plements to the chapters on money and on increasing returns. There is some ambiguity about how much mathematics is assumed; in fact the reader who is prepared to skip a little can get by with very limited mathematics.

There is also, I regret to say, some remarkable sloppiness of exposition. For example, a worrying definition of eigenvalues and eigenvectors on page 27 ignores the fact that eigenvectors have to be non-zero, employs an undefined term ('generically'), uses the word 'vector' in a different sense to the rest of the book, and even misuses the word 'equation'.

It would be wrong to get too worked up about such imprecision, since the book as a whole is so exciting and instructive. This may not be the future of macroeconomics, but much fun will be had if it is.

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Wages and Unemployment: A Study in Non-Walrasian Macroeconomics. By PICARD (PIERRE). (Cambridge and New York: Cambridge University Press, 1993. Pp. xi+263. £30.00 hardback, US $49.95 hardback. ISBN 0 521 35057 3.)

This book arises out of the material of Pierre Picard's Ph.D. thesis. The theme of the book is well summarised by the title, but it provides a particular theoretical perspective on wages and unemployment rather than a comprehensive treatment. The book divides into two main parts. The first (chapters 1–4) develops the fix-price temporary equilibrium framework. The second (chapters 6–8) develops the theory of efficiency wages in the context of a fully specified general equilibrium macromodel. Sandwiched in the middle is a chapter on implicit contracts.

The approach of the book is very much one of the early 1980s, and one has to remark that it is a little dated. Whilst the introductions to the various chapters sometimes refer to more recent papers, the main text and exposition do not show any interest in or knowledge of the developments in macroeconomics since this period: I am thinking here of the macroeconomics of imperfect competition, menu costs, coordination failures, and so on.

The original literature on fix-price temporary equilibrium was formulated in the 1970s, primarily by Jean-Pascal Benassy (in his 1973 Ph.D. 'Disequilibrium theory' at Berkeley). This approach was non-Walrasian in the sense that it treated prices as fixed, but Walrasian in the sense that it treated firms and households as price-takers. There were of course many developments of this approach, which was popularised by Edmond Malinvaud in his *The Theory of Unemployment Reconsidered.* Pierre Picard starts the book with an excellent textbook exposition of this theory (chapters 1–2). Whilst these chapters are excellent, it is hard to see how they surpass existing textbook treatments (e.g. Jean-Pascal Benassy's *Macroeconomics: an Introduction to the Non-Walrasian Approach*, Academic Press, 1986).

The next two chapters go on to develop the theory to the 'inflation unemployment dilemma' and an open economy with an oil shock. These are interesting papers (and indeed the former was published in the *Journal of Economic Theory* in 1983), but they both adopt the attitudes and concerns of a decade ago. One of the annoying things about the way the book is written is that you are never sure exactly what material is original (i.e. Pierre Picard's) and what material is someone else's. There is no clue in the text, and the dearth of citations does not help. The style of writing is objective, and develops the logic of the theory in the same manner whether it is his own or someone else's. I personally find this a bad style of writing. It is much more useful for the reader if the material is constantly related to other people's work, and that the originality and value added of one's own work is made crystal clear. The only clue to the fact that chapters 3 and 4 are his own work is the almost total absence of any references (except in the introduction). For example, it is amazing that nowhere in chapter 4, on the oil shock, does Picard refer to other work or papers *at all* (in some 20 pages). The theory is excellently explained, and well presented, but one is left wondering what is new and what it adds to the models of the 'Dutch disease' and related issues developed at the time.

One of the problems with fix-price temporary equilibria was their temporariness. Prices were exogenous, and not explained. The development since then in this literature has been to introduce price and wage setting agents (imperfect competition) into the model. In effect, this means introducing an alternative equilibrium concept to the Walrasian equilibrium: to move from a non-Walrasian *disequilibrium* approach to a non-Walrasian *equilibrium* approach. This approach was developed by a variety of authors in the early 1980s, and is mainly absent from this book (Oliver Hart's seminal 1982 paper 'A model of imperfect competition with Keynesian features' is not even referenced).

However, one of the most popular alternative equilibrium approaches has been an efficiency wage theory: the firm acts as a monopsonist in the labour market, and will (in equilibrium) set a wage above the Walrasian (full employment) wage. The main contribution for contemporary readers of this book is that Picard develops this theory in a manner that is consistent with the general equilibrium foundations of the fix-price approach. Chapter 6 provides one of the best surveys and expositions of efficiency wage theory in a macroeconomic context that I have read. The subsequent two chapters go on to embed the theory in a macromodel, and explore the issues of macroeconomic fluctuations and labour market dualism. He has a particularly interesting result that low variations in the real wage may go with high variations in employment despite a low elasticity of labour supply. Transitory shocks combined with real wage rigidity (induced by efficiency wages) can lead to fluctuations in output through intertemporal substitution. Another interesting innovation is the analysis of taxation and public expenditure in this framework.

My overall view on this book is somewhat mixed. Had it been published eight years ago, it would have been a valuable contribution on the frontier of economic analysis. The ensuing years have made it dated. However, there are some excellent expository chapters in the book on fix-price equilibria and particularly efficiency wages. I will recommend the latter to interested graduate students. The main original material of interest to contemporary readers, however, will be the last two chapters on efficiency wages.

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Cross-Border Entry in European Retail Financial Services: Determinants, Regulation and the Impact on Competition. By HOSCHKA (TOBIAS C.). (London and Basingstoke: Macmillan, 1993. Pp. xix + 335. £45.00 hardback. ISBN 0 333 60542 X.)

This is a thorough and substantive study of the rationale for, and impact of, cross-border entry in retail financial services. It builds on, and extends, the original work carried out by the EC Commission (the Cecchini Report), as well as more recent studies carried out by the Bank of England, and also, by academics (notably Gardener, 1993). This particular study, however, provides the big picture, encompassing a systematic treatment of the underlying theory as well as new empirical data and case studies based on the entry strategies of some of the larger European players in retail banking and insurance.

The study represents an important addition to the literature. In fact, when one looks at the scale of cross-border linkages – precipitated in part by the single market – over the last ten years, it is a little disconcerting that much of this has been driven by strategies lacking a well articulated basis.

The focus of the study is on two inter-related sets of issues relevant to a social welfare analysis of cross-border entry. Firstly, the regulatory dimension; that is, for example, the extent to which national authorities, in the face of actual or potential entry, will seek to confer competitive advantages on domestic institutions. Secondly, there is the whole issue of the actual impact of entry strategies on domestic competition. This is, of course, the major rationale for the single market programme in financial services.

The study begins by analysing how well the standard arguments for financial regulation (asymmetric information/systemic risk) hold up to the emerging regulatory regime. It then goes on to argue, with some success, that while the standard trade theory provides a necessary starting point in analysing just why a company should seek to establish in foreign markets, in the face of significant entry costs (which are examined in detail), a new approach is, in fact, needed. This new approach – 'an ecletic theory of cross-border entry' – does succeed in breaking some new ground, with one caveat, to which I return below. The impact of entry on domestic competition is one of the major elements of the study since it entails a critique of the Price–Waterhouse (Cecchini) study. The penultimate chapter looks at the scale of cross-border entry while the final chapter puts some empirical flesh on the bones, in the form of several case studies.

Perhaps the most obvious strength of the book is its systematic nature: working from underlying theory and methodological principles and weaving the established, as well as the more recent, literature into a pretty seamless framework within which to analyse the real-world behaviour of banks and