model of idealization of economics (according to Robbins' concept) is Cartesian. He wonders whether Robbins's presupposition would not be as ideological as the Cartesian.

The book finishes with a contribution of the editor, "The Way the World Works: Toward Ontology of Theory Choice." He proposes possible criteria to theory choice. He offers three possibilities: empirical criteria, social criteria, and ontological criteria. It is obvious that the author prefers the third. From this point of view, the perfect competence model excludes essential features ("the way the world won't work"). He argues this position from the criticisms of three economists: G. Richardson, R. Coase, and J. Buchanan. "The imperfections, he concludes, play a necessary or essential role in the working of the world, and that therefore they should play an indispensable role in theory" (383).

This is one of the best books that I have read on philosophy of economics. It is not easy reading, but it is necessary for anyone who wants to know the current state of this exciting field of research.

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European Monetary Integration: Past, Present, and Future

Eric J. Pentecost and André van Poeck (Editors)

Cheltenham, United Kingdom, and Northampton, Massachusetts: Edward Elgar, 2001 (229 pages)

On January 1, 2002, a new common European currency, the "euro," began to circulate in physical form after its establishment two years before as a single currency and its use for intrabanking sector and financial market transactions. Accompanied by doubts and controversies since the first plans were put forth in 1970, the project has so far proved to be on a solid footing. The European Central Bank has been successful in maintaining price stability, and since March 2002, the euro exchange rate has recovered strongly after a period of decline against the U.S. dollar. But there are still a number of unresolved issues surrounding the euro. Critics may say that its major test is still to arrive. In *European Monetary Integration*, the editors E. J. Pentecost and A. van Poeck, put together a series of papers that provide a useful overview of the continuing efforts by the European Union to establish, maintain, and extend a common European currency.

The editors have done well in presenting analyses that cover the past of the system before addressing the current and future issues. The introductory essay on the historical background of a European monetary union provides a concise summary of the endeavors to seek common monetary arrangements for the politically fragmented European continent since the nineteenth century, when at the beginning of that century it was only the British pound and the French franc that existed as well-established common national currencies. Along with a paper on the political economy of transition to monetary union in Western Europe by E. J. Pentecost and a paper by F. L. Sell on the monetary union after Germany's unification, this part includes a critical review on the theory of monetary union by A. Jacobsen and H. Tomann. As a whole, these papers in the first part of the book provide a well-balanced exposition of the formation of the institutional framework for the common single currency.

The essays covering the period from 1979 to 1999, when the transition from joint floating arrangements against the U.S. dollar to the completion of a monetary union took place, examine the different theoretical approaches to the formation of monetary unions such as the market, the institutional, and the shock-therapy approach. It is shown that while predominantly based on the gradualist-institutional approach, the formation of the European monetary union is less guided by the market approach. Instead, it was the all-at-once approach implemented by the German monetary union that provided the catalyst to go ahead seriously with the formation of a true monetary union in Europe. In particular, the paper by A. Jacobsen and H. Tomann, "The Theory of Monetary Union and EMU," points out that the traditional criteria for delimiting an optimal currency area are not relevant when deeper economic integration has been achieved as its precondition.

Part 2 of the book presents the papers directed at the current issues of the European Monetary Union. Individual papers deal with "Monetary Policy in EMU" (H. Kempf), "Fiscal Policy in EMU" (F. Barry) and "EMU and European Unemployment" (A. V. Poeck and A. Borghijs). These papers address well-known issues and bring forth few new insights. The reader may miss analyses of more specific topics such as the institutional uncertainties of the role and workings of the European System of Central Banks and of the instruments and implementation of the monetary policy as practiced by the European Central Bank, along with analyses addressing the problems of banking and financial regulation, crisis management, and accountability. In this part, instead of including a paper on European unemployment, which is more attributable to the European welfare state than to monetary policy, an analysis on a problem with a closer link to the European Monetary System, as, for example, the role of the euro in the present international monetary context, might have served better the book's major focus.

Part 3, which addresses *The Future: Beyond 2000*, is confined to the European Exchange Rate Mechanism (ERM II) and the implications for the "outs" in their relationship with the "ins" and to the exchange rate strategies of the new EU entrants. While being necessarily somewhat repetitive, as the issues are similar to those that earlier entrants into monetary union had to confront, the reader may also miss contributions to more controversial issues such as the position of the United Kingdom regarding the common currency and to the long-term prospects of the euro as a more widely used international reserve currency.

European Monetary Integration: Past, Present, and Future presents a series of informative papers that provide well-balanced expositions of empirical material and analyses. The collection is quite appropriate for an audience with less-profound knowledge of the issues. For those who are more familiar with the history and the current problems of the EMU, the usefulness of the book is somewhat reduced due to the lack of addressing more specific topics and because of the absence of more innovative approaches and perspectives.

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Worker Satisfaction and Economic Performance: Microfoundations of Success and Failure

Morris Altman

Armonk, New York: M. E. Sharpe, 2001 (297 pages)

My former supervisor at a small manufacturing plant trusted us to record accurately our work hours instead of punching a time clock. She also bemused us by suggesting that we record the actual hours worked, not the hours that we were physically present at the plant. In *Worker Satisfaction and Economic Performance*, Morris Altman uses this time distinction to challenge a significant portion of dominant, economic theory.

While a gap remains in the author's reasoning, neoclassical theory would improve by including any selection of this collection of fourteen, recently published journal and book articles. His "behavioral" theory, an extension of x-efficiency and efficiency-wage research, seeks to demonstrate how the traditional focus on resource allocation overlooks important causes of living standards. The working poor, however, will skeptically request more information when reading the following simplification of his argument: High-wage, fast-pace shops are preferred to lower-wage, slower-pace shops. Therefore, codify the former in law, and enforce this outcome with additional regulatory personnel, financed by taxing the wage premium.

His precise argument is more interesting, concluding that market competition fails to secure maximum living standards. Combining this competition, however, with legislated wage increases does secure higher and more equal income. He would increase wages through several paths: minimum wage legislation; stricter regulation against wage discrimination, especially gender discrimination; increased union protection; and increasing the global ratio of adult to children laborers. Neoclassical theory recommends more indirect policies for increasing wages, because these statutory increases raise firms' unit costs, resulting in inflation eroding the initial nominal wage increase, unemployment from input substitution, more inequality, and reduced aggregate output.

Altman argues that these latter, negative effects of wage increases do not materialize because firms' unit production costs do not increase. He reasons that higher wages secure more labor and management effort due to more cooperation, trust, better nutrition, and health, and increased sense of fairness. This increased effort, in turn, causes