

An Economist's Career: What? Why? How? *

Introduction

The invitation of my old friend Luigi Ceriani is as dangerous as irresistible. I interpret it as a call for personal reflections on a life experience rather than for another rehash of my already overrepetitious writings on technical subjects. I shall therefore resign myself to presenting candidly to the reader a string of cogitations which run the risk of being interpreted as inspired by vanity and senility more than by wisdom.

Let me first apologize for the excessive length of this article. It is due, at least in part, to an attempt to enliven as well as document it by concrete examples more influential in fact, if Freud is right, than *ex post* ratiocinations, and more likely to be remembered by my readers.

Most of them may wish, however, to skip the first section which outlines my career and what inspired it, and to turn right away to Sections II and III in which I try to summarize my personal brand of practical economics and a few broader reflections on my life philosophy. The latter would have spared me major mistakes if I had developed them earlier, but are less likely to influence the young than I would wish, since experience is a personal asset which only life, but no professor, can teach.

I. Career Summary

My career had three distinct phases: a purely academic one, a governmental interlude of nine years, and finally a thorough blend of academic and consultant activities.

* Contribution to a series of recollections and reflections on professional experiences of distinguished economists. This series opened with the September 1979 issue of this Review.

1. *Academic*

I was born on October 5, 1911, from a very modest family, in the beautiful village — still totally unspoiled today — of Flobecq, in Belgium.

Students who do not succeed immediately in reaching satisfactory grades should be encouraged to hear that I was also far from successful at the start. I was, in my early years, a voracious reader of detective stories. Arsène Lupin — the “Raffles” or “Saint” of French novels — and Joseph Rouletabille — who anticipated Sir Henry Merrivale and Gideon Fell as solver of “locked room” rather than “whodunit” mysteries — interested me far more than my dreary teachers and their dull subjects. At the age of 12, I feigned sickness not to risk failure in my exams.

This downward path was changed nearly overnight when my parents, confident of my intellectual gifts, sent me to a catholic boarding school funereally named “Collège Notre-Dame de la Tombe” in Kain-lez-Tournai. The sacrifices which this imposed on my family inspired me to exceptionally hard work, rewarded by being uninterruptedly the first of my class, with “greatest distinction” in every quarterly examination over my six years at Kain.

Yet, I had to earn another “greatest distinction” in my first year at the University of Louvain before receiving an educational grant from the Belgian Fondation Universitaire. My parents were pressing me to prepare for the comfortable life of pharmacist, but I was adamantly opposed to it, being interested primarily in history and literature. Those interests could not be followed, however, since any professional career in these areas was clearly earmarked at that time in Belgium for the sons or relatives of the professors in charge. I thus registered in the Faculty of Law, where the first two years of study were devoted to history, philosophy and literature, and could be combined with complementary programs in Thomistic philosophy, politics, diplomacy and economics. The latter offered the most promising career for an impecunious youth, especially if the Louvain degree could be strengthened by a U.S. university degree. The “Commission for Relief in Belgium” — more happily renamed since the “Belgian American Educational Foundation” — made this possible, and my Louvain professors advised me to study “location economics” at Harvard, with the prospect of teaching it at Louvain after my return, in combination with a part time assignment in the research department of the National Bank of Belgium.

A few weeks at Harvard, however, sufficed to convince me that what I missed most was an adequate training in pure theory, then taught at Harvard by Professor Schumpeter whose broad culture in that field, and others, was as unique as his class showmanship. I spent three happy years (1935-1938) for my Ph. D. in economics — the first ever received at Harvard by a Belgian — and my dissertation on *General Equilibrium Theory and Monopolistic Competition* — mostly inspired by him and by Professors Leontief and Chamberlin, to say nothing of Pareto and especially Walras — was crowned by a Wells Prize and published by the Harvard Press in 1940.

I also spent two summers at the University of Chicago, where I was deeply disappointed by the intolerance and self-centered exclusiveness of the so-called “Chicago School” of economics, in search of faithful “disciples” more than of true “students”.

Upon my return to Belgium, in the fall of 1938, I found that two or three years, at least, would have to elapse before I could hope to make a living wage either at the University or at the National Bank. A decent number of Flemings would have to be appointed first in order to approximate parity with the Walloons, who had up to then filled most of the existing openings. This was understandable, but I could not live on thin air, and I accepted with relief, for this intermediary period, a three-year appointment as instructor at Harvard.

