War meets with awkward treatment in this book. Popular wars or those too ancient to stir controversy may be mentioned, mostly as an arena for presidential heroics. The Mexican War squeaks by and the "Civil War" and World Wars I and II are noticed. The Spanish-American War gets an allusion. Oddly, the word "Vietnam" hardly intrudes on the discussion of Kennedy, LBJ, and Nixon. Neither would we ever learn here that anything warlike happened under George H. W. Bush or Bill Clinton. After all, an office best suited for getting us into wars might seem less lustrous if all the wars were reckoned in.

Now it comes out that there are two flavors of UET. Our authors only claim that whatever executive powers *really exist* belong to the president alone. They are quite reasonable and do not believe in certain "inherent" powers that George W. Bush asserted. But with so many undefined and nebulous powers so moderately claimed, how can the "moderate" UE theorists spy the "excessive" ones?

Much like Hobbes's *Leviathan*, this is a good book: It shows us what is at stake. Is the case made? Should enemies of the UET concede? It might seem so, but there is a problem. It would be easy enough to write a lengthy work proving that for 200 years prominent American burglars have firmly asserted their "right" to break and enter. This would neither put our minds at rest nor establish the "right."

So it is with the American executive. This interesting book demonstrates that most American presidents have been unwilling to abide by constitutional limits on their power, but not that their power was meant to be almost limitless. FEE

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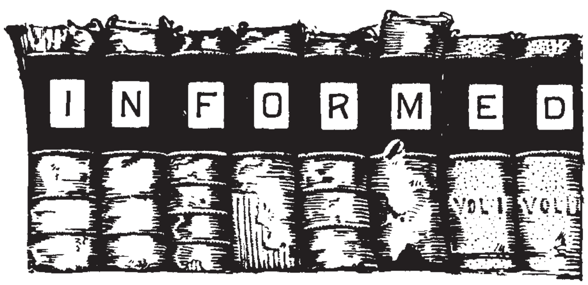

Biography of the Dollar: How the Mighty Buck Conquered the World and Why It's Under Siege

by Craig Karmin

Crown Business • 2008 • 272 pages • $25.95 hardcover; $13.95 paperback

Reviewed by John Tamny

Think of the various dollar-denominated bills in your pocket. They surely represent value, but with the dollar backed by nothing beyond trust in the United States and its Treasury, the greenback's success as a worldwide store of value is something of a marvel.

Wall Street Journal reporter Craig Karmin's *Biography of the Dollar* helps us to understand the dollar's role in the world economy. Karmin's book provides fascinating statistics about the dollar, not to mention lively writing that takes us everywhere from the trading floor of a currency hedge fund, to the building where dollars are printed, to countries such as Ecuador that have made the greenback their own currency.

The dollar figures in about 90 percent of all trades in the $3.2 trillion foreign exchange market, Karmin writes. Nearly two-thirds of the world's central-bank holdings are also denominated in dollars. And of the $760 billion worth of dollars in circulation at the time of publication, two-thirds of those bills were in the hands of individuals outside the United States.

That statistic alone is a reminder that the Fed cannot control the quantity of dollars within the country. If the Fed tries to prevent inflation by draining the U.S. "pond" of dollars, other dollar ponds from abroad will spill greenbacks into our own to make up for the Fed's perceived tightness.

Karmin notes that before 1971, when President Nixon stopped redeeming foreign-held dollars in gold, currency markets and trading were largely nonexistent because the dollar was defined as one thirty-fifth of an ounce of gold and the world's currencies were pegged to the dollar. Since then, currency trading has skyrocketed. From 1989 to the present, the currency markets have grown sixfold, given the globalized nature of the economy, which requires that all transactions be hedged to account for floating units of account. What Karmin misses here is the unseen: How many brilliant innovators did ours and the world's economies lose to Wall Street and other centers of finance? Nothing against Wall Street or finance, but currency trading is a form of economic facilitation, as opposed to productive economic activity.

Karmin correctly notes that "there is no such thing as a bull or bear market for foreign exchange" since currencies only "strengthen or weaken relative to one another." True, but he leaves out the important truth that currencies today are uniform in their lack of definition. As such, currency strength or weakness can be a mirage. Indeed, if the dollar and yen are stable with regard to one another, the alleged stability could mask two currencies in decline. That's why it's unrealistic to discuss currencies without an objective benchmark such as gold to measure their true value.

The gold question is where I found the greatest disagreement with Karmin. He argues that Nixon's decision to leave gold was a "crucial step toward unlocking the dollar's full potential to mobilize the global economy at the end of the twentieth century." That's a well-worded platitude, but it's impossible to see how giving the federal government a free hand to inflate did anything to help mobilize the global economy. Doesn't Karmin know that international trade expanded greatly under gold in the nineteenth century?

On the inflation front, Karmin seems torn. While he acknowledges that price inflation is the result of falling currency values, he also engages in discredited Phillips Curve thinking, which suggests that economic growth itself causes a rise in the price level. Just once I would like Phillips Curve adherents to reveal *any* evidence supporting the notion that growth is inflationary.

Despite my disagreements with Karmin over his economic analysis, *Biography of the Dollar* is informative and well worth a read.

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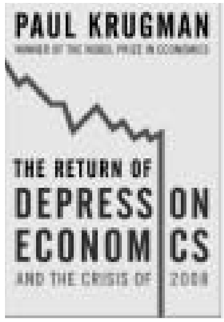
The Return of Depression Economics and the Crisis of 2008

by Paul Krugman

W.W. Norton & Company • 2008 • 224 pages • $24.95 hardcover; $16.95 paperback

Reviewed by William L. Anderson



Reading *The Return of Depression Economics*, I have to admit I was surprised. Paul Krugman, 2008 Nobel Prize winner in economics and *New York Times* columnist, isn't as feisty and partisan in the book as he is in his column. Moreover, he presents some useful information about the many economic collapses that have occurred in the past 20 years.

But, alas, in the end Krugman resorts to the arguments of the great economic cranks of history, from Silvio Gesell to John Maynard Keynes. He's like the mechanic who expertly describes a problem with your fuel pump—then insists your car needs more gas. If the tank is full, he tells you to attach an auxiliary tank.

In other words, Krugman is still the one-trick pony featured in the *Times.* Whatever the problem, his solution is always the same: inflation. It shows up in the example he uses throughout the book, a 1970s babysitting co-op on Capitol Hill.

The baby-sitting "economy" is a co-op in which the couples agree to babysit one another's children for coupons (babysitting credits) instead of dollars. But Krugman says this scheme ran into problems during the winter. The couples hoarded their coupons (that is, they refused to hire babysitters) while trying to get more coupons (sell babysitting services) so they would be able to go out more often in the summer.

Unfortunately, with everyone pursuing the same strategy at once—trying to sell without buying—Krugman writes, the co-op went "into a recession." But never fear: This babysitting "liquidity trap" ended when the directors of the co-op printed and distributed more coupons and everyone lived happily ever after.

The problem with drawing general lessons from this situation should be obvious. A babysitting co-op in