his services; everybody feared his pen," wrote Virginia Woolf. He pumped out pamphlets and periodicals in a time of great turbulence, with wars abroad and intrigue at home. In 1712, Robert Harley, the chancellor of the exchequer, received a suspicious package. Swift asked to examine it and discovered a booby trap: a pair of loaded pocket pistols, ready to fire. He disarmed the device. "I wonder how I came to have so much presence of mind, which is usually not my talent," Swift wrote. "But so it all warn against intellectual abstraction and the delusions of human perfection.

Soon after the publication of *Gulliver's Travels*, Swift wrote the other piece of work that today's readers are most likely to have encountered: "A Modest Proposal." Its subject remains fresh, as the poor are still with us. Its notorious solution to the dilemma of poverty achieves a kind of hybrid vigor through the violation of two taboos, infanticide and cannibalism. Swift meant

Jonathan Swift pumped out pamphlets and periodicals in a time of great turbulence, with wars abroad and intrigue at home.

pleased God, and I saved myself and him, for there was a bullet apiece."

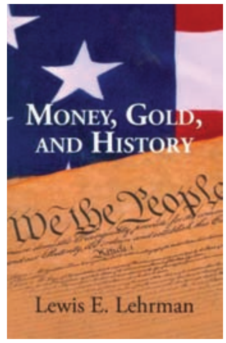
As an Anglican priest, Swift always yearned for a prominent church appointment in England, but the best post he could attain was dean of St. Patrick's Cathedral in his native Dublin. This was mainly an administrative job, and apparently he was quite good at it. Yet his true vocation was as a writer, and he would compose his most enduring works in Ireland, during the final phases of his career. His years as a polemicist in London had sharpened his wit, and at last he had the freedom to devote it to something other than partisan skirmishes between Tories and Whigs.

His great triumph, written in the 1720s, was *Gulliver's Travels*—a tale so well known that even non-readers are familiar with its most celebrated scene, in which the tiny Lilliputians rope down the shipwrecked Lemuel Gulliver. Damrosch proposes that Swift borrowed his narrator's surname from an innkeeper he knew, but Swift scholar Dutton Kearney has offered a more compelling explanation: In the 18th century, "'Gulliver' would have been pronounced with a long *e*, making the Latinized version of the name 'to trick (gull) by means of the truth (vere).'" Whatever the case, the book blends fantasy, travelogue, and satire in what might be described as the world's first science-fiction dystopia. Its dwarves, giants, floating cities, and talking horses to shock his readers from their apathy as well as to mock the "projectors" (social engineers) who thought societies could plan their way out of any problem. Its humor is dark and unsettling: "We should soon see an honest emulation among the married women, which of them could bring the fattest child to the market."

Lines like these earned Swift a reputation for misanthropy and, as Damrosch writes, "he didn't altogether disagree." Yet it would be a mistake to leave it at that. "I hate and detest that animal called man, although I heartily love John, Peter, Thomas, and so forth," he wrote in 1725. Swift was generous in his private dealings and opposed slavery at a time when few people did. After witnessing the horrors of London's Bethlehem Hospital—popularly known as Bedlam—he resolved to devote his fortune to the humane treatment of the mentally ill in Ireland. Swift rarely could resist a good joke, and in a poem that imagines his own death, he turned his bequest into a taunt at the expense of the Irish: "He gave the little Wealth he had / To build a House for Fools and Mad / And shew'd by one satiric Touch / No Nation wanted it so much." Yet in the next two lines—the poem's final words—Swift aimed his humor at himself and revealed his true humility: "That Kingdom he hath left his Debtor / I wish it soon may have a Better." **NR**

The Road to Monetary Stability

DAVID BECKWORTH



Money, Gold, and History,
by Lewis E. Lehrman (Lehrman Institute, 251 pp., $9.95)

IN 2013, the Federal Reserve celebrated its 100th anniversary. During that century, the U.S. economy was subjected to numerous boom-and-bust cycles, the sharpest economic contractions in its history, and one decade of record-high inflation. Since these developments occurred on the Federal Reserve's watch, many observers conclude that the Federal Reserve is to blame. Lewis E. Lehrman, however, says: Not so fast. In his latest book, Lehrman argues that the culprit was not the central bank, but the gradual decline of the gold standard. The slow shift from the hard constraint of an international gold standard to a world of floating exchange rates is, in his view, the real source of the macroeconomic instability. This is not a new argument for Lehrman: He has been making this point since the 1970s, when the United States left the gold standard. This new book is a compilation of his work since then.

