Jefferson's view that all men are created equal is endemic in American culture. He correctly observed that no American really believes that anyone else is his superior. Yet at the same time, Americans tend to applaud achievement. Envy is not a strong cultural factor, even though some politicians frequently resort to it. This meritocratic egalitarianism is one reason that open socialism was never widely accepted. Yet in Europe, the rise of classical liberalism almost immediately brought with it the counterrevolutionary revival of feudalism in the form of state socialism.

D'Souza tackles some of the opponents of American values. He also effectively debunks the multiculturalist assault, which argues that all cultures have equal value. The wholesale switching of value systems seen in recent decades around the world indicates that multiculturalism, while widely held by Western academics, seems to have little support from the very people whom the academics claim to be defending.

D'Souza is less convincing when he attempts to defend American foreign interventionism. He tries to argue that American interventions have differed from other nations, but surely our numerous military escapades are not among the factors that make America great. Moreover, he neglects the important question of how such policies undermine the traditional American values he supports. Even when the response was to an attack on American civilians on their own soil—on September 11—the size and scope of government expanded at the expense of individual liberty. No American intervention has managed to avoid similar enduring consequences.

Throughout the book one catches glimpses of what's so great about America. But glimpses are insufficient to fulfill the promises of the title. I can't help but suspect that *What's So Great About America* was a hastily written response to September 11 and would have benefited from a longer gestation before its publication. While I enjoyed D'Souza's attack on the opponents of American values, I would have preferred to see more discussion of those values themselves. □

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The Big Problem of Small Change

by Thomas J. Sargent and François R. Velde

Princeton University Press • 2002 • 432 pages • $39.50

Reviewed by Robert E. Wright

When it comes to quotidian monetary issues, like making small change, denizens of the third millennium A.D. have things rather easy. We are accustomed, without systematic trouble or hassle, to walking into a store, picking up a soda for 99 cents plus tax (and perhaps deposit), tendering a 10- or 20-dollar bill, and receiving exact change. People have not always had it so good. In the Middle Ages and early modern period, getting change was often a "big problem." That problem stemmed from four interrelated facts:

> First, the money stock was largely composed of full-bodied coins.
> Second, coins of different denominations were manufactured from different metals—copper, silver, or gold.
> Third, the relative market prices of those metals frequently changed.
> Fourth, coins of different denominations were not convertible into each other at fixed rates.

Thus a gold coin when minted might be worth 20 one-shilling silver coins and stamped as such. If silver became relatively more valuable than gold, however, the gold coin, though stamped 20 shillings, might only be able to purchase 19 one-shilling silver coins. Obviously, that would create quite a few problems. It would be like receiving only 19 one-dollar bills when changing $20.

Sargent and Velde's purpose is to explain how monetary authorities came, over the course of centuries, to abandon the awkward medieval coinage system described above and to adopt the "standard formula"—the government's policy, to which we have grown accustomed, of exchanging all denominations with one another at fixed rates. To do so, the authors develop a brilliant mathematical model of demand for coins of different compositions and denominations. More impressively still, they apply the model to eight centuries' worth of monetary history and theory. The result is almost certain to direct monetary history research for years to come.

To the financial historian or libertarian, however, the book is less convincing. In Chapter 17, "Britain, the Gold Standard, and the Standard Formula," readers learn that *entrepreneurs* were responsible for the creation and implementation of the key feature of the standard formula—convertibility of token moneys at fixed rates—and for the invention of the technologies necessary to effectively implement the formula. Various national governments then nationalized and monopolized the formula and its concomitant technologies. Despite the authors' obvious support for government fiat monetary regimes, therefore, a libertarian *could* read this book as a story about how the private sector saved us from centuries of government monetary bungling.

