

Heterodox Economics Newsletter

MONEY, CRISES AND TRANSITION, edited by Carmen M. Reinhart, Carlos A. Végh, and Andrés Velasco, MIT Press, 2008. ISBN: 978-0262182669; 491 pages.

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Money, Crises and Transition is a compilation of essays in honor of Guillermo A. Calvo, an accomplished orthodox macroeconomist. Contributors include reputable scholars such as Frederic Mishkin, Edmund Phelps, Graciela Kaminsky, Maurice Obstfeld, and a host of other accomplished individuals. The book begins with essays on extensions of the Mundell-Fleming model, which predicts the optimal exchange rate regime depends on the type of economic shock experienced. Essentially the model can be expanded to arrive at a variety of conclusions about optimal exchange rates. Other works represent extensions of Calvo's work in the areas of monetary and exchange rate policy in practice, financial crises, debt, taxation and reforms, and transition and growth. The last section is a set of recollections of Calvo's earlier years and body of work.

The mutations of exchange rate, crisis, and monetary theory can bring one to any variety of conclusions. Calvo was a proponent of the simple, elegant theory, and perhaps framing in a larger context the variety of conclusions that can be arrived at from "tweaking" existing theories would make the theoretical chapters more appealing. In any case, I find the empirical work presented in this work much more interesting than the theoretical work alone. Two of the most empirically-minded authors, in this volume and elsewhere, are Graciela Kaminsky and Carmen Reinhart, who rely extensively on data to illustrate common themes, particularly in the area of financial crises. This much more realistic view of the global economy can be presented from a variety of perspectives, both orthodox and heterodox.

Other empirical works presented in this collection are very useful namely the work of Ricardo Hausmann, Francisco Rodríguez, and Rodrigo Wagner on growth collapses, Stanley Fischer and Ratna Sahay on growth in transition economies, Fabrizio Coricelli, Bostjan Jazbec, and Igor Masten on sources and obstacles for growth in transition countries, Michael Kumhof and Evan Tanner on government debt, Padma Desai and Pritha Mitra on financial crises, Sebastian Edwards and I. Igal Magendzo on hard currency pegs, and Enrique Mendoza on national currency substitution.

The book is well written and chapters are well chosen. The only complaint may be that those unfamiliar with Calvo's work would benefit from an initial chapter describing in greater depth his contributions. For example, Enrique Mendoza's interview with Calvo at the end of the book might have been transformed into an introduction to Calvo's scholarly largesse. Heterodox economists would benefit from reading this work, despite the orthodox theoretical underpinnings, because much of this research has been successfully applied to empirical analysis.