

accused. All of the countries that gun-control advocates cite as models have weaker safeguards for individual rights than the United States. The most extreme example in the book is Japan, where civilian gun ownership is very rare. Despite official guarantees of civil liberties, government surveillance is taken for granted, and law-enforcement authorities do not worry about legal niceties. Kopel's international perspective also lends some credence to the view that apparently mild and reasonable forms of gun control are often a precursor to prohibition. Particularly disturbing are administrative abuses, already evident in some U.S. jurisdictions, that turn licensing procedures into formidable and sometimes insurmountable obstacles to gun ownership.

Kopel argues that these and other policies that make it difficult for law-abiding citizens to buy firearms ultimately weaken a responsible gun ethic. When only outlaws have guns, as when only outlaws have drugs, abuse is conspicuous. In cities such as New York and Washington, D.C., where guns are virtually impossible to obtain legally, young people have no positive models of firearm use because "responsible gun ownership by ordinary citizens has been driven underground." Kopel contrasts this with the situation in Switzerland, where every adult male keeps at least one gun in the home and children learn firearm use from the example of their parents.

But Kopel is not advocating that the United States adopt the Swiss approach, requiring every man to serve in a militia, keep a weapon, and maintain his shooting skills. Rather, "an appropriate gun policy for America... is to encourage social control and civic virtue in gun ownership." For example, he suggests that local and state governments remove legal barriers to responsible gun use—not only firearm bans but also less obvious restrictions, such as zoning ordinances that discriminate against shooting ranges and state laws that prohibit school districts from offering riflery classes.

After Kopel's review of the elaborate gun-control policies in other countries, his recommendations may seem surprisingly modest. But he makes a compelling

case that none of the foreign approaches he has discussed would be appropriate for the United States. For one thing, all of these models are inconsistent with America's tradition of civil liberties—not only the right to bear arms, which (as Kopel shows) has stronger roots here than anywhere else, but also the right to privacy and the right to fair criminal procedures.

Moreover, Kopel notes, the United States has an unusually strong gun culture: "Few countries besides America had such a coincidence of causes for armament: open hunting, citizen militias, an armed frontier, violent cities, distrust of authority. Nowhere else in the world did environmental and sociocultural conditions foster use of shotguns *and* rifles *and* handguns." Consequently, the United

States has a relatively high ratio of guns to people (more than one per adult)—so high that even some advocates admit that gun control may no longer be practical here. Gun owners, like drug users, number in the tens of millions.

"Instead of a futile attempt to erase gun culture, there must be a conscientious effort to mold gun culture for the better," Kopel concludes. "A realistic American gun policy must accept the permanence of guns in American life." The challenge of a practical approach to guns, then, is much the same as the challenge of a practical approach to drugs: to adapt to risks rather than trying to eliminate them, and to focus on people instead of demons.

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28.

Mars Collides with Earth

BY DONALD McCLOSKEY

Changing Fortunes: The World's Money and the Threat to American Leadership
By Paul Volcker and Toyoo Gyohten, New York: Times Books, 352 pages, \$25.00

Paul Volcker, the cigar-chomping chairman of the Federal Reserve Board from 1979 to 1987, and Toyoo Gyohten, former Japanese vice minister for international affairs, represent the next-to-last generation of international money men. Their book tells the story of the 1971-1991 cycle from fixed to floating to quasi-fixed exchange rates. Most economists would agree with the story in outline, and with its moral: Economic policy must now be international.

The protagonist of the story is the dollar, a tragic hero whose hubris causes its fall from pre-1971 eminence. The system of fixed exchange rates before the fall was shaped in 1944 by the fine hand of John Maynard Keynes at a resort in New Hampshire called Bretton Woods. In the Woods the Americans assumed responsibility for the money of the world, as they had notably failed to do during the Great Depression. It was symbolic of the new order that the International Monetary Fund and the World Bank, both authorized at Bretton Woods, were built in Washington

across the street from one another, a few blocks from the White House.

For a quarter of a century after the war the American dollar was the "reserve currency," officially and practically. If the French government wanted to back the franc it had to hold dollars, however distasteful that might be to a Frenchman, because under the rules of the Bretton Woods system it had to pay out dollars for francs on demand. Furthermore, the rules set the exchange rates for the major currencies in stone—or, at any rate, in reasonably stiff putty. The dollar was fixed to gold, and all the other currencies were fixed to the dollar. No looking in the newspaper for today's rate on the pound; the rate was \$2.80 to the pound for years at a time, and that was that.

