how the banking/currency school debate made classical monetary theory stronger because it forced the writers to integrate their analysis into institutions and deal with questions that otherwise might have been avoided.

The final two chapters again take a broader view. Chapter 10 looks at classical approach to policy. In it he convincingly argues that laissez faire was a pragmatic, not dogmatic, approach to policy. He provides a wonderful quotation from McCulloch: «The principle of *laissez-faire* may be safely trusted in some things but in many more it is wholly inapplicable; and to appeal to it on all occasions savours more of the policy of a parrot than of statesman or a philosopher» (as quoted by O'Brien, p. 328) that captures in a single phrase the true sense of laissez-faire better than the standard textbook presentations. Chapter 11 summarizes.

In summary; the book is superb, and Princeton University Press is to be commended for publishing it. It is a book that should be visited, and revisited by many.

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L. Randall Wray (ed.), *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*, Cheltenham (UK) and Northampton (MA, USA), Edward Elgar, 2004, pp. x+271.

L. Randall Wray has brought together a distinguished cast of scholars in a book attempting to revive the State Theory of Money and to debunk the ahistorical 'sound money' approach propagated by Neoclassical economists for many decades. The contributions of Alfred Mitchell Innes to monetary history and theory has long been ignored in the literature despite what appears to be a controversial effect that his 1913 («What is Money?») and 1914 («The Credit Theory of Money») *Banking Law Journal* articles have had at the time they were published; to the point of attracting the attention of John Maynard Keynes who wrote a supporting and positive review article of «What is Money?» in the *Economic Journal* (1914).

In the Introduction (co-authored with Stephanie Bell), Wray invites the readers to consider the linkages and similarities between Innes's credit theory of money, Fredric Knapp's state theory of money, Josef Schumpeter's version of Chartalist theory of money, and Abba Lerner's functional finance theory. Wray argues that with the rise of 'Keynesianism' in the 1960s and 1970s, these theories were pushed under the rug and completely forgotten by the economics profession with the exception of a small minority of Post-Keynesians, Institutionalists, Political Economists, and Social Economists, as well as sociologists and anthropologists. Therefore, Wray's goal in this book was «to reconstruct the path that was not taken» by monetary theorists and «to explore the sort of approach to money to which Innes had pointed» (p. 3).

Chapter 2 is a reprint of Innes's original 1913 article («What is Money?»). There, Innes launched a scathing attack on the traditional view about the origin and evolution of money. The conventional view claims that commodity money was introduced as a medium of exchange in order to eliminate the inconvenience of barter; and as economic activity developed and got more complicated, credit was invented as a substitute for money in order to reduce transactions costs. Innes argued, however, that such assumptions rest on «scant historical evidence» (p. 15). Perhaps Innes's most provocative statement is that «credit and not gold or silver is the one property which all men seek, the acquisition of which is the aim and object of all commerce» (p. 31). According to Innes, what is fundamental to commerce are credit and debt;

gold and silver are merely a complicated aspect of modern market relations that have been imposed onto simpler commercial exchange. The monetary unit (the money-thing) is not important in itself. It is simply something that represents the amount of credit a certain commodity has and is therefore «a more or less accurate measure of the value of all commodities» (p. 38). He then concludes that money is «credit and nothing but credit. A's money is B's debt to him, and when B pays his debt, A's money disappears. This is the whole theory of money» (p. 42).

Chapter 3 is a reprint of Innes's original 1914 article («The Credit Theory of Money») in which he reiterated the main ideas of his 1913 article, and responded to some comments and criticisms. Most importantly, Innes developed his theory of money to explore the relationship between credit and inflation, and to investigate the role played by the government in the monetary system. For Innes, debt is created every time we buy and credit is acquired every time we sell. The government, being the greatest buyer of goods and services issues large quantities of coins and notes in payment of its purchases; thus government spending creates debt (or money). But because of the government's ability to impose tax liability on the population, the only real debt incurred by a government that issues a non-convertible money-thing is the promise to accept that money-thing in payment of taxes. In Innes's words «…with every coin issued a burden or charge or obligation or debt is laid on the community in favour of certain individuals, and it can only be wiped out by taxation» (p. 66).