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Lehrman argues that not only is the gold standard the best way to maintain monetary stability, but it was pivotal to the formation of modern civilization. He argues that the British and American industrial revolution could not have happened without it. Its widespread adoption, he holds, was crucial to the first wave of globalization in the latter half of the 19th century. It created an environment of price stability that facilitated trade and made it easier for firms and households to make long-run economic plans. This monetary system reached its pinnacle with the international gold standard of 1879–1913. World War I shattered it, and since then the international monetary system has been on a downward trend toward greater instability.

For Lewis E. Lehrman, the current system of floating exchange rates and reserve currencies is a serious malady, and the cure is the gold standard.

For Lehrman, the current system of floating exchange rates and reserve currencies is a serious malady, and the cure is the gold standard—which would impose fixed exchange rates on countries that adopted it. Lehrman likes this approach because, if followed properly, it has a natural equilibrating process. Imagine the U.S. and the U.K. on the gold standard: Dollars and pounds would both be defined in terms of a certain amount of gold. If the U.S. money supply grew too rapidly and pushed up U.S. prices, Americans would start buying more of the cheaper U.K. goods. This shift to U.K. goods would require buying more pounds, since U.K. goods are priced in pounds; this would involve converting dollars into gold and sending the gold to the U.K. for the pounds. The flow of gold from the U.S. to the U.K. would decrease the money supply and price level in the U.S. but increase them in the U.K. The excessive U.S. money growth, therefore, would be automatically corrected, and prices between the two countries would converge. This process is called the "price-specie flow mechanism."

Lehrman does not see a similar adjusting mechanism in the current world of floating exchange rates and reserve currencies. Consequently, he wants the U.S. to call a major international conference that would establish gold convertibility for the major currencies. He even wants the U.S. to go it alone on the gold standard, if necessary.

So is Lehrman right? Is an international gold standard the correct path to improved monetary stability and increased global economic growth? I wish I could say yes and share Lehrman's certainty. The reason I cannot is that the history of the gold standard, the reason it worked, and the world we live in all seem far more complicated to me than their portrayal in *Money, Gold, and History*.

Consider, first, the history of the gold standard. Though Lehrman claims that the gold standard is "the historic common currency of civilization" and the "proven guarantor of one hundred years of price stability," the history of gold is much more nuanced. Silver actually was the dominant metallic standard for hundreds of years before gold. The main reason it was displaced by gold is not that gold was inherently better, but that important countries, including the U.K. and the U.S., introduced bimetallism—legally minting silver *and* gold into money—and did so at exchange rates that inadvertently led to the undervaluation of silver. This undervaluation eventually drove silver out of circulation as money. Gold became the money standard largely by accident.

In the U.S., bimetallism was introduced in 1792. Soon afterward, changing market prices led to an overvaluation of silver at the mint and a de facto silver standard that lasted until 1834. Congress then changed the mint ratio and, in an instant, gold became overvalued, and it would serve as the monetary standard from 1834 to 1861. This change was part of President Andrew Jackson's famous war on the Second Bank of the United States, whose bills were backed by silver. There was nothing market-driven or natural about this switch from a silver standard to a gold standard. It was pure politics.

That gold was an accident of history is further evident in the contentious debate over a gold standard versus a bimetallic standard after the Civil War. Convertibility of dollars into metals had ended with the Civil War, and Congress had set 1879 as the year it would resume. Congress, however, failed to authorize the further coinage of silver. This meant that dollars would be convertible only into gold. Had silver still been coined at the mint, it would have become, by 1879, the de facto money standard, given market prices. This shift to gold irritated many, particularly those who thought gold was too deflationary; this was such a concern that it became the defining issue of the 1896 presidential election. Only with the Gold Standard Act of 1900 was the possibility of monetizing silver permanently put to rest. If gold was the "currency of civilization" for centuries, as Lehrman claims, why was its success an accident, and why has the U.S. money standard always been so contentious?

Lehrman also claims that politicians cannot manipulate a gold standard as they can fiat currency, because the gold supply depends on real-world gold production. But the above examples and others (such as the suspension of convertibility during the Civil War and FDR's confiscation of gold in 1933) clearly show that even the gold standard is susceptible to manipulation.

That the U.S. gold standard was an accident of history and that its longest unchallenged, continuous run was only a quarter of a century suggests the question: Was it the gold standard, per se, that created the long-run price stability of the 18th and 19th centuries, or was it a deeper political and institutional commitment to price stability?

Lehrman attributes the price stability to the price-specie flow mechanism, but the mechanism's success was dependent on the commitment of the government to allow the gold standard to work.

The same is true for the current international monetary system. Though Lehrman sees it as fundamentally flawed, it too has an adjustment mechanism that can work reasonably well if managed properly. While the gold standard kept exchange rates fixed and forced adjustment through changes in the price level, the current system allows the exchange rates to bear most of the adjustment. That adjustment, if allowed to work (in conjunction with a central bank's aiming at price stability), should not be any more destabilizing than the gold standard.

