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Reviewed for H-Diplo by **Stephen A. Schuker**, University of Virginia

Central Bankers in the Dock

The idea for this book came to Liaquat Ahamed after he read a *Time* magazine cover story in 1999 about "the committee to save the world." The designated heroes were Robert Rubin and Larry Summers of the U.S. Treasury and Alan Greenspan of the Federal Reserve Board. Their rapid response prevented contagion when the 1997-98 East Asian banking crisis coincided with a Russian debt default and the collapse of a prominent American hedge fund. Ahamed decided to study "the bankers who broke the world." His subjects are the leading central bankers of the 1920s—Benjamin Strong of the New York Fed, Montagu Norman of the Bank of England, Emile Moreau of the Banque de France, and Hjalmar Schacht of the Reichsbank. Differentiating among them, he paints Moreau as the most wrongheaded and the "genius" Schacht as the most resourceful and imaginative. On Ahamed's judgment of personalities, more anon. In any event, all four bankers purportedly fell victim to the economic orthodoxy of their time. They made a fatal mistake by restoring what the author misleadingly calls the "gold standard" in the years after World War I. The rigidity of the fixed-currency monetary regime and a series of other avoidable misjudgments by economic policymakers, Ahamed contends, facilitated the transmission of deflation at the beginning of the 1930s. "Sheer folly" transformed a routine business-cycle downturn into a decade-long catastrophe. The Great Depression resulted primarily from a failure of intellectual will (503-4).

As a foil to the culpable bankers with their quasi-theological belief in gold, Ahamed introduces a fifth figure, standing like Banquo's ghost just slightly off center stage. His fifth protagonist is John Maynard Keynes, whose insights inspire us still. Although he had not yet published the *General Theory*, Keynes possessed an "infallible ability to be right" about everything in the crucial decade—the perniciousness of reparations and war debts, the inanity of Great Britain returning to gold at the old parity in 1925, the desirability of managed currencies, and the need for massive government intervention when market forces fail during a contraction (10, 489-90, 504). Keynes, as Ahamed has explained in commentary on the book, figured as the Paul Krugman of his era. He means this as a compliment to both economists, and he thereby situates his work as an implicit contribution to current policy debates.

Ahamed is not a professional historian, but he is a lyrical writer and a man of parts. He comes from a Punjab family that, like many others, arrived in East Africa to build the railroads at the turn of the twentieth century and stayed on to provide the region's commercial infrastructure. When the newly independent African nations expelled these entrepreneurially gifted people during the 1970s, they migrated en masse to England. Ahamed enjoyed a superb education at Trinity College, Cambridge, and fetched up in the Economics Department at the Harvard graduate school. He yielded to the allure of Wall Street before finishing his degree and spent twenty-five years running a highly profitable multi-currency fixed-income fund. Yet he did not renounce his scholarly interests, and he co-edited a book on development economics to which a stellar cast of academics contributed.[1] Along the way, he managed the portfolio of his native Kenya at the World Bank and produced a movie about Iran. He became a trustee of the Brookings Institution and remains a consultant to platinum-edged hedge funds.

Ahamed suggests that nowadays the financial historian need not trudge endlessly from one archive to another and that much can be gleaned from digitized versions of the *New York Times* and the *Wall Street Journal*. With such modesty, he does not do justice to himself. Although he sets out to provide an engaging synthesis, he has made deft use of the Strong-Norman correspondence at the New York Federal Reserve Bank and the Bank of England. He has also plowed through an abundance of secondary works. Inevitably, however, the book reflects the particular sources he has employed and neglects others of critical importance. On the whole, Ahamed has done due diligence in the financial literature. He does not devote comparable attention to fiscal policies, evolving industrial structure, or the prerequisites for a growth-oriented entrepreneurial culture. And, most unfortunately, he does not show much knowledge of the archival findings turned up since the 1970s by historians focusing on international relations.

Ahamed possesses such power over language and so much flair for sketching character that the proverbial general reader need not tarry, perhaps, over second-order infelicities. This book proceeds at the pace of a novel. Ahamed brings the world of high finance in an era of Veblenesque extravagance to life as few previous authors have done. Scrupulous financial historians such as Sayers, Clarke, Chandler, or Kynaston have tilled equivalent ground without conveying ambiance with the same sort of immediacy.[2] Ahamed shows himself a master of the *fait divers*—the amusing squib with which French newspapers under the Third Republic entertained readers when they could not fill their pages out with advertising. He tells us what

[1] Sebastian Edwards and Liaquat Ahamed, eds., *Economic Adjustment and Exchange Rates in Developing Countries* (Chicago: University of Chicago Press, 1986).