In chapter 4, John F. Henry takes the readers back to ancient Egypt to rediscover the social origins of money in a non-monetary economy that used money not as a medium of exchange but rather as a unit of account. Like Innes, Henry sees money as a social relationship between debtors and creditors, and he follows this thread of analysis *a la* Karl Polanyi to investigate the historical evidence of the transition of ancient Egypt from an egalitarian to a stratified society, and to point out the substantial change in the character of social organization that was required for the appearance of money. «The ruling class», Henry writes, «levied non-reciprocal obligations ('taxes') on the underlying population. These taxes had to be accounted for and a measure had to be developed to allow a reasonably systematic form of bookkeeping to maintain records of obligations and the extinguishing of those obligations» (p. 95). In the case of Egypt, the unit of account was called the *deben*, an arbitrary standard based on a particular weight regardless of «the thing» it referred to (i.e. grain, copper, or silver). Henry concludes that «money has no value in and of itself. It is not 'the thing' that matters, but the ability of one section of the population to impose its standard on the majority, and the institutions through which that majority accepts the will of the minority» (p. 96).

In chapter 5, Michael Hudson delves into the archeology of money and argues that «[m]oney has evolved from three traditions, each representing payment of a distinct form of debt» (p. 99). The first form of debt payment was wergild-based and was designed to compensate victims of manslaughter and other injuries, hence the origin of the verb 'to pay' which comes from 'to pacify'. The payment (typically livestock or servant girls) was made to the victims or their families, not to public or religious institutions. The second form of debt payment was a type of tax-like religious guild payment which took the form of food. Both forms of debt payment did not involve general-purpose trade money, unlike the third form which was developed by the temples and palaces of Sumer (southern Mesopotamia) and was used commercially in the third millennium BC. Hudson argues, however, that these institutions introduced money prices (and silver money) primarily as a unit of account used for administrative purposes.

> Their large scale and specialization of economic functions required an integrated system of weights, measures and price equivalencies to track the crops, wool and other raw materials distributed to their dependent labour force, and to schedule and calculate the flow of rents, debts and interest owed to them. The most important such debts were those owed for consigning handicrafts to merchants for long distance trade, and land, workshops, ale houses and professional tools of trade to 'entrepreneurs' acting as sub-contractors.
>
> (p. 99)

According to Hudson, prices for the resources of these large institutions as well as public fees and obligations were expressed in silver weight-equivalency; one unit of silver being equal to the monthly barley ration and land-unit crop yield. Hence, a unit of silver became the standard measure of value and means of payment. Hudson further explains that barley and a few other essentials were also used as proxies for the standard unit of account since their proportions were fixed. Therefore, these official proportions were reflected in commercial transactions throughout the economy. Hudson emphasizes that Mesopotamian public institutions were creditors not debtors and that people accepted the silver money unit of account as a general means of settlement only after temples and palaces accepted it in payment for public fees. This chapter displays Hudson's expertise on money and debt as a result of his extensive research on the topic under the auspices of the International Scholars' Conference on Ancient Near Eastern Economies (ISCANEE); an interdisciplinary research group of philologists, archeologists, and economists working in the tradition of Karl Polanyi's working group at Columbia University to trace the evolutionary paths of modern economies.

