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argument is a familiar one. The convergence process associated with the creation of the euro set up distortions in relative wages and capital costs for the non-traded sectors of the smaller, less-advanced countries (what we have come to call the 'periphery'). This led them inexorably into their current sad state because of an intrinsic macro imbalance. If accepted, this view might lighten the blame on the Irish authorities. Of course we see, in retrospect, the strains that convergence imposed and how poorly financial markets assessed this risk, providing huge foreign funding to these countries at interest rates very close to super-safe German yields. The parlous outcome was not, however, inevitable. If markets had made a realistic assessment of risk (not an unreasonable expectation), the path to convergence (and the outcome) would have been very different.

There are a couple of chapters which address more general issues, rather than a specific country. Of special interest is a chapter on how taxation might be used to enhance financial stability. The discussion of the biases implicit in debt-versus-equity funding is familiar, but this chapter goes on to observe how defectively behaved financial markets were during the crisis, with the pro-cyclicality of the financial sector reinforced by the destabilising dynamics of markets, driven not only by herding and correlated portfolio adjustments, but by mark-to-market requirements on participants. Quoting Keynes ('of the maxims of orthodox finance none, surely, is more anti-social than the fetish for liquidity') captures the flavour of the argument. There is not much new in the suggested taxes (including a Tobin tax) but the revived interest in these issues gives relevance to this chapter.

Jonathan Ostry has pioneered the belated effort to shift the IMF away from its textbook view on the unalloyed virtues of free international capital flows, towards a more realistic appreciation of how capital flows have behaved and the difficulties volatile flows can cause for small or middle-sized countries. This argument is set out in a chapter here, although near-identical expositions could be read elsewhere. There is, in addition, a strong note of caution voiced about the multilateral implications of individual country actions and a warning that 'widespread adoption of controls could have a chilling impact on financial integrations and globalisation'.

Just reading this volume without prior knowledge might not capture the enormity of the events which have befallen some of the countries discussed here (as well as the still-bumpy ride for those countries which were in better shape at the start and implemented good policies during the crisis). Stan Fischer's last two lessons ('don't panic' and 'never say never') are all well and good, but we might hope to be better equipped than we are for the pro-cyclical behaviour of the financial sector, the destabilising dynamics which markets experience, the characteristic asset bubbles and the volatility of foreign capital flows. Financial deregulation over-promised and under-delivered. There is not enough in this volume or other current analysis to give confidence that we are much better equipped now. For the moment, we can take comfort that fresh memories of the Great Recession and the long recovery still ahead will avoid any early repeat of a financial crisis whose precondition is an economic boom.

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Building Chicago Economics, by Robert van Horn, Philip Mirowski and Thomas A. Stapleford, (Cambridge University Press, 2011), pp. 402 + lii.

Social structures commonly seek to reinforce themselves by means of systems of honour and dishonour. Hence, prizes, distinctions and accolades are afforded by those who have strengthened some structure. Correspondingly, those who have damaged it will be degraded by various disfiguring marks. Systems of honour and dishonour extend beyond the ceremonial to include mythologies. Positive mythologies will commonly commend their subjects by articulating their illustrious pedigree, or by enumerating the trials they have endured, or by blazoning their ultimate triumph or (perhaps) martyrdom. Negative mythologies seek to degrade in a variety of ways: by alleging discreditable associations, by imputing base motives and by highlighting anything inglorious or diminishing in their target's journey.

A given individual may be tussled over by conflicting systems of honour and dishonour. An example is Herbert Spencer, who after enjoying a flush of adulation during the middle part of his own lifetime was fated to be cast in the twentieth century as the bugaboo of semimythical monster called ‘social darwinism’. In a parallel way, Milton Friedman today is evidently the object of contention of contrary systems of honour and dishonour. Hence, there exists a biennial Milton Friedman Prize (valued at $500,000), a Milton Friedman Institute, and there has even been a Milton Friedman Day. And yet the Nobel Laureate, at the age of 86, suffered a pie being driven into his face.

This contention over Friedman between the positive and negative extends to mythologisation. There have been several accounts of his life and work lionising him (e.g. Ebenstein 2007). Now it is the turn of the negative mythology. The assumed task of the volume of essays under review, *Building Chicago Economics,* is to diminish and sully Milton Friedman and his doctrinal peers.

The editors’ negative mythology is composed out of several elements. The first is, predictably, ‘Chile’, which the authors hasten to mention on their first page. But ‘Chile’ is small beer in an old hat, and the editors quickly move on.

The second element, curiously enough, is Friedman’s involvement in the Mont Pelerin Society (at least before he proposed its abolition!). Several contributors to this volume seem quite atingle at this involvement, and some attribute a great importance to Friedman’s attendance at the original Society gathering in 1947. But their insinuation that a person of Friedman’s deep self-belief would be dazzled into doctrinal deference by the gathered luminaries is ridiculous. It also ignores the fact that Friedman did not attend again until 1957; and that the Society was no credal sect, but a medley of fractious individuals, with several of whom Friedman fought.

What the editors presumably find gratifying in Friedman’s association with the Society is that it underlines the ideological aspect of his thought, and thereby diminishes a much resented claim of classical liberalism for ‘economics’. Friedman, of course, never remotely claimed economic *theory* for classical liberalism; to Friedman economic *theory* in general was the emptiest of empty boxes. What he claimed was that his ‘hypotheses’ – competitive markets; a rational consumer; the quantity theory – could out-predict rival theories of pricing, consumption and nominal GDP. To Friedman’s mind, in other words, theories are many, but the usefully accurate ones are those of classical liberalism. This contention may be true, or it may be false. But there seems little gain in stressing that those who deem it true have been classical liberals.