This entailed in fact a much longer career — from 1939 to 1977 — in the United States. The outbreak of war in 1940 made my return to Nazi-occupied Belgium unthinkable, and — most of all — I had met on one of the last trips of the Normandie a girl whom I loved at first sight, asking her to marry me after only six hours of conversation. This ship-board romance has — contrary to dire warnings — happily persisted now for 42 years and brought us three beloved and loving children and four very dear grandchildren.

2. *Governmental*

My academic career was forcibly interrupted, in the summer of 1942, by the involvement of the United States in the second world war. Many economists were urged to leave the ivory tower for Washington, and I myself landed at the Federal Reserve Board to organize, for the first time, a research department section on Latin America. Why? The

main reason¹ may be comforting to some students disappointed in their career hopes.

I had lived, as a child, the German occupation of Belgium in the first world war, and shared for years the general hatred of the "Boches", while crying with my family over the death at the front of some individual young soldiers quartered in our house and obviously innocent of the tornado engulfing us all. In Louvain, however, the rise of Hitlerism, the teachings of Einstein, etc. had imparted to me deep pacifist feelings. The best lever I could see to serve these in an economic career was to join the rarefied group of central bank experts who play in fact a crucial role in each country's economic life, and are forced to deliberate constructively across obsolete political borders — or at the League of Nations, at that time, or the Bank for International Settlements — on gold and foreign-exchange problems of common interest. My Harvard life had taken me in a totally different direction, but when the opportunity came at the Federal Reserve, I seized it immediately and gladly forgot monopolistic competition and pure theory. I have never regretted it.

My job was soon to take me to all twenty of the Latin America countries, and I was lucky enough to see my recommendations on monetary and banking reforms adopted, with record speed, in the few which formally requested my advice in this respect (particularly Paraguay, the Dominican Republic, Guatemala and Ecuador).

One of the explanations of this unexpected success was undoubtedly the total independence which the Federal Reserve Board granted me in these missions. On my first mission — to Paraguay — they had given me no advance "instructions", expecting any recommendations of mine to be debated for years before being acted upon, as had been the case in all previous experiences of this sort. They were dumbfounded to hear from me only three weeks after my arrival in Asunción that Paraguay had adopted a new monetary legislation replacing the old "peso oro sellado" — identical in fact to the Argentine paper peso — by a new currency, at a ratio of 1 to 100, anticipating the similar Gaullist reform of 1958. I was asked to return immediately to Washington before proceeding with my plans for a broader reform of the banking system!

My report to the Board, however, was enthusiastically endorsed by them and by their staff, and my success was credited in part to the

¹ There were others, of lesser interest, such as the dullness of some of the half-dozen jobs pressed upon me, or their repellent nature such as an OSS — pre-CIA — job of helping choose appropriate bombing sites in Belgium. I could not contemplate inflicting such hardships on innocent people from a safe and comfortable chair abroad.

confidence that my independence from foreign instructions had imparted to the Paraguayans. Governor Eccles reflected this judgment when agreeing that I could, in similar future missions, act in the same way and give my honest answer to any questions put me, rather than ask my questioners to wait until I could check with Washington. He even merely laughed off my proposal to hand him a letter of resignation, with the date left in blank, in case I committed a blunder whose responsibility could not be accepted by him and his colleagues.

Yet, the reforms which I proposed to these countries were truly revolutionary at the time. They sought to put monetary and banking policy at the service of the overwhelming development objectives previously ignored in central bank legislations copied one from the other and trying merely to imitate a distant and largely inappropriate Bank of England or U.S. Federal Reserve model.

My concern for independence dictated my refusal to the then powerful Under-Secretary of the powerful U.S. Treasury, Harry White, to leave the far less influential Federal Reserve Board and join his *regimented* staff. Harry White was scornful of my stupidity, but when his own adviser, Dr. Bernstein, became — against White's opposition — the first Director of Research of the International Monetary Fund, he immediately asked me to organize its first exchange-control department.