[2] R.S. Sayers, *The Bank of England, 1891-1944*, 3 vols. (Cambridge: Cambridge University Press, 1976); Stephen V. O. Clarke, *Central Bank Cooperation, 1924-31* (New York: Federal Reserve Bank of New York, 1967); Lester V. Chandler, *Benjamin Strong, Central Banker* (Washington, D.C.: Brookings Institution, 1958); David Kynaston, *The City of London,* vol. 3*, Illusions of Gold, 1914-1945* (London: Chatto & Windus, 1999).

the bankers ate when they huddled to plan the Federal Reserve System, what wines they imbibed at the inaugural dinner of the 1929 Young Committee, and what impression the frescoed ceilings and tapestries make at the Morgan Library. He reveals how many square feet Strong had in his New York apartment, which statue Schacht could glimpse from his office window before 1914, at which London nightclub Dickie Mountbatten liked to dance, how a crooked stock promoter named Martha Hanau escaped with bed sheets from a Paris prison hospital, even what brand of pistol Madame Caillaux (the wife of one of Moreau's early patrons) employed to shoot the editor of *Le Figaro*. While Ahamed feels no compulsion to apply a scholar's standard of relevance, he has labored assiduously to present a plethora of detail accurately. Rarely have Baedeker guides found such imaginative use. Moreover, Ahamed is blessed with an architect's eye. Unlike scholars who scurry through bank lobbies to the archives, Ahamed appraises the aesthetic qualities of each of those grand edifices and the art treasures within. In short, as a literary exercise, *Lords of Finance* attains a high standard. No wonder it received a Pulitzer Prize as well as the *Financial Times*' award for business book of the year.

International historians will not take equal pleasure in the book's interpretive framework. In 1932 the financial journalist Garet Garrett wrote a best seller with a similar title, *A Bubble That Broke the World*.[3] Garrett stigmatized improvident foreign lending by gullible Americans, a subject that scarcely appears on this author's radar screen. Instead, Ahamed traces the origins of the Great Depression back to the political debt overhang from World War I. The statesmen who presided at the 1919 Paris Peace Conference, in his telling, made a tragic mistake by levying "enormous" and "extortionate" reparations on "weak and defeated" Germany. Even when reduced in 1921, reparations remained an "intolerable burden." The United States, meanwhile, compelled the Europeans to pursue collection by imposing "unusually harsh" war-debt settlements on their erstwhile Allies. Gold imports "swamped" the American monetary system. Other nations retained insufficient reserves to sustain trade. The international gold standard became "like a poker table at which one player has accumulated all of the chips." Eventually, French "inflexibility" over reparations caused the German public to lose faith in the mark. The head of the Reichsbank knew that printing money to finance the deficit would bring on hyperinflation in 1921-23, but he had to do it to ward off the charge of being "a tool of the blood-sucking Allies" (125).

After the Dawes Plan facilitated German currency stabilization on a gold basis, governors Norman and Schacht—who became close friends as well as central-banking allies—spent the rest of the decade struggling to "mitigate some of the worst political blunders behind reparations and war debts" (501-2). Norman, however, egged on by antediluvian financiers in the City of London and Wall Street, compounded disequilibrium by forcing through Britain's return to gold at the prewar exchange rate in April 1925. That led to "grossly misaligned parities" and a "dysfunctional gold standard" when other countries embraced fixed rates over the following years. The central bankers had to maintain a high-wire act by holding U.S. interest rates down and keeping the hard-pressed Germans going through foreign loans. This prestidigitation could not go on forever. Strong erred by cutting the discount rate in July 1927,

[3] Garet Garrett, *A Bubble That Broke the World* (Boston: Little, Brown, and Co., 1932).

setting off a stock-market boom. The Fed compounded the mistake by raising rates three times in 1928. Those moves attracted hot money from Europe, yet failed to curb speculation on the New York exchange. The short-sighted Moreau, his insularity and rancor reflecting the "selfishness and arrogance" of the French national psyche, repeatedly misused his country's financial power over the subsequent years; his successor, though more courteous, did not reverse the counterproductive policy of gold accumulation (381). In general, Ahamed finds the French political class an unattractive lot. Not only did they drain reserves from countries that needed them more after stabilizing the franc below purchasing-power parity, but they threw their weight around as creditors to achieve purely political objectives.