Similarly, a financial historian might wonder why the authors completely ignore the American experience until the late nineteenth century, when the U.S. *government* finally adopted the standard formula. Recently, a number of scholars have demonstrated that, contrary to earlier assumptions, the early U.S. financial system was an efficient and innovative force that helped to drive American economic growth. They also show that, as in Britain, entrepreneurs devised and implemented a private version of the standard formula while the government mint remained an inconsequential economic force.

The early U.S. money supply was primarily composed not of government coins but of bank liabilities—notes and deposits—backed by fractional specie reserves. The notes and deposits were convertible into each other, in desired denominations, and into gold and silver. Where state governments prevented banks from issuing notes in fractions of a dollar, private nonbank issuers, often well-established retailers, supplied fractional tokens for local circulation.

The federal government defined the metal content of the dollar and exerted some control over a quasi-central bank. States regulated the other commercial banks. Otherwise, the market was pretty much allowed free rein. Whether the government's eventual nationalization of the standard formula improved on the private version is a matter of debate. Thousands of private-currency issues created ample opportunity for counterfeiting and peculation. Moreover, banknotes depreciated as they circulated away from their place of issue. However, the market's response to those problems—counterfeit defectors and banknote brokers—may have been inefficient compared to issuance of a single, national currency. On the other hand, government adoption of the standard formula was but a short step from an inflationary fiat-currency regime. The private version of the standard formula, which was predicated on specie convertibility, successfully maintained long-term price stability.

Sargent and Velde have written an important book that covers an impressive range of intellectual and historical territory. More attention to the early U.S. experience and the role of commercial banks in the development of the standard formula, however, would have further enhanced their study. □

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IDEAS ON LIBERTY
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Average Americans versus Environmentalists

A few years ago *American Enterprise* magazine carried an article by Karl Zinsmeister titled "Environmentalists vs. Scientists." It's mostly a report on research published by two academics, Stanley Rothman and Robert Lichter, in their book *Environmental Cancer: A Political Disease*. The authors surveyed a cross-section of environmental leaders at organizations such as the Natural Resources Defense Council, Sierra Club, National Wildlife Federation, Ducks Unlimited, Environmental Defense Fund, Nature Conservancy, and National Audubon Society. Identically worded survey questions were administered to different groups of scientists. Among the groups surveyed was the American Association for Cancer Research, whose members are specialists in carcinogenesis or epidemiology.

It turns out that scientists and environmentalists hold markedly different views. Sixty-seven percent of cancer specialists believe there's no cancer epidemic, while only 27 percent of environmental activists hold the same view. Only 27 percent of cancer specialists agree with the statement "industry causes rising cancer rates," while 64 percent of environmentalists do. The scientists didn't trust the media. Only 22 percent of cancer specialists consider the *New York Times*'s reporting on cancer topics to be trustworthy and only 6 percent found the TV network news to be so.

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When 400 climatologists, oceanographers, and atmospheric scientists were asked whether evidence supports the "greenhouse effect" theory, 41 percent agreed compared to 66 percent of environmentalists. Similarly, 51 percent of energy scientists say nuclear power plants are safe compared to only 10 percent of environmentalists.

Environmentalists not only differ from scientists, but they are markedly different from the general public as well. Environmental activists are a narrow elite: 76 percent are male, 97 percent are white, and a third have incomes over $100,000. They are also unrepresentative of America politically. Sixty-three percent describe themselves as "liberals," compared to 18 percent of the general public. Only 6 percent are Republicans; ten times as many are Democrats.

Environmentalists support causes like race quotas, abortion on demand, and special homosexual rights at rates of 70 to 80 percent, versus 34 to 40 percent of the general public. Rothman and Licther say in summary, "Although most Americans are willing to describe themselves as environmentalists, from these data it seems clear that environmental activists do not speak for the public. . . . The perspective and background of this movement's leadership are considerably removed from those of the majority."

The authors of the study don't quite reach a conclusion that I've reached about environmental activists, whose agenda calls for confiscation of private property and control over the lives of ordinary citizens. Back in