cover terminology and basic concepts. Other chapters deal with models of the current account and the capital account, alternative exchange-rate systems, policy effects under differing macroeconomic specifications, and payments regimes for developing countries. One strong aspect of the presentation is that it gives the reader some idea of the intellectual history of theories of exchange rate determination:

Partly because of earlier neglect, most of the work on exchange-rate determination and the balance of payments in the past ten years has focused, one way or another, on the capital account. Indeed, in the mid-1970's, a reader of the literature might well have been forgiven had he assumed that all international transactions consisted of capital flows! (p. 54).

While extensive, the list of included references is far from comprehensive. Examples of important omitted articles include Bilson's March 1979 *IMF Staff Papers* work on vicious and virtuous circles, Flood's 1979 *IER* analysis of the choice of exchange-rate regime in a stochastic rational expectations model, Frankel's 1979 *JIE* paper expositing necessary conditions for the existence of a forward premium, and Girton and Henderson's papers on portfolio balance models. Krueger also omits reference to any empirical work in an intentional effort to limit an already Herculean task. The problem with this reasonable decision, however, is that it makes it difficult for the author to provide any assessment of the relative merits of alternative theories. Without reference to the data, it is sometimes difficult to compare alternative models on grounds other than the fashionability of alternative assumptions. Krueger avoids the latter trap, but the result is that the reader is largely left to form his or her own critical evaluation of each particular article. This is not to deny that Krueger's summaries often reflect enormous perspective and insight, consistently hitting the nail on the head when concisely describing a particular article. But a reader who is already broadly familiar with the literature may be disappointed if he or she expects to be spoon-fed a deep critical assessment of the current state of research on exchange rates and a menu of future research priorities.

Krueger's book is one of a series entitled 'Cambridge Surveys of Economic Literature'. The series is being edited by Phyllis Dean and Mark Perlman. Given the explosion of research in economics, and a reward system which seems to give young scholars far too little incentive to read, there is no doubt that surveys such as Krueger's have a large social product. I am unaware of any effort which covers the same ground as Krueger does, except perhaps for the forthcoming North-Holland handbook series being edited by Ron Jones and Peter Kenen; that work is generally more technical though more comprehensive than Krueger's.