Ahamed identifies Great Britain's return to what he loosely calls the "gold standard" as the second grievous policy error leading to the Depression. He provides an idiosyncratic personalized account in which Keynes states the case against return at a dinner party arranged by Chancellor of the Exchequer Winston Churchill, but is bounced by overbearing bureaucrats. Churchill allegedly called the decision in retrospect "the biggest blunder in his life" (239). "Nothing could be further from the truth," remarks P.J. Grigg, the chancellor's private secretary, the chief witness to the dinner party.[4] The confrontation, although dramatically staged, misstates the operative constraints. At the time, the Treasury and the Bank of England made an overwhelming case for a return to a fixed rate at parity with the dollar.[5]

Ahamed rather deemphasizes the politics of the matter. An official committee had solemnly proclaimed the objective of eventually restoring sterling at the end of the war. Whitehall had proposed in the 1922 Genoa Resolutions that sterling and the dollar should equally supplement gold in the reserves of all central banks. That required, in the inspirative phrase of the hour, that the pound look the dollar in the face. The eminent Chamberlain-Bradbury committee examined the matter anew and concluded in early 1925 that the time for action had come. Germany, South Africa, Australia, and other sound-money countries had already stabilized or signaled their intention to do so. A return to currency stability would promote world trade. And sterling had risen on the free market to within 3 percent of par. The legal embargo on gold exports would shortly expire and renewing it would devastate British credit. Unit labor costs in the old staple industries had skyrocketed owing to adoption of the eight-hour workday with no weekly wage reduction, yet even 10 percent devaluation would not bring back lost markets. In retrospect, the Phillips curve would show that even a smidgen of wage and price deflation would vastly increase unemployment, but given the state of economic knowledge Governor Norman could not know this at the time.[6] Nor could Norman have anticipated that continental neighbors would later undercut British competitiveness by stabilizing below purchasing-power parity.

[4] P.J. Grigg, *Prejudice and Judgment* (London: Jonathan Cape, 1948), 180-85.

[5] D. E. Moggridge, *British Monetary Policy, 1924-1931: The Norman Conquest of $4.86* (Cambridge: Cambridge University Press, 1972).

[6] See the iconic work of Paul A. Samuelson and Robert M. Solow, "Analytic Aspects of Anti-Inflation Policy, *American Economic Review* 50, no. 2 (May 1960), 177-94.

As so often, Ahamed allows Keynes to function as his lodestar. Then at the apogee of his aversion for the American market economy, Keynes fulminated that Britain risked having to curtail credit because banks in the Middle West heartland got tied up with their farmers or because manufacturers apprehended "the horrid fact that every American had ten motor-cars and a wireless set in every room of every house" (229-30). In justifying European fears of being dragged at the American chariot wheels, Ahamed contrasts the "gaudy prosperity" of the United States with the "dingy poverty of Europe." The typical stateside worker, he claims, earned three times the standard European wage (226). The actual disparity was markedly less extreme. In 1914, British per capita income still nosed out that of their transatlantic cousins by 2.6 percent. By 1928, U.S. per capita income surpassed the British figure by 22.7 percent.[7] This reversal of fortune helps explain why Europeans complained about 'Uncle Shylock' while Americans felt that their contributions to the restoration of continental prosperity went unappreciated. But it does not support the popular supposition that American gold imports or war-debt receipts posed significant problems for the international monetary regime. To the contrary, capital exports, tourist expenditures, and immigrant remittances came fairly close to balancing out other factors from 1922 through 1931.[8]

Ahamed's analysis of the 1929-32 contraction contains many poignant vignettes, but falls short of satisfactory explanation. Hyman Minsky's study of speculative bubbles suggests how overleveraging of debt may give rise to a long contraction lacking the self-correcting mechanism that eventually reverses the routine business-cycle downturn.[9] An epiphenomenal account like the one here cannot cover every base. At any rate, Ahamed thinks that the Wall Street stock-market bubble, by setting off a credit squeeze in Europe, ignited the 1928 German depression. He contends that the subsequent stock-market collapse reduced incomes and curbed aggregate demand in the United States. He blames "inexperienced and ill-informed timeservers" at the Federal Reserve in Washington for failing to intervene boldly to counter compression of the money supply (503-4). The stock of money fell precipitately as hundreds of banks failed, panicked depositors deserted those left standing, and the deflation-adjusted cost of new loans increased. This account tracks the iconic model of Milton Friedman and Anna Jacobson Schwartz, but arguably simplifies certain elements in the story.[10]

[7] Angus Maddison, *The World Economy: Historical Statistics* (Paris: OECD, 2003), 61-63, 88 (figures adjusted for purchasing-power parity).

