the Treasury bill markets, but the issues are not examined with the depth they deserve.[3]

The second long-standing academic debate addressed concerns the relative importance of monetary and fiscal policy. Given the size and duration of the deficit, Melton might have made an interesting contribution on the Treasury-Fed interplay (Chapter 9). That he does not, may result from the fact that he does not appear to have had inside-the-Treasury experience to match his inside-the-Fed qualifications.

The author's contribution on crises (Chapter 10) is a valuable one. The writer successfully conveys the Fed's conditioned reflex to avoid, or contain, crises. The Fed's generally cautious stance on most policy issues can best be understood in the light of the burden it feels from its lender of last resort responsibilities. This chapter presents four case studies on the Fed's handling of the Penn Central, Franklin National, Hunt Silver, and Drysdale Government Securities market crises. Given the spate of insolvencies currently occurring among depository institutions, and the rapidly growing yet poorly understood risk exposures in other sections of the financial markets, I anticipate that academic economists, historians, politicians, practitioners, and public policy scholars will soon be closely examining the Fed's lender of last resort role.

In short, I recommend the book to a wide readership. It stands high in the return-to-effort rankings among economic policy texts.

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Competition Policy and the Professions
Organization for Economic Cooperation and Development
Paris: OECD, 1985, 112 pp.

This small book reminds us that medieval standards are alive and well in the practice of the liberal professions in the countries of Western Europe, the United States, and Japan.

The book is a report produced by the OECD's Committee of Experts on Restrictive Business Practices on the relationship between competition policy and the professions. The Committee assigned a Working Party the mission of describing the characteristics of the liberal professions in the member countries of the OECD, comparing the provisions of law as they apply to competition in professional practice, studying the forms of self-regulation in the professions, and examining whether professional self-regulation was compatible with the promotion of competition.

The book deals mainly with the professions of medicine, the law, and architecture, although reference is occasionally made to engineering, veterinary practice and other professions. The information it contains was largely derived from responses to questionnaires sent to the govern-

[3]Milton Friedman, "Monetary Policy: Theory and Practice," *Journal of Money, Credit and Banking* 14 (February 1982): 98–118.

ments of the relevant countries. For the most part, the book is descriptive, and as such it is a useful catalogue of the law of professional practice and of the forms of professional self-regulation in the richer countries of the world. There is a small section of "conclusions" and "suggestions for action."

An encyclopedic entry on the medieval guilds of Western Europe says that they were "economic . . . associations of persons in the same business or plying the same craft. . . . The primary functions were to establish control over that profession or trade, to set standards of workmanship and price, to prevent encroachment by those of other trades and localities, and to establish status for members of the guild in society. . . . Each guild set the terms of its craft, forms of labor, standard of product (e.g. the weight of a loaf of bread), and methods of sale. . . . The wealthy guilds were able to secure immunity from interference by noble or king either by paying large sums of money, promising future benefits, or by intimidation."

History tells us that the guild system did not survive the Middle Ages. Nations formed, royal power was enlarged, and kings reduced the authority of the guilds; communications improved, trade expanded, foreign-made goods were introduced into previously autarchic communities, and capitalists and entrepreneurs appeared as instrumental agents of change.

The guilds, we are told, "were not equipped to adapt themselves to expanding economies. They tended to guard their monopolies jealously and to oppose change. . . . They limited the number of masters in the trade and the prices for apprenticeship rose exhorbitantly." So the guild system is supposed to have come to an end. Everywhere, that is, except in professional practice (and, of course, in trade union practice—to which OECD might now fruitfully turn its attention).

Entry into the professions is restricted either explicitly or implicitly, as by raising the cost of entry. Services are compartmentalized by legal definitions of the activities that different professional title-holders may undertake. The Danish medical association limits the number of practitioners in each geographical area and controls access when a practitioner sells his practice; in Greece, doctors may practice only in the areas covered by their professional association; in the United States, practicing attorneys administer the bar examinations and the accreditation of law schools and are able to limit entry by adjusting passing and accreditation standards; in Alberta lawyers may not practice with lawyers from other provinces; architecture may not be practiced in most countries except by those who complete extensive schooling and are licensed.

Constraints are put on the information that practicing professionals may communicate to consumers by advertisement. In Belgium, the Netherlands, and France physicians may not advertise at all; in Britain, they may not do so in the media; in Switzerland, they may put only small notices in newspapers that they have opened a new office or have returned from vacations. In Finland and Norway, lawyers may advertise only that they are "available"; in Germany, lawyers may not solicit clients at all. In Britain, the Royal Institute of Architects prescribes that architects, when advertising, must "heed the profession's responsibilities . . . to fellow members."

In many countries, minimum fees are fixed for professional services. Professionals are required to offer services only as individuals or in partnerships with other professionals; corporations may not be formed, nor may individuals form partnerships with non-professionals. Sometimes services may be offered at not more than a single office. Often professionals are not permitted to accept salaried employment.

It is clear that the properties of the medieval guilds and their methods survive in the practice of the liberal professions in the industrial world. The primary functions of the professional associations, like those of the guilds, are to control the profession, set standards of workmanship and price, prevent encroachment of others, and establish status. The associations, like the guilds, set the terms of the craft, the forms of labor, the standard of product and the method of sale.

There is, however, one essential difference between them. The guilds were finally diminished in their authority by the rise of the power of the nation state and by the development of capitalist market systems. The professional associations, in our time, have been able to hold the market at bay by capturing the coercive power of the state. The state is now not so much an adversary of the professions as it is their ally in the enforcement of control.

Not only does the state permit practitioners in the liberal professions to combine, to administer cartels, and to define standards of unacceptable professional conduct and unacceptable forms of business organization (while forbidding such activity in other businesses). The state also, on behalf of current practitioners, imposes costs of entry on new entrants into the licensed professions and permits current practitioners to set the standards of entry and to manipulate the numbers who are considered to have met those standards. In addition, the state criminally prosecutes unlicensed persons who engage in professional practice.

The consequences of this alliance of practitioners and the coercive state is that consumers are kept in ignorance, the fees they pay for professional service are raised artificially, innovative and efficient forms of practice are proscribed, and competent persons are prevented from offering services that are defined to be within the set monopolized by some other profession.

The OECD report acknowledges that anti-competitive practice characterizes the market for professional services and that this has malallocative and regressive wealth distributional effects. But it is less than wholly courageous in its suggestions for correction. It does not recommend that the system be dismantled. Instead, there are recommendations for "re-examination," "consideration," and "review." This is not surprising. The OECD is, after all, a coalition of governments, all of which have permitted their powers to coerce to be used by the professional guilds for the self-advancement of their members at the expense of others in society.

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