I shall spare the reader the account of my activities at the IMF, except to mention my request, after one year, to become the first technical representative of the Fund in Western Europe.² I was able, in that function, to participate as observer in the unending but fruitful debates of the Payments Committee of the OEEC (Organisation for European Economic Cooperation), ably led by Hubert Ansiaux, Vice-Governor of the National Bank of Belgium. This gave me the opportunity to discuss informally the proposals I had developed at the Fund — the first in September 1947 — for a European Clearing Union, but which the IMF Executive Board debated for more than two years without ever reaching an agreement adamantly opposed by the U.S. Treasury.

I welcomed, therefore, in December 1949, the invitation of the State Department to join the European Recovery Administration in Paris to present my proposal formally and help negotiate its adoption by the OEEC. The European Payments Union Agreement was signed less

² The job was initially dubbed, on the insistence of a suspicious Executive Board, "Roving Technical Head of the IMF in Europe", until I asked for stationery in which I translated this impressive title into French as "Tête Technique Ambulante du FMI en Europe".

than a year later, on September 19, 1950, and embodied substantially my initial proposals of September 1947.

I served briefly as alternate U.S. representative on the Managing Board of the budding EPU, but resigned with deep regrets and misgivings in August 1951 rather than defend formally a switch in U.S. policies which I deemed contrary to our commitments and to U.S. interests as well as to those of Europe.

3. *Academic and Part-Time Consultant*

This inaugurated the third phase of my career, in which I served simultaneously as professor at Yale — and for brief periods at the Graduate Institute of International Studies, in Geneva — and as *part-time* consultant for various international organizations and national governments and central banks throughout the world. This enabled me to express freely, orally and in multiple publications, personal opinions which the officials consulting me would debate for years before reaching agreement, when they did not oppose them adamantly or merely shrug them off as academic and utopian.

At Yale, I initiated a graduate program in “International and Foreign Economic Administration” (IFEA) designed to give one or two years of economic training to promising young or middle-aged people already employed in governmental agencies and particularly central banks. Most of them have made a brilliant career since then.

The campus unrest of the late 1960’s and early 1970’s induced me to accept President Brewster’s request to become Master of Berkeley College and to experiment concretely in that framework a plan, which the Paris events of May 1968 had suggested to me, for a more effective form of democratic representation.³

I returned to Belgium in September 1977, as invited professor at Louvain-la-Neuve, and could thus participate actively in the planning of the European Monetary System. I continued to teach at Yale during the fall of 1978 and of 1979, but found such extended absences more and more difficult to combine with my activities in the European Community. I thus anticipated, in July 1980, my forthcoming retirement and left,

³ See my article on “Affinity Groups Representation” in *Human Systems Management*, No. 2, 1981, pp. 13-25, North-Holland Publishing Company.

with a heavy heart, a University in which I had spent so many happy and fruitful years.

My consulting activities, in this third phase of my career, range over a broad field. Only a few of them can be mentioned here: the Council of Economic Advisers of Presidents Eisenhower and Kennedy, the Organization for European Economic Cooperation, the United Nations and its various regional economic agencies for Europe, for Asia and the Far East, for Africa, the Arab Monetary Fund, the Center for Arab Unity Studies, etc., and, last but not most, the European Economic Community.

This inevitably created problems at times. For instance, I was told by one of the participants that when President Kennedy urged members of his cabinet to act on my proposals for world monetary reform, he was asked by the Secretary of the Treasury, Douglas Dillon, whether I was an American or a European. He had seen me in April of that year as a member of the U.S. delegation to the OEEC, and was surprised to see me serve, at an annual IMF meeting in September, as member of the European Community delegation. President Kennedy answered jokingly: “Relax Doug! He is our first Atlantic citizen, and we need more of them”.

(The arrangement had, of course, been agreed to at a high level by U.S. as well as European officials with the understanding that I would not reveal any information regarded as secret by either, but could exercise my best efforts to mold my own advice to both sides in such a way as to promote the chances for successful negotiation.)

Most of that advice, and of my academic research was devoted to two issues which I regarded as complementary rather than exclusive of one another: worldwide monetary reform of the crumbling gold-convertible dollar exchange standard, and regional monetary cooperation, culminating possibly some day in full monetary — and therefore political — union in various parts of the world.

The so-called “Bellagio Group” of Professor Machlup was one of the multiple forums in which I learned most about the first, and the “Action Committee for the United States of Europe” of Jean Monnet the one in which I learned most about the second.

