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(Review) Congress, the President, and the Federal Reserve: The Politics of American Monetary Policy-Making

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theoretical weaknesses. Schmidt structures his argument by critically summarizing pluralist and assimilationist accounts, leading him to disperse key theoretical discussions. For example, the relationship between individual and collective identity is discussed partially in the second, third, sixth, and seventh chapters, hindering a clear analysis. This approach excessively lengthens the critical analyses of pluralistic and assimilationist positions, leaving little room to explain the implications of pluralistic integration. Nevertheless, I recommend this work for its comprehensive examination of American language policy debates, its interesting albeit uncritical reformulation and reapplication of Kymlicka's theory, and its suggestions for furthering justice among socially stratified ethno-linguistic groups.

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Congress, the President, and the Federal Reserve: The Politics of American Monetary Policy-Making. By Irwin L. Morris. (Ann Arbor: The University of Michigan Press, 2000. Pp. 141. $39.50.)

Political science is now at a crucial point in its intellectual development. Which theoretical frameworks should guide scholars' investigations and which methodologies should be employed in empirical tests of those frameworks are questions that generate vehement discussions. *Congress, the President, and the Federal Reserve: The Politics of American Monetary Policy-Making* offers a thoughtful response to these concerns. This work argues persuasively for the application of formal modeling, based on rational choice theory, to policy studies. Specifically, it demonstrates the usefulness of a multi-institutional formal model in deciphering monetary policy-making in the United States.

The centerpiece of this book is its multi-institutional model, which the author states "provides a theoretical framework for understanding the interrelationship among the policy preferences of elected officials, the policy preferences of the Fed, and the institutional relationship between the Fed and its political environment. . . . The model also provides a useful guide to the empirical analysis of political pressures on monetary policy" (37). Two assumptions underlie the model. First, it presumes that the Fed is the proactive institution; it sets monetary policy, albeit with an awareness of the sanctions that the president or Congress may impose. Second, it presumes that the president exercises influence principally by blocking congressional sanctions. (Consideration is given to the president's nomination powers, particularly in regard to the Federal Reserve Board chair, but the author concludes that this power is limited.) The model delineates the connections between, on the one hand, different configurations of presidential and congressional preferences and, on the other hand, monetary policies that are more or less protective of price stability. The model also takes account of the ways in which preferences may change within the Congress, the presidency, or the Fed, explaining why those changes may (or may not) alter policy outcomes.

To test the model, the author makes use of both qualitative and quantitative research methods. Qualitative methods are represented by brief case studies of presidential administrations from Ford through Reagan. These are general overviews of the relationships among the president, the Congress, and the Federal Reserve Board chairs, and they provide generalized support for the model. Quantitative methods are represented by reaction functions and an extended multiple regression analysis. This work specifically demonstrates that the Federal Reserve Board negotiates its Federal Funds rate in order to maximize its own preferences for price stability while anticipating Congressional sanctions. Other influences on monetary policy making—electoral cycles, presidential partisanship, Congressional committee preferences—do not equal in level of significance the variable ("PIVOT") measuring the point at which Congress would impose sanctions.

The author's interest is in proposing a theory of bureaucratic policy-making that avoids the drawbacks associated with institutional, pluralist, or principal-agent analyses; as much is evident from the carefully deliberate presentation of the model over several chapters and an appendix. The empirical work seems more of an afterthought, presented in order to prove the efficacy of the model rather than to give further explication to its workings. The definition and calculation of the variables in the regression analysis, for example, are passed over quickly. This is most especially evident in regard to the author's calculation of the "PIVOT" variable. Similarly, there is comparatively little commentary on the regression findings. While the argument remains as strong and as cogent as in the modeling chapters, the brevity of the empirical chapters leaves their deeper implications to the reader's insight.

There is much here to stimulate a reader's imagination. The conclusion provides a list of research projects for game theory-oriented policy analysts. Even more intriguing is a chapter that assesses the meaning of the multi-institutional model for bureaucratic autonomy or independence. Describing independence as a "multi-dimensional concept," the author also demonstrates that "limited independence" can only be assessed in proximate terms and therefore concludes that it is of limited usefulness. Even acknowledging the difficulties associated with its measurement, however, bureaucratic autonomy is likely to remain a central concern for executive branch and policy analysts. A future study, therefore, could profitably consider the usefulness of the multi-institutional model for understanding this facet of bureaucracy.

Congress, the President, and the Federal Reserve: The Politics of American Monetary Policy-Making is an interesting account of monetary policy-making that educates its readers in the contributions offered political science by formal modeling, rational choice, and game theory. It participates in debates about a major policy area and about the discipline, suggesting further directions for scholars' research and for practitioners' reflections.

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