[8] Ahamed does not confirm this explicitly, but he offers a graph showing that, except for 1930, most of the gold inflow went to France. He also concedes that capital flows outweighed trade flows (375-77). For detailed balance-of-payment statistics, see Stephen A. Schuker, *American 'Reparations' to Germany, 1919-33* (Princeton: Princeton Studies in International Finance, 1988), Table 11.

[9] Hyman Minsky, *Stabilizing an Unstable Economy* (New Haven: Yale University Press, 1986). For a recent effort to develop a data set illustrating the persistence over time of contractions resulting from banking crises, see also Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Financial Folly* (Princeton: Princeton University Press, 2009), 141-73.

[10] Milton Friedman and Anna Jacobson Schwartz, *The Great Contraction, 1929-1933* (Princeton: Princeton University Press, 1965); also the highly nuanced account of Allan Meltzer, "Why Did Monetary Policy

Ahamed rightly says that the country bankers who dominated the Federal Reserve Board made a power grab after Benjamin Strong's death in 1928. Allan Sproul, president of the New York Fed in the 1940s, famously observed that the United States had a funny central-banking system, with all the power in Washington, and all the knowledge in New York. Still, the system faced objective difficulties that had no easy solution. Strong, a long-time proponent of managed currencies who had controlled the U.S. money supply through interest-rate changes and open-market operations, concluded in 1928 that the existing gold-exchange standard promoted too much interdependence and potential inflation. He came around to the view that the world might profit from reintroduction of an automatic gold standard.[11] It isn't clear, even in retrospect, how the Fed could have performed dramatically better in 1928-29, or even thereafter. The authorities disagreed violently among themselves.

Some favored raising interest rates or using moral suasion on the lenders of call money to break the stock-market speculation. Others objected that higher rates would hurt the farmers, already facing a cost squeeze, and attract speculative hot money from Europe. Selective direct action failed to work because money is fungible and most brokers' loans did not come from the money-center banks. This created an impossible dilemma. Nor did the members of the Open Market Committee reach a consensus once the downturn deepened in 1930. Ahamed dismisses the "real bills" doctrine—the precept that the monetary authority should only discount eligible paper used to finance production and trade, as opposed to government securities—as anachronistic and clearly fallacious (80, 436). Yet the Federal Reserve Act of 1913 had enshrined this idea into law, and that conjured up a cloud of confusion during the downturn whether Fed policy was as deflationary as we now believe it was.[12]

Of course an account focusing on personalities cannot delve into every theoretical fine point. One wonders, however, whether the author should have devoted more attention to non-monetary causes of the Depression. Ahamed asserts that the losses of ill-informed "rabble" speculators in the market crash had an outsized effect on the real economy, but reduced aggregate demand by a couple million investors needs to be framed in broader perspective (309-11). In the 1920s, for the first time, consumer credit became widely available for mortgages and durable goods, and over-leveraged households cut expenditures radically when deflation increased the real weight of their debts.[13] Archival specialists will likewise find Ahamed's account of the 1931 international financial crisis curiously apolitical. Chancellor Heinrich Brüning of Germany demanded a customs union with Austria and a reparations moratorium despite the qualms of his finance professionals. He proceeded

Fail in the Thirties?," in *A History of the Federal Reserve, 1913-1951* (Chicago: University of Chicago Press, 1993), 271-414.

[11] Strong to Owen D. Young, 11 June 1928, quoted by Clarke, *Central Bank Cooperation*, 39.

[12] Meltzer, *History of the Federal Reserve*, 191-266.

[13] Martha L. Olney, *Buy Now, Pay Later: Advertising, Credit, and Consumer Durables in the 1920s* (Chapel Hill: University of North Carolina Press, 1991).

because he sought to burnish his nationalist credentials and outflank the Nazis on the right. Brüning did not anticipate the insolvency of the Danatbank, the spread of contagion abroad, or a crisis of such magnitude as to force British devaluation and sweep away the global financial architecture.[14] Still, those events aborted the hope of early recovery and set off the second, downward leg of the contraction. Ahamed's apparent sympathy for Germany's debtor position calls to mind Lincoln's parable of the man who killed his parents and sought leniency because he had become an orphan.