Bretton Woods was a good thing for the American government because it made the Treasury's printing press into the equivalent of a gold mine. Being the U.S. government from 1944 to 1971 meant never having to honor your checks.

At length Bretton Woods collapsed. It

ended partly because the goldness of the dollar made it, as Volcker and Gyohten put it, "impossible to force the United States to take strong action to adjust its balance of payments deficit." The problem was and is just that of a banker who runs large deficits on his own account to pay off his gambling debts. As long as people believe he will pay up, he can go on making check money, without reforming his spending.

Like the banker, the American government during the go-go years of the Great Society and Vietnam did not reform the nation's spending. It merely printed more dollars, which the Japanese and Germans dutifully and stupidly hoarded. When the United States started to run large deficits in the late '60s and early '70s, the financial markets stopped believing in the dollar. The Japanese and German hoards were suddenly worth less. "The sad fact," the authors write, "is that the dollar stopped delivering...stability by the early 1970s." The money system depends on trust, and by 1971 no one trusted the dollar.

By now, after a 20-year interlude of floating rates, "the trend is clear: the intra-European system has moved strongly in the direction of fixed exchange rates," and as Europe goes, so goes the world. Fixed-rate systems are coming back for at least two reasons. For one thing, fixed rates exercise a discipline over domestic policy, notably lacking in many countries during the '70s. For another, fixed rates are convenient, though not in the short run obedient to supply and demand. It is nice for corporate treasurers, for example, not to have to worry about whether their overseas profits this quarter will be wiped out by a blip on the market for the yen, and corporate treasurers have a good deal of influence at central banks. But fixed rates are coming back on some basis other than American hegemony and the almighty dollar.

Volcker and Gyohten tell the story as a case of American "failure." Like other stories of American failure, theirs faces a bit of a problem: The failure, strictly speaking, did not happen. It only looks like it did in the newspaper headlines. Twenty years after the fall of Bretton

Woods, the dollar remains in practice the reserve currency, stable or not. For all the Chicken Little talk, the United States is still the biggest economy in the world. If you want to do business internationally, you had better have dollars. The gambling banker has still not been required to reform his spending, for better or worse.

So the words of Volcker and Gyohten's subtitle, "the Threat to American Leadership," convey a mistaken hysteria. A "threat" to "American leadership" is nothing to worry about; that Japan and

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Germany have become important players is no shame; and America is still the world's banker.

Although the authors' theme of failure is wrong (and indeed is not carried through in the book), the rest of their story is right. From beginning to end, Volcker and Gyohten put domestic policy in an international framework. They recognize that the international economy can provide exactly the "discipline over domestic policy" that is the attractive feature of returning to fixed rates.

Under fixed exchange rates, or even under putty-like exchange rates, a modern economy is attached to the economy of the world. The price of TVs is fixed in Japan, the price of newsprint in Canada, the price of vacations in London, the interest rate on checking accounts in Geneva. Translated into American currency through a fixed exchange rate, American prices and interest rates are the prices and interest rates of the world. The American eco-

nomy sits in the world, not on Mars.

Arthur Burns, the pipe smoker among Fed chairmen (1970-78), is a good example of the older, Martian view. He spoke and acted as though the United States were free to set its monetary policy from the Fed's board room in Washington, regardless of the rest of the world. To admit that the United States is part of planet Earth has long been considered an affront to national dignity. At a 1973 news conference in Paris a reporter asked George Shultz, then secretary of the treasury, what a floating dollar meant for American monetary policy. As Volcker recounts it, "Burns, always conscious of the prerogatives of an independent Federal Reserve Chairman, reached over and took the microphone from Shultz and pronounced in his most authoritarian tone, 'American monetary policy is not made in Paris; it is made in Washington.'" No, Mr. Chairman, it is not. Under fixed exchange rates, it is made in the markets of the world.

Burns's student long ago at Rutgers, Milton Friedman, thinks more clearly about the matter. Friedman, of course, is the wizard of monetarism, the conviction that controlling the money supply is the best way to keep the economy healthy. Friedman seems to realize that monetarism does not work if exchange rates are fixed. Fixed exchange rates bring the American economy down to earth. The United States cannot have an independent monetary policy, "made in Washington," if its prices and interest rates are determined abroad.

To ensure that American prices and interest rates are determined at home, a monetarist had better be in favor of floating the exchange rate. Friedman was. An enthusiast for laissez-faire in most things (except, oddly, the currency), Friedman was the main advocate in the '60s and '70s of floating exchange rates. Burns, on the other hand, hated floating exchange rates but loved the money supply.