Suffice it to say that I was unfortunately successful as a prophet of doom in my book on *Gold and the Dollar Crisis*, but unfortunately unsuccessful in advancing the reforms which I advocated — first to the Joint Economic Committee of the U.S. Congress, in October 1959 — to ward off the collapse of the Bretton Woods system. I was partially

successful, on the other hand, in some of my efforts for regional monetary agreements, particularly in Central America, but most of all in the European Community. The European Monetary System belatedly put into operation in the spring of 1979 is a desperately modest step in what I see as the most promising direction for a reordering of the present worldwide monetary chaos.

II. My Peculiar Brand of Policy-oriented Economics

I group under five broad headings a score of suggestions derived from a long and varied experience and which might be of some interest — I hope! — to economics students, and even “experts” if any economist still feel entitled to use that term after a decade of universal failure of our profession.

1. Policy-oriented Economics. Why?

First of all, why should an economist repeat what Schumpeter used to dub “the Ricardian sin” of pretending to derive from economics practical advice entailing inevitably *value judgements* not derivable from mere *economic logic*? Schumpeter illustrated ironically his refusal to do so by citing the example of an old professor who dared criticize his country’s dictator — a former student of his — for having sentenced 100 thieves to have their right hand cut off: “Can you imagine the suffering of these 100 people?” To which, the dictator answered: “But did you not teach me yourself, dear professor, that utilities are immeasurable and certainly cannot be added up?”

Economists are citizens and cannot elude their responsibility to participate in the democratic process, leaving it to others even less competent than they to solve inescapable economic problems.

Secondly, even those who accept this responsibility tend, far too often, to give priority to good forecasting over good advice. I shall always remember the comments of Professor Rappart, Chairman of a Conference of French-speaking Economists to which I had presented, in 1949, an outline of my plan for a *European Payments Union*. After praising it, he caressed his white beard and added: “You are far too optimistic, young man. When you reach my age you will have learned

that such proposals cannot be agreed to in a negotiation involving so many governments and contradictory national interests”. To which I answered: “If my main concern were to make safe forecasts, I would agree with you and be proven right nine times out of ten. But I prefer to be wrong nine times out of ten, if I can contribute once in ten times to divert us from catastrophe, and help build a better future”.

A third, and more constructive, reminiscence is a long afternoon conversation with Professor Machlup on the Southampton beach in Long-Island. He was opposed to my plan for a *European Payments Union*, which he considered inferior to flexible rates, then anathema to all and obviously unnegotiable. We finally agreed, however, that the task for economic experts engaged in the negotiating process was to extract from the opinions held at the time whatever agreement was negotiable, even if some held it to be only a “second best”. A second best would be better than protracted paralysis perpetuating a much worse situation: the *bilateral* straitjacket that then stifled Europe.

Enough economists would be left, in purely academic careers, to explore controversial issues, and gradually educate their colleagues, and public opinion, to accept the better solutions toward which they felt inclined.

This agreement with Professor Machlup initiated a long and fruitful friendship in which we collaborated, particularly in the famous “Bellagio Group”, to pursue this double approach and develop it in innumerable joint seminars between economists and policy-makers.

2. How? Communicability and Credit (or Blame)

Economists called upon to debate even highly practical and urgent policy issues too often devote most of the limited time at their disposal to displaying as much dissent and originality as they can. This is far more prestigious than to emphasize banal, common sense observations shared by all. But it is also a recipe for inconclusive monologues, leaving out common sense and leading to disagreement. I often urge seminar planners to devote at least one of their seminars out of ten to disentangle what can be agreed upon immediately, and leave to the other nine the original suggestions calling for further advance of our knowledge.

Even more important for each of us is to develop our ability to speak to policy-makers in a language understandable by them, *i.e.* very often the layman’s language rather than our economic jargon. I took my

first lessons in that respect at the *Federal Reserve Board*, but learned immensely more from Jean Monnet. This was indeed one of the two major assets of that great man, the other being of course the trust inspired by his total independence from national interests, viewpoints and instructions.

A distasteful aspect of this need to "communicate" with various influential circles has been for me the need for endless repetition of similar, but *essential* points and arguments, in conferences and articles addressed to many different audiences.