But the prime exhibit of *Building Chicago Economics* is not a discussion club, however distinguished or ambitious. It is the funding of various Chicago School activities by business fortunes controlled by persons concerned to advocate deregulation. Hence, in the 1930s, Charles R. Walgreen established a Walgreen Foundation to encourage a greater appreciation of the ‘American Way’ at Chicago; and to that end it later funded not only scholarships (etc.) but also public lectures by Chicago School figures. Even more stimulating to the editors is the Volker Fund that, under Harold W. Luhnow, financed not only lecture tours of Chicago thinkers but also a ‘Free Market Study’, under Aaron Director, that articulated doubts about the merits of competition policy.

That authors receive the patronage of rich men who believe they think alike is no discovery. There once was an author of very strong views who was employed for only few months of his life, and who for decades was supported by the profits of a cotton mill gifted to him by its owner. That man was called Karl Marx.

But the editors are not interested in the simple possibility that patronage expedites the dissemination of an ideology. Rather their concern is to suggest that the patronage at issue was responsible for the (well-known) fact that in various matters (especially competition policy) ‘the founders of post-War Chicago school (including Friedman, Stigler and Aaron Director) departed quite sharply from the classical liberals, that had animated their mentors at the university, such as of Knight and Henry Simons’ (Horn, Mirowski and Stapleford, xix).

Put simply, the Chicago School was bought. This, in its all ignominious crudity, is the editors’ thesis.

This is not expressly stated, but rather is a matter of ‘character assassination by innuendo’, as Bruce Caldwell puts it in the chapter he contributes to this volume, which serves as kind of a Speech in Reply. In that chapter Caldwell also brings out one spectacular error of the editors in making this innuendo: that a certain conversation of Hayek dated to 1950 could not have taken place until at least 1977.

But the refutation of the innuendo does not require a mastery of the details of biography; it fails to fit the contours of American attitudes in general, and the Chicago School in particular. It fails to appreciate that American society at large had already lost interest in ‘anti-trust’ in the postwar period. Hence, in 1964 it was observed by

Richard Hofstadter – no neoliberal he! – that 'the anti-trust movement is one of the faded passions of American Reform'. Hofstadter not only underscored that public opinion had by the early 1950s come to tolerate big business but also asked of the liberal left why was it that 'the last thing they are interested in is the restoration of competition to correct the evils that they see'. Hofstadter had an answer. It was not that the liberal left was reading George Stigler; it was that they were reading J. K Galbraith. To Hofstadter, Galbraith's *American Capitalism* 'has probably done as much as any work to reconcile the contemporary liberal mind to the diminished role of competition as a force of modern society' (Hofstadter 1965, 227).

There is a second palpable inconsistency with reality of the editors' '30 silver pieces' explanation of the 'sharp departures' of post-war Chicago from its pre-war variant: whereas Simons in the 1930s was almost hysterical in his hostility to trade unionism, post-war Chicago smoothly reconciled itself to it. So in 1951, near the apex of union strength in the USA, Friedman sought to rebut the passionate denunciations of trade unions of Edward Chamberlin – the Harvard apostle of imperfect competition. Unions, Friedman declared, had a 'negligible' effect on wage rates, and this was because the American economy was, contrary to Chamberlin, essentially competitive. This shift between Old and New Chicago on unionism is seen even better in the work of H. Gregg Lewis; from being a partisan of Simon's crusade against unions in 1951 to theorising unions as a 'negotiation business' in 1965. Was Lewis bought by the AFL-CIO?

It is the duty of any reviewer to identify the value-added of the work under review. To that end I would especially highlight Emmet's chapter 'The Workshop System and the Chicago School's Success' that tells how what was (in essence) a pedagogical innovation of Friedman had spread by the late 1970s right across the University of Chicago. Van Horn's 'Chicago's Shifts on Patents' brings out how slippery an issue is intellectual property for classical liberals. Stapleford's 'Friedman, Institutionalism and the Science of History' underlines the irony that Friedman's first paying job was at a 'bastion of statist planning', the Industrial section of the National Resources Committee. This is, indeed, ironic but perhaps not mysterious. In the New Deal Friedman had sensed (in his own words) the 'birth of a new order', and had elected to join it. But the birth was stillborn: in the post-war period, the market economy 'performed in a way we hardly dreamed of before World War II′ (Hofstadter 1965). It was this astonishing revival of capitalism that Friedman chose, in his own way, to join. I suggest that it is in the need that a spirited personality feels to choose sides and take to the field that we are likely to find the germ of post-war Chicago, and not in the pursuit a trail of ancient *per diems*.

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Lectures on Urban Economics, by Jan K. Brueckner (The MIT Press, Cambridge Massachusetts London, England, 2011), pp. 285.

Lectures on Urban Economics offers students a point of access into what is for many the inscrutable world of urban economics. As a teacher of introductory urban economics to Australian property and planning undergraduates for many years, I am well aware of the difficulties in convincing a sceptical audience of the relevance of a discipline whose theoretical underpinnings reflect a particular and often localised understanding of the urban economic psyche. However, this short, but eminently readable text offers alternative scenarios, includes European and Asian examples, and promotes theories which recognise the impact cultural norms can make on economic outcomes.

Topics covered in the book include the standard fare of existence of cities, urban spatial structure, urban sprawl, freeway congestion and land-use controls, housing demand and housing policies, local public goods and services and the standout US issue of crime, but topics on pollution and quality of life are also included. There are student exercises provided for every area which are noted in the text and use examples, material and models referred to in the chapters. Each chapter is well structured with numbered subheadings and examples reflecting the lecture series, which was the origin of the text, and which is also well referenced and provides an index.