The paradox of Volcker's career is that he, trained as a Keynesian economist in the East Coast temples of liberalism and with no love for the rightist ideologues of the Reagan administration, was chosen (by Jimmy Carter, it should be noted) to implement Friedman's two policies,

devised in Chicago: floating exchange rates and control of the money supply (and the devil take the interest rate).

The paradox of Friedman's career, in turn, is that his scientific work in support of monetarism has depended on a Martian view of the American economy. His great book in 1965 with Anna Jacobson Schwartz, *A Monetary History of the United States, 1867-1960*, covered a period of mostly fixed exchange rates. The book was the decisive blow in the intellectual triumph of monetarism. But it treats the American economy as though it were on Mars, unaffected—except through the money supply—by foreign prices and interest rates.

Whether or not they were correctly argued in his science, Friedman's policies were successful in Volcker's hands. At the level of politics, however, there is another paradox lurking, well brought out by Volcker and Gyohten. Floating exchange rates make a single country's monetary policy effective. Good. But floating exchange rates also make it possible for the country to inflate in the first place. Bad. Without the discipline of a gold standard or a Bretton Woods dollar standard or some other rigid standard, we have to depend on good behavior by central bankers and legislators.

The political problem with a floating exchange rate, as Volcker makes clear, is that the country apparently in charge of it is not in fact in charge. The American government does not set the exchange rate of the dollar. It takes two sides to set a price, and the exchange rate is a price of dollars for pounds or for yen. As Gyohten notes, "monetary authorities could not manipulate the exchange rate by simply intervening against an underlying market trend. That lesson cost us billions to learn." Yet it's hard to convince people that the U.S. government is not directly to blame for whatever value the dollar has. Whichever way the dollar floats, somebody complains.

That is another reason for giving up and going back to fixed exchange rates. Gyohten reports that in Japan during 1977 and 1978 the falling yen price of dollars "generated a big debate, with strong complaints mainly from exporters whose over-

seas orders were badly hurt by the strong yen." On the other hand, a long-fixed exchange rate makes people forget the notion that the government can set the value of its currency wherever it wants.

Governments and voters persist in having opinions about where "their" currency should be. In one of his few lapses into nonsense, for example, Volcker admits, "I may be old-fashioned about this, but I have never been able to shake the feeling that a strong currency is generally a good thing." "Strong" in this context means "having a high price." This is like saying that a high price for apples is generally a good thing. Well, yes, good for orchard owners—but bad for apple eaters. "The value of a currency is considered a matter of national sovereignty," Volcker notes disapprovingly, after recovering from his bout with old-fashionedness, "and countries were not prepared to surrender such sovereign decisions to the working of an automatic indicator"—or,

for that matter, to a market.

The United States, Volcker emphasizes early on in the book, could not by itself set the price of dollars relative to yen or sterling. That's what the bargaining among finance ministers was about in the early '70s. As John Connally put it, speaking to other finance ministers, "The dollar may be our currency but it's your problem."

Connally's wisecrack was wiser than he knew. Because the value of the dollar is an international event, American monetary policy is not our own to make. Volcker and Gyohten have written a lucid, amiable guide to monetary policy at home and abroad which recognizes that fact. Policy makers in the '90s have awakened, like Gulliver, to find themselves bound to the earth by a thousand threads.

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Smugglers' Blues

BY JOHN O'LEARY

Acceptable Risks, by Jonathan Kwitny, New York: Poseidon Press, 466 pages, \$24.00



Kwitny questions the FDA's power to make life-or-death decisions for patients.

A gray-haired couple in a Winnebago approaches the customs checkpoint outside Tijuana, hoping their illegal drug stash will not be detected. After a nerve-racking delay, they are waved through

by a trusting border guard. The smugglers are the grandparents of an AIDS patient, and the illegal drug they carry is a medicine awaiting approval from the Food and Drug Administration.

This disturbing scene is repeated, with variations, throughout *Acceptable Risks*. If Jonathan Kwitny's book does nothing else, it humanizes the suffering wrought by misguided FDA regulations. The reader is outraged as patients struggle against not only a deadly disease but the deadly illogic of a federal bureaucracy.

Kwitny, a former investigative reporter for *The Wall Street Journal*, tells the story of Jim Corti and Martin Delaney, two gay men who have lost loved ones to the disease, and their efforts to make potentially beneficial drugs available to AIDS patients. They are forced to fight the FDA, which adheres to its standard drug-approval protocol, entail-

JERRY BAUER