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BOOK REVIEW

Banks and the Capital Market—An Australian Study, J. O. N. Perkins and J. E. Sullivan. Melbourne University Press, 1970. Pp. vii, 126. \$2.40.

This book is intended to provide a basic understanding of the operations of the banking system in the context of the Australian capital market. It is particularly relevant to the current situation as it provides an up to date analysis of the spectacular rate of growth enjoyed by the various banking and non-banking financial intermediaries—the salient feature in the development of the capital market in the post-war period.

The book traces the efforts made by the banking system to diversify its activities from the traditional roles to ensure its continued involvement in the changed market structure.

The first few chapters provide the reader with a well documented analysis of the development and structure of the various institutions currently comprising the Australian capital market. A feature of this section is a description of the new institutions such as the Commonwealth Development Bank and the Australian Industries Development Bank created by the Government to help overcome inadequacies existing in the capital market.

Also provided is a comprehensive outline of the functions and operations of the Reserve Bank including the administration of monetary policy. This section will be particularly appreciated as the text is concise and lucid.

In the final sections of the book some worthwhile proposals are put forward by which the Reserve Bank might seek to extend the influence of its monetary policy in order to make it more effective in the control of liquidity problems. The growing number of financial institutions operating beyond formal liquidity control has been the major cause of the overall failure of monetary policy in the past.

The book concludes with a particularly useful analysis of the potential distortions and mis-allocations which can occur within the market through the use of over-restrictive monetary policy.

This book has been primarily designed as a text for students studying the fundamentals of Australian monetary economics. The presentation of the subject matter throughout the book is concise and well ordered. The reader will undoubtedly find *Banks and the Capital Market* a welcome respite from the usual collection of dreary, often irrelevant material (often completely foreign to the Australian situation) generally found on students reference lists.

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