Ahamed covers so many issues in this survey that one cannot address them all with the seriousness his work deserves. An examination of two specific topics, the reparations and war-debts imbroglio and the international monetary regime, nevertheless suggests how a historical sensibility might have led him to different conclusions. Ahamed's approach to the debt overhang from World War I perhaps reflects the inclination of the great and the good in today's policy community to favor debt rescheduling whenever reduced economic growth looms as the alternative. The analogy to the circumstances following World War I does not hold. The staggering human and material costs of the war had already been incurred. As Clemenceau never tired of asking, should the costs of recovery fall partly on the nation that had deliberately launched the war or only on those that Germany had wronged? Given the ambiguous outcome in November 1918, reparations represented a continuation of war by other means. If the Reich evaded payment, it would soon dominate Europe economically even though it had not prevailed on the battlefield.

Ahamed throws around imprecise figures on the amounts that the Allies asked Germany to pay at specific junctures and the present value of the sums that the United States demanded from its own debtors. He seems not to have heard of Sally Marks's three rules of reparations: everything was political; nothing was what it seemed; and nothing stayed settled for long.[15] Had they not obstructed payment, the Germans could undoubtedly have raised the 4 to 5 percent of national income practically required under the 1921 London Schedule of Payments. They could have paid more easily still the reduced charges contemplated under the Dawes and Young plans. The Reich had collected proportionately more from France after the Franco-Prussian War. And the totals pale into insignificance compared with Nazi extractions from the conquered nations in World War II or Soviet levies on East Germany after 1945.[16] Has the author never come across Hjalmar Schacht's apothegm: "I do not want to pay, and therefore I

[14] Edward W. Bennett, *Germany and the Diplomacy of the Financial Crisis, 1931* (Cambridge MA: Harvard University Press, 1962).

[15] Sally Marks, "Smoke and Mirrors: In Smoke-Filled Rooms and the Galerie des Glaces," in Manfred Boemeke, Gerald Feldman, and Elisabeth Glaser, eds., *The Treaty of Versailles: A Reassessment after 75 Years* (New York: Cambridge University Press, 1998), 338.

[16] Götz Aly, *Hitler's Beneficiaries: Plunder, Racial War, and the Nazi Welfare State* (New York: Metropolitan Books, 2007); Rainer Karlsch et al., eds., *Sowjetische Demontagen in Deutschland 1944-1949: Hintergründe, Ziele und Wirkungen* (Berlin: Duncker & Humblot, 2002); Bogdan Musial, *Stalins Beutezug. Die Plünderung Deutschlands und der Aufstieg der Sowjetunion zur Weltmacht* (Berlin: Propyläen, 2011), 247-375.

will accept no theory proving to me I must pay"?[17] Ahamed likewise misunderstands American war-debt policy. Far from playing 'Uncle Shylock', the U.S. Treasury forgave most of the war debt (except for England) through concessionary interest rates and back-loaded payment schedules. Although theoretically those schedules stretched on for six decades, pressure for compliance would lapse after amortization of the domestic Liberty bonds in 1943. Perhaps because he has not run the numbers, Ahamed accepts Keynes's propagandistic theory of the circular flow of funds—with America lending money to Germany, the Reich passing the proceeds to the Allies, and the latter repaying the U.S. government—and no one a penny better off (216). In fact, unrequited transfers to the Reich exceeded all German out-payments by 2.1 percent of national income over the entire period from 1919 to 1931. Contrary to received opinion, the Germans ended up a lot better off.[18]

Given Ahamed's dated account of capital movements, his idiosyncratic descriptions of the personalities involved follow logically. He seems not to realize that Keynes served as an adviser to Berlin and largely wrote the reparations note of June 1923. He attributes to Premier Poincaré a preference for "occupation and conquest" over revenue when the spurious quotation cited bears the distinct paw-prints of the ever-resourceful *Heimatdienst* (117). He praises the chauvinist Reichsbank president Rudolf Havenstein as a "true gentleman of the old school" (188), can't make up his mind what caused the Weimar hyperinflation, and ignores compelling evidence that the Reich government refused to stop it before getting rid of reparations. With some nuances, the author also strains to portray the lubricious Schacht in the least unfavorable light, going so far as to speculate that he might have saved Germany six months after he had become a confirmed Nazi fellow-traveler (419). The depiction here would not explain why Justice Robert Jackson, chief prosecutor at Nuremberg, later called Schacht "the most contemptible individual on trial."[19]

Finally, Ahamed arguably mischaracterizes the gold-exchange standard of the 1920s. Many economists hold the inflexibility of "gold" responsible for the transmission of deflationary impulses as the Depression deepened.[20] Few pay close attention to the detailed financial architecture of the period. Steve Hanke, the father of currency boards, points out that in a fixed-currency regime like the classical gold standard the central bank adjusts the domestic monetary base to the balance of payments. Under a floating-rate regime, the monetary authority targets the health of the domestic economy and lets the exchange rate vary accordingly. Both, in their pure form, are free-market systems. Under a pegged-rate regime, the central bank seeks to manage domestic monetary policy through interest-rate changes

[17] Werner Link, *Die amerikanische Stabilisierungspolitik in Deutschland 1921-32* (Düsseldorf: Droste Verlag, 1970), 386.