My final observation, under this heading, is the need to leave credit — or occasionally blame — to the policy-makers who accept to risk their career to implement our advice. This was also the great merit of Jean Monnet whose plans were most often christened by the name of the politician responsible for their adoption.

I shall quote another reminiscence to illustrate this point. The United Kingdom's decision to devalue the pound, in September 1949, from \$ 4.03 to \$ 2.80 flooded the IMF with requests from virtually all other countries to concur with their own proposals for a readjustment of their par value. The research department hastily prepared papers for the Managing Board defending, in each case, the country's proposed rate of devaluation. On the very morning when the case of Suriname (the former Dutch Guyana) was to be discussed in the afternoon, the Dutch Executive Director informed us that, contrary to all expectations and to the paper that had been prepared, Suriname would not follow the Dutch devaluation, but keep its dollar exchange-rate intact. To emphasize a point that I had vainly made earlier,⁴ I suggested that we need merely to add the word "*not*" to our conclusion, which would then read: "A par value change of 31.5 per cent does *not* therefore appear indispensable to restore fundamental equilibrium in the economy of Suriname".

3. Long-term and Short-term Analysis and Prescription.

Policy-oriented economic analysis should obviously be based on a correct appraisal of the assumptions most *relevant* to the problem at hand, rather than on assumptions far remote from the facts of the case

⁴ *i.e.* to say in our research papers that whatever rate was proposed by a country was — or was not — compatible with the *broader* range — or "*fourchette*" — of adjustment considered advisable by the research staff, but to stress that the *decision should be made by the Board* in the light of our analysis and of the full and more up-to-date information available to the national authorities of each country to back their view.

and whose only merit is to lend themselves more easily to abstract mathematical, so called econometric, reasoning. This made the greatness of Keynes, even when he overargued in a *General Theory* a prescription derived from the obvious — but temporary — circumstances of the times.

I always try to take first a *long-term* view of future trends and desirable objectives, derived from a historical record embracing a sufficient number of years rather than, for instance, quarterly fluctuations in highly unstable variables. My analysis and conclusions often reach back for many years, or even several centuries, from which such trends emerge with blinding clarity.

Yet, I also center, in my practical advice, on what I deem negotiable in the *foreseeable future*. I have often quoted Kruschew's remark that a ten-mile road must begin with a first step, and Richard Gardner's admirable book on *Sterling-Dollar Diplomacy* (revised edition: Mc Graw-Hill, 1969) whose main theme is that the long-run is determined by successive "short-runs" and that realistic planning must constantly be re-modelled in the light of the unexpected obstacles and opportunities revealed by experience along the road.

This had inspired in fact my EPU proposals, which stressed the *transitional* steps, immediately negotiable, but which had been left desperately vague in Article XIV of the IMF Agreement. This Article XIV put on ice for an indefinite period the *distant* ideal blueprint defined in all the other Articles.

I stressed the same point, in 1977, with President Jenkins who considered — as I also did — a *qualitative jump*, of a revolutionary nature, essential to progress toward European Economic and Monetary Union. I reconciled this view with the inevitable *gradualism* of intergovernmental negotiations, however, by choosing among the many transitional steps susceptible to be negotiated those that appeared to me most "seminal" or "germinal".⁵

A final point, in this respect, is that the best chance for governmental action lies in the crises which cry for immediate remedial action. I describe myself as an "optimistic Cassandra". I often take a pessimistic view of probable developments, but interpret — like the Chinese —

⁵ One of these, which had also inspired my EPU proposals was the "clearing" functions from which full-fledged central banks developed in past history, by a normal evolutionary process dispensing them from repeated calls for new negotiations and agreements.

each crisis as a *challenge* for reforms which could not be expected otherwise from routine-bound governments and bureaucracies. My old master Schumpeter had taught me that man is a “creature of habit” far more than the “economic man” dear to our profession.

Innovation is essential, but must build with the materials at hand, *i.e.* those inherited from the past, including in my field central bankers understandably jealous of their independence and suspicious of political interference with this independence, from their own governments as well as from those of other countries. “National sovereignty” slogans are often a convenient misnomer for this thirst for the independence of people and institutions from domestic as well as from external pressures distasteful to them, when they are not merely inspired by the old French motto: “Je suis leur chef; donc, je dois les suivre!”.