In chapter 6, Geoffrey W. Gardiner follows up on Innes's critique of Adam Smith's view on money, and provides extensive historical support to Innes's conclusion that money is debt and that credit is the lifeblood of civilization. Gardiner argues that the level of economic activity is determined by three factors: 1. the amount of new credit created; 2. the speed with which credit circulates, either by being spent or lent; and 3. the rate at which credit is destroyed by the repayment of debt. He points out that there is a limit to the creation of new credit. When the limit is reached, savers should spend and inflation would help diminish their savings if they decide not to spend them. Like Innes, Gardiner sees the trade cycle as a phenomenon of credit creation and considers mild inflation a benign way of dealing with an excessive build up of debt (p. 169). Finally, Gardiner sees money as a debt or credit used as a unit of account, and considers its monetization (and hence its transformation into a medium of exchange) «a very great step in the economic development of human beings» (p. 169).

In chapter 7, Geoffrey Ingham takes the readers into a more recent historical context to deal specifically with the nature of money in a capitalist economy. He provides a 'gentle critique' of Innes's conclusion that money is nothing but credit. Ingham argues that all money is credit but not all credit is money; that is to say, not all credits are a final means of payment (p. 213). Ingham takes the discussion to a deeper level of analysis of social relations of monetary production. He argues that a money unit of account gets its 'moneyness' by ruling over a monetary (sovereign) *space* in which all transactions are denominated in this abstract unit of account; and by gaining a position in the *hierarchy* of credibility and acceptability. Hence, the degree of moneyness will determine which form of money will constitute the means of final payments throughout the economy. Ingham points out that the capitalist monetary process, unlike previous economics systems, has a distinct «social mechanism by which privately contracted credit relations are routinely 'monetized' by the linkages between the state and its creditors, the central bank, and the banking system» (p. 214). Ingham concludes that a process of hybridisation of private mercantile credit instruments with the sovereign's coinage led to the creation of the modern capitalist credit money.

The editor wraps up with a concluding chapter in which he draws the readers' attention once again to the relationship between the Credit Money approach and the State Money approach and highlights the social nature of money. Despite the overwhelming historical nature of the book, the readers will find themselves constantly thinking about the theory and policy implications of what Innes and the contributors to this volume have brought to light. This book is a well overdue revival of Innes's work on the origins of money that ought to spark a vibrant debate among monetary historians, economists, and policy-makers. Rethinking the nature of money could make a great difference in the way we deal with the economic problems of modern times; and this book moves us a step forward in that direction.

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Kenneth R. Hoover, *Economics as Ideology: Keynes, Laski, Hayek, and the Creation of Contemporary Politics*, Lanham (MD) and Oxford, Rowman & Littlefield, 2003, pp. xv+329.

In this complex book Kenneth Hoover sets his sights ultimately on reform of contemporary democratic politics. Although this aim is not on display through most of the book, becoming evident only at the book's conclusion, it is useful to keep it in mind as we examine the book's several facets. What we find through most of the book is historically situated intellectual biography of three twentieth-century intellectual figures: Harold Laski, J. M. Keynes, and F. A. Hayek. Each of the three contributed to political ideology and thereby influenced the practice of politics. In this account they represent the left, centre, and right of twentieth century political ideology. Photographs of the three are on the book's cover, with Laski and Hayek to the left and right of Keynes, whose photograph is the largest of the three. Laski represents the democratic socialists' vision of socialism replacing capitalism, a vision that has been rejected by history, political parties, and intellectuals. Hayek represents the conservative libertarians' celebration of markets and deprecation of government intervention, a vision still very much in play, but not favoured by Hoover. And Keynes represents the progressive ambition for an intelligent regulatory state, also still alive and well.

In writing biography Hoover follows the path tread by the social psychologist Erik Erikson. He draws explicitly on Erikson's theory of the formation of individual identities, which is a theory of mutual causality between the development stages in the individual psyche and the individual's social environment. According to Erikson people develop their personalities by confronting a series of crises arising from exchanges between the dynamics of their internal development and their communities. A paradigmatic example of this approach is Erikson's psychobiography of Martin Luther (1958). Erikson interpreted young Luther's rebellion against his father in joining the Augustinian Friars as preparation for his revolt against the Vatican. One