[18] Schuker, *American 'Reparations' to Germany, 1919-33*, 106-19.

[19] "The Reminiscences of Robert H. Jackson," Columbia University Oral History Research Office (1955), pt. 8, 1445.

[20] Barry J. Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (New York: Oxford University Press, 1992).

and open-market operations, and at the same time to hold exchange rates steady. Pegged-rate regimes are inherently unstable. They eventually lead to contradictions between internal and external objectives.[21]

The gold-exchange standard of the 1920s operated as a pegged-rate regime. Although the Federal Reserve remained theoretically bound by the 1900 Gold Standard Act, in practice the Open Market Committee determined the quantity of money in circulation, sterilizing gold inflows if they menaced price stability. When the Bank of England returned to the "gold" basis in 1925, it pegged sterling to the dollar but hardly renounced control over the domestic money supply. Strong and Norman agreed that they presided over a managed-currency system. When other countries stabilized, they employed dollars and sterling in addition to gold as reserves. Thus bullion supplies did not necessarily have to keep pace with world-trade expansion. Such a regime is prone to mismanagement, domestic political pressures, and conflicting international objectives. Those issues deserve consideration in their own right, but ought to be distinguished from the purported failings of a "gold" standard. To give one illustration, the Fed sterilized gold imports in 1930 even though the doctrine called for a proportionate increase in the money supply.

Addressing the Depression from an ideological point of view, Barry Eichengreen and Peter Temin, two liberal Keynesian economists steeped in this era, blame the "gold-standard mentality" rather than discrete shocks for the failure of governments and central banks to reverse the decline. Eichengreen and Temin hold that "hegemonic" creditor interests employed the "sanctimonious" rhetoric of gold as a superstructure to obscure a political preference for price stability over output and employment. The entrenched upper class maneuvered to throw the burden of adjustment wholly on ordinary people. Labor unions naturally resisted lower nominal wages; hence mass unemployment became ineluctable. The crisis could only end when selfish elites—in Germany, the United States, and elsewhere—were "replaced through the agency of mass politics."[22] Paul Krugman enthuses that Ahamed's book represents the "longer-form version" of the Eichengreen-Temin thesis.[23] Ahamed's narrative method precludes strict adherence to a doctrinal line, but he seems to have read this remarkable piece and implicitly to endorse its thrust. Eichengreen and Temin may themselves properly claim to have captured the essence of Keynes's social thought. In a famous passage written in 1925, Keynes anathematized the gold standard as "an essential emblem and idol of those who sit in the top tier of the machine." Society stood midway between the theory of market economics and the more enlightened notion that wages should be fixed by reference to "what is 'fair' and 'reasonable.'" Catastrophe loomed if we continued to apply principles

[21] Steve Hanke, "The Weak Dollar Problem," *Globe Asia*, May 2011.

[22] Barry Eichengreen and Peter Temin, "The Gold Standard and the Great Depression," *Contemporary European History* 9, no. 2 (2000), 183-207.

[23] Paul Krugman, "What's Our Gold Standard?," *The Conscience of a Liberal* (blog)*, New York Times*, 27 March 2009, http://krugman.blogs.nytimes.com/2009/03/27/whats-our-gold-standard/ .

"worked out on the hypotheses of laissez-faire and free competition to a society which is rapidly abandoning those hypotheses."[24]

Upon reflection, international historians of the 1920s must acknowledge Ahamed's work, with all its misapprehensions, as a severe indictment of their inability to reach an influential general audience. Old bromides die hard. Some never die. In the popular mind, the ukase of the newsman in the classic John Ford film still applies: "When the legend becomes fact, print the legend."[25]

[24] *The Economic Consequences of Mr. Churchill*, quoted in D. E. Moggridge, *Maynard Keynes: An Economist's Biography* (London: Routledge, 1992), 433.

[25] "The Man Who Shot Liberty Valance" (1962).