Any innovating proposal will be correctly criticized as *premature*. When I presented to the Joint Economic Committee of Congress, as far back as October 1959, my proposals for world monetary reform, I quoted the disabused comment and dire prediction of a former colleague of mine (Woodlief Thomas) at the *Federal Reserve Board*: “Triffin, you are probably right, but, in this matter as in that of EPU, your proposals come several years too soon, and this time I don’t honestly think you will get anywhere until people are shaken into action by a real crisis. Then may be!”

Events proved him right, of course, but I continue to believe that one must be premature to have any impact. Any reform proposal will be regarded as “wild” whenever it is formulated for the first time. Several years will have to elapse before it becomes “tame” for public, and even expert, opinion. Such tameness is a precondition for its acceptance whenever a crisis becomes sufficiently acute to prompt people into reforms that should have been implemented much earlier in a more rational world than the one in which we live.

4. *More Theoretical Methodological Observations*

My first observation under this heading is also a confession. I often waste a disordinate amount of time in trying to *integrate into comprehensive* “Tableaux” — à la Quesnay — the disparate statistical estimates available to formulate meaningful analytical and political conclusions. *Nationally*, I try to relate balance-of-payments, for instance, to national accounts in general and to monetary analysis. *Internationally*, I try to integrate national balances-of-payments estimates into a worldwide

conspectus, broken down into *regional* estimates (such as the United States, other industrial countries, and the undercapitalized countries of the Third World) and to relate them to the evolution of world and regional groups’ *monetary reserves*. Finally, I try also to integrate such variables *over time*, showing for instance how the so-called dollar “overhang” emerges from a string of annual dollar “overflows”. The columns and rows of my tables must add up vertically and horizontally, helping to spot calculation errors and draw attention to unexplained discrepancies. I enjoy working over such puzzles during the day, and continue, in the evenings, the same sort of activity with my wife in solving diagramless cross-word puzzles.⁶

This methodological bias expresses itself also in my preference for the word “*compatibility*” over the term “*equilibrium*”, so dear to the economic profession. I see most of our problems as deriving from different, incompatible, *ex ante* individual or group preferences and interests. Sellers want high prices and buyers low prices, workers high wages and employers low wages, etc., etc., and the resulting incompatibilities will have to be reconciled willy-nilly by the facts of life. This concept — far broader and more inevitable than “*equilibrium*” — can also be applied to other disciplines, such as political science. The incompatible views of France and Germany, for instance, about the Sarre or Alsace-Lorraine had to be reconciled by history into a compatible solution. The problem, in economics as in politics, is to choose among the different alternative paths leading to such inevitable compatibility: market forces, blackmail, strikes, lock-outs, violence, sabotage, civil or international wars, negotiations, etc.

And when some negotiators proclaim that they should negotiate only from a “position of force”, I ask myself whether this is not an obvious recipe for failure. When they proclaim a problem to be too *fundamental* to be negotiable, I remember that the most “*fundamental*” conflicts of history have been solved in fact by passing out of sight. The fundamental conflicts between Islam and Christianity, for instance, or between Catholicism and Protestantism, were not solved by the disastrous religious wars to which they gave rise, but by learning to live with them.

⁶ We worked out together the cross-word puzzle on the jacket of my book on *The World Money Maze: National Currencies in International Payments* in which all the words are the names of national currencies.

My third observation was learned — as many others — from another of my heroes: Jan Tinbergen. It is that policy advisers must often *reverse the order* adopted by economic analysts. Instead of taking a given rate of devaluation as the *known* and its result on the balance-of-payments of a country as the *unknown*, he took as *given* the practical limit of deficits susceptible of finding financing at acceptable costs, and considered the alternative paths — deflation, devaluation, trade and exchange restrictions, etc. — through which deficits could be corrected, or brought down to available financing means. He would then advise the authorities to implement the least distasteful of these alternatives, recognizing that in many cases a *combination* of them would be preferable, each being subject to a maximum *margin of tolerance*.