If anything, one could argue that the current international monetary system could be *more* stabilizing, since it forces the adjustment on one price—the exchange rate—rather than on thousands of prices, as is the case with the gold standard. The euro-zone crisis offers a good example of how this might work. The euro-zone effectively sets up fixed exchange rates among countries in the currency union. While they have deep structural problems, the severe business cycle they are now experiencing is being worked out by painful deflation in the periphery countries. An alternative approach would be to abandon the euro, adopt domestic currencies, and let their exchange rates bear some of the adjustment.

The key point is that both fixed- and floating-exchange-rate regimes have adjustment mechanisms that work if used correctly. The interesting question, then, is: Why have these mechanisms *not* worked properly over the past century?

The answer, in my view, is that governments have become increasingly concerned with stabilizing their domestic economies and, consequently, more interventionist in monetary matters. The breakdown of the inter-war gold exchange standard, the end of the Bretton Woods system, and the high inflation of the 1970s were all the result of U.S. officials' attempting—and failing—to manage the business cycle. Prior to this era, there was less concern about swings in economic activity, and the sometimes painful discipline of the gold standard could therefore be tolerated.

Barry Eichengreen, in his 1992 book *Golden Fetters*, argued that indifference to the business cycle began to wane in the 20th century because people started demanding more from their elected officials. This meant more government intervention in the economy, and therefore an increase in monetary instability. The gradual abandonment of the gold standard over the 20th century was a symptom of these developments, not their cause.

There is no turning back the clock on this changed political dynamic—and that's why it's unlikely that any country will ever go back to the gold standard. Moreover, there is a better path to restoring monetary stability. As Lehrman notes, the key to restoring stability is to create an environment where money supply equals money demand. The supply of money is created mostly by banks and other financial firms. The demand for money is shaped by the needs of households and firms. Both are difficult to measure and individually beyond the direct control of the Federal Reserve. The product of the two, however, can be meaningfully influenced by the central bank. It is called total dollar spending, and its stabilization should be the objective of monetary policy.

The Federal Reserve can do this by managing expectations of *future* total-dollar-spending growth. Here's how: The Federal Reserve credibly commits to doing whatever it takes to keep total dollar spending growing at a constant rate over time. The public would come to understand that, if total dollar spending went above or below this target growth rate, the Fed would correct it. This belief would become a self-fulfilling expectation, requiring minimal action by the central bank.

The key issue is whether there will ever be enough political support to adopt a monetary regime such as this. Though the history of the 20th century does not offer much hope, Federal Reserve chairman Paul Volcker showed us that it is not impossible for policymakers to make tough choices. My hope is that, one day, all policymakers will come to see the importance of monetary stability. Implementing a total-dollar-spending target for the Federal Reserve would be a great start. **NR**

The Twain, Meeting

JAY NORDLINGER

ABOUT ten, fifteen years ago, a phrase occurred to me: "the Sinification of music." This refers to the ever-growing influence of Chinese musicians on Western classical music. Has this influence been positive or negative? It's hard to think of it as anything but positive. Westerners are letting music go, some people say. If that's true, others are eagerly picking it up. In 2009, I interviewed Lorin Maazel, the veteran conductor, and asked him about the future of classical music. (A standard question, usually posed nervously.) The first words out of his mouth were, "Thank God for China."

Time was, Chinese or Chinese Americans were string players or pianists. The kid practicing the violin in the back room of his parents' laundry may be a stereotype—but it's perfectly true. I saw it with my own eyes, or heard it with my own ears. Asians and Asian Americans (if I may broaden our categories) are still string players (and pianists). About half the violinists in the New York Philharmonic—a not atypical American orchestra—are Asian. So are about half the cellists. Asian Americans face quotas at universities—ceilings. But the beauty of blind auditions, which are the rule in music, is that no one can be discriminated against, except musically.

Over time, Asians branched out from the piano and the string instruments—into the woodwinds, for example. The Philharmonic's principal oboe is Chinese (and its English-horn player is Japanese). I have not seen many Asians in brass sections, I must say. (Should I mention that the English horn, somewhat misleadingly, is a big oboe?) But I met a young woman a couple of weeks ago—Chinese-American, I believe—whose instrument is the trumpet.

There came a time—about ten years ago—when I was seeing Chinese sopranos. Not in Chinese opera, but in Handel, Mozart, Verdi, and the rest. This was something new under the sun. In 2007, I saw a Chinese Pamina at the Met. (Ying Huan sang the role of Pamina in