formulation of new economic theories, in many other circumstances no link can firmly be established between political developments and economic theories.

Therefore, certainly, economists should not ignore that their knowledge is (at least) partly contingent nor confuse "relative" and "local" with objective and universally valid knowledge. Such negligence would obviously amount to presumption and would lead to terrible, not to say fatal, mistakes—of which the twentieth century economic history gives many particularly unfortunate examples. As a consequence, this perspective may be viewed as "challenging" (Schefold, p. *ix*) the commitment of orthodox economists to the capacity of their discipline to provide universal and objective scientific laws, based on assumptions (in particular about reason) that are not culturally relative.

However, one should not overemphasize the importance of the challenge. As shown by many chapters in this book, there are so many factors to take into consideration and their impact on economic theories is so diverse that to disregard the laws of economics cannot but be perilous. The failures of economic theories may be attributed to many causes, among which is the way they are used in public policy. This means that the challenge has to be raised against the indistinct use of economic theories to support policies rather than against economic theorizing itself.

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Eric Buyst, Ivo Maes, Walter Plum and Marianne Dannneel, *The Bank, the Franc and the Euro: A History of the National Bank of Belgium* (Tielt: Lannoo, 2005) pp. 296, EUR 49.95, ISBN 978-90-209-6255-0.[1]

The first thing that should be said about this book, which covers the period from the early nineteenth century to the present day, is that it is a truly splendid production, magnificent one might almost say. It is lavishly illustrated with beautiful color photographs—of paintings, engravings, and lithographs, of bank notes, coins, people (including a governors' gallery at the end), and buildings. It is also generously supplied with extremely helpful graphs, charts, figures, and diagrams. All of this material probably adds up to half the total content of the book. The only negative on the production side, and it is quite a big one, is that there is a no index. That may be a consequence of the book lying somewhere between a coffee table book and serious history. It is not necessary to read the text to enjoy the book and even follow much of the story, but the book contains a succinct and serious history of the Bank as well as having an abundance of illustrations. There will doubtless be much that will inspire readers to go off and search further.

The National Bank of Belgium has been well served by historians, presumably a result of enlightened officials. Recently, several authors have covered the years 1850 to 1971 in many volumes. Unfortunately, these do not yet have English translations. But the present volume under review is based on these works, with fresh research on the period after 1971.

The book is arranged, sensibly chronologically, in six parts: prelude to the Bank's creation 1822–50; as discounting and issuing bank, 1850–1913; operating in the "maelstrom," 1914–44; independent monetary authority, 1944–71; the road to the euro, 1972–2006; and a short retrospective. The Bank was founded in 1850 as a response to financial instability and in particular to the two crises of 1838 and 1848; in both there was a desperate need for liquidity. Thereafter, not surprisingly, it was its discounting and issuing functions that dominated until 1914. The following thirty years take us through panic at the outbreak of war (in itself a fascinating story), inflation (huge government expenditure and low tax revenues) and consequent exchange-rate difficulties, further losses on foreign exchange when sterling was devalued in 1931, then the devaluation of the Belgian franc in 1934, and war again. Although essentially "independent" for most of this time, the Bank is found not guilty for the poor monetary performance of these years. The opposing forces were simply too strong. But it felt the need to make its own case powerfully and it established what must be one of the first central bank research departments, in 1921. After World War II there was a natural desire to avoid the chaos that had followed a World War. In many ways Belgium led in abolishing controls and establishing sound money, and Belgium enjoyed remarkable growth in the first few years after the war. Thereafter, the Bank is intimately bound up with the establishing of Bretton Woods and endeavors to maintain it, and then ultimately in its demise at the beginning of the 1970s. The penultimate part is heavily biased towards the road to the euro. It was Europe's dissatisfaction with the fluctuations of currencies under Bretton Woods that prompted the Hague summit in 1969, the Werner Report, and thence the recent origins of the euro.

A recurring theme in the history of central banking is the struggle between the bankers who are often "sound" on money and the ministries of finance, much closer to the political process, and more likely to be subject to political pressures. And independence is never easily pinned down, depending as it does on a host of factors among which personality can loom large. But it means that the central banks are commonly not to blame for poor money/macro performance. Economists are inclined to tell the story of monetary policy in terms of theory—searching for nominal anchors, approaches to targets, time inconsistency, public choice theory, transparency, and so on. But individual histories such as this do much to reveal the nature of the process and the fluctuating outcomes in the struggle between the central bank and government. The more there are of such studies the more clearly patterns emerge. The story of the National Bank of Belgium is another such useful addition to the literature.

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