This also helps resolve another favorite, but inconclusive, dilemma of economists: distinguishing causes and effects, when variables are in fact inevitably interrelated, each influencing the other. Price increases may be the cause of currency depreciation, for instance, but currency depreciation may also be the cause of price increases. I prefer therefore to stress the relation between *goals* and *means* as being less ambiguous in most cases than that of *causes and effects*, and more relevant to policy analysis. Currency devaluation is never a goal, but may become one of the means to reach preferred — or unavoidable — goals, such as the correction of unsustainable deficits without unacceptable consequences on economic activity and employment. But changes of circumstances may dictate a different choice at different times. Keynes' assumption that *real* wages are easier to cut down — through devaluation — than *nominal* wages is certainly less convincing today than it was when he formulated it before the pervasiveness of legal or *de facto* salary indexation.

Incidentally, I also plead, constantly but vainly, for defining inflation as an excess creation of purchasing power, rather than as price increases. The latter is merely one of several alternative *consequences* of inflation, the others being balance-of-payments deficits and/or trade, exchange and price controls, unlikely to be enforceable indefinitely.

Finally, I have often been forced to defend myself against the accusation of being a mere inventor of “gadgets” when I argued for institutional reform. Professor Haberler, for instance, loves to point out that international commitments would be unnecessary if each country “kept its house in order”. He is perfectly right, of course, but this excellent advice seems to me to be based on the most academic and

utopian assumption of all, *i.e.* that each government will always follow unflinchingly the best policy and not be thwarted by its own mistakes or by the action of others.

The need for institutional agreements derives precisely from the opposite — and, I think, more realistic — assumption, *i.e.* the inevitability of occasional, or frequent, failures of governments to implement the policies that are best for their country and for the others.

This will also dictate, in practice, the erection of a *defence “in depth”*, based on the possibility of failure, rather than of a mere — all or nothing — “*Maginot line*”. When I was asked by Dr. Arthur Burns, then Chairman of the Council of Economic Advisers to President Eisenhower, to chair an inter-agency group on the international consequences of a U.S. recession, I pointed out that the best policy would be, of course, to avoid such a recession. His question implied that the best policy might fail, but the same *caveat* should apply to our second, or even third best line of defense.

This observation is obviously as relevant today as then when we try to analyze President Reagan's policies, and what can be done if worldwide negotiations fail to produce policy action acceptable to the United States and/or to other countries.

5. *The Political Framework of Economic Decisions*

Let me first point out, under this heading, an old observation of mine. Our economic jargon is unwittingly replete with emotional connotations reminiscent of the incantations of witches and sorcerers. We speak of “stable” prices when we favor them, but of “rigid” prices if we don't, of “selective” measures we wish to promote, but which we dub “discriminatory” if we are opposed to them, etc., etc. Even our most favorite term of “equilibrium” can often be defined most realistically as meaning whatever policies we would wish to see pursued.

I have learned only more recently — a sign of “senility”? — to appreciate fully the crucial grain of truth in the basic philosophy of a man whose advice was often repellent to me: Professor Hayek. While governmental interference in economic life might be useful, or even necessary, to redress blaring injustices, and promote higher levels of production and welfare, policy-makers will often be motivated by their

own electoral interests and those of powerful interest groups — including those of the armament manufacturers denounced by President Eisenhower, in his farewell speech, as the military-industrial complex — rather than by the more objective (?) advice of their economic experts, not immune themselves to personal biases. A similar observation has often frustrated my youthful illusions regarding the potentialities of international negotiations, as often pointed out by my old friend: Boyer de la Giroday.

Yet, in the long run — which may often, alas, be very long indeed — statesmen may prevail over politicians, and it is them that I prefer to help through my advice. This was the approach of two men, as different from each other as the cynical Talleyrand and the idealistic Jean Monnet, but who were both among those who most influenced the history of their time. Talleyrand used to say that politics is the art of perceiving in time the inevitable and helping it occur as smoothly as possible. Jean Monnet expressed the same thought by saying that “Politics is *not* the art of the possible”. It is the art of making possible to-morrow what still seems impossible today”.

III. Final Reflections

I shall close with three reflections which may seem irrelevant to economics, but which are certainly most relevant to life in general.

