The stability of the international monetary system. By W. M. Scammell. London: Macmillan. 1987. 162pp. Index. £20.00. ISBN 0 333 38577 2. Pb.: £6.95. ISBN 0 333 38578 0.

DESPITE ITS TITLE, this book is really about evolution and change in the international monetary system. Scammell demonstrates the flexibility of the system over the past century to develop his conclusion that the current strains from increased capital flows and massive current account imbalances among the major world economies can be accommodated through change rather than breakdown. The book's greatest strength is the historical perspective and richness of detail that Scammell brings to the otherwise rather dry subject of international monetary arrangements. As supplementary reading for a university course in international economics, it is to be recommended. However, one could not claim that it breaks new theoretical ground or that it provides new insight into the future development of the international monetary system.

Scammell organizes his analysis around four attributes of any such system worthy of the name: (i) the demand and supply of international money, (ii) the exchange rate regime, (iii) the adjustment mechanism and (iv) control of the overall system. In addition, there is an excellent chapter on capital flows and the growth of the Eurocurrency market through the recycling of OPEC surpluses. The discussion in the chapters on the first three of his system attributes is along conventional textbook lines and seems somewhat dated in today's world of free capital movements, overshooting exchange rates and agonized rhetoric about the necessity—and difficulty—of coordinating macroeconomic policies.

The chapter on control is the most interesting and original. As the economic importance of the United States continues to decline, while sovereignty considerations preclude the establishment of a 'world central bank' with effective control over exchange rates and adjustment policies, some explicit or implicit system of rules will have to evolve. Scammell foresees the development of a set of five country groupings: the dollar group, the ECU group, those with currencies pegged to an external indicator such as the French franc or special drawing right, Japan, and the Eastern bloc. The internal cohesion of each group would be provided through trade links and a commonality of economic interests, with external cohesion (coordination of exchange rates and macro policies among the groups) negotiated among the lead countries of each group. This idea itself is not new, but Scammell provides a useful political economy framework to show how it might develop.

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