1. *Learn from Great Men*

I never tire of advising my students to attach more importance to men than to topics, in choosing their course schedule. I have already mentioned how Joseph Schumpeter diverted me, for a time, from my interest in international economics. I also learned as much or more, as an economist, from *student colleagues* of mine in the most brilliant class that Harvard probably ever had (Paul Samuelson, Arthur Schlesinger, John Kenneth Galbraith, Shigeto Tsuru, Lloyd Metzler, Sidney Alexander, Richard Musgrave, etc.), than from the professors whose classes I attended (Schumpeter, Leontief, Hansen, Haberler, Williams, Chamberlin, etc.).

I hardly need add that my approach to economic policy-advice was influenced most by Jan Tinbergen and especially Jean Monnet. Among my many debts to the latter, I shall always remember his constant stress on the importance of building trust through one's honest advice, impervious — “*impermeable*” was his French adjective — to political pressures and “instructions”. When my son, Nicholas toyed with the idea of entering the State Department, I pleaded with him to acquire first a sufficient reputation in academic life to be able to resign his job rather than carry out “instructions” which he might find contradictory to his most deeply felt ideals. I was undoubtedly impressed by an early experience of mine when receiving in Paris repellent “instructions” from a colleague in the ECA (European Cooperation Administration) Washington office. After a long telephone conversation, he agreed with me that these instructions were “God-awful”, but he had been unable to convince his political superiors, and merely carried out their instructions: “What do you want me to do, Robert? I have a wife and three children to feed!”

One of my books is dedicated to Teilhard de Chardin and to a man — coming from an entirely different discipline — who contributed to my understanding of his message: Jean Charon. My greatest debt of all, however, is to a priest who served as my “director of conscience” in my early days in the catholic university of Louvain: Canon René Draguet, who then taught the history of dogma in the Faculty of Theology. He was summarily dismissed from it, when the book of one of his students was put on the “index”, and later criticized for a total lack of originality since it reflected too slavishly Draguet's own teachings.

I debated weekly with Draguet, late into the night, the multiple problems of the pre-Vatican II teachings of the Church, learning from him the need for an oecumenical tolerance for the attempt of men to answer questions which “logical positivists” considered as “nonsensical” since they are not susceptible to scientific reasoning and demonstrable, communicable solutions. Yet, these are questions which nobody can escape in his personal life, and which inevitably elicit more or less reassuring, comfortable answers (?) from men and organizations living from such an activity.

Canon Draguet was belatedly rehabilitated by his Church, but remained to the end deeply scornful of any “orthodoxy”, and of our inclination either to follow supinely the views of the “establishment” or of mass-opinion, or to pretend to impose our own on others. He taught me, at an early age, the virtues of both *tolerance* and *independence*.

2. *Internationalism and Pacifism*

I have often been criticized by self-proclaimed "patriots" for being highly critical at times of the ephemeral policies pursued by my country's authorities. My answer has always been that the old motto "My country, right or wrong!" is the slogan of a traitor. If I feel that my mother is walking toward a precipice, I should try to divert her from her path rather than push her into the abyss.

My career has taken my wife and me to more than 90 countries. This has alerted us both to an important generalization obviously derivable from observation, but bizarrely ignored in our scientific textbooks: in everyone of these countries, without exception, we found public opinion and the mass-media persuaded that the danger of war came from some other country, but never from their own. Hence the conviction that "Si vis pacem, para bellum!", no matter how ineffective it has proven throughout history to fulfil everyone's deep aspirations for peace.

We are ourselves deeply attached, of course, to the democratic way of life of the countries where fate has placed us, but feel that none is immune from the "war-mongering" proclivities of foreign policies universally dictated by mutual fears and suspicions. What is most universally missing is an attempt to put oneself in the other's shoes, and to try to understand — and assuage if possible — these internecine fears. As Americans, for instance, we should be able to understand the fears of Russians, facing Chinese and Western armaments on both sides of their borders, as much and more than those of our compatriots, whose borders face Mexico and Canada!

We feel ourselves attached to our roots, but also citizens of the shrinking planet on which we all live. This is why I accepted with pride, a few years ago, a Commandership of the Belgian Order of the Crown, conferred to me by the King for having remained "deeply faithful to the small village — Flobecq — in which he was born, but for having become a world citizen, to which every nationalism is alien".

My name "Triffin" may have predestined me to my international career. I am told it comes from the latin: "tres fines", meaning three borders, undoubtedly however the borders of three villages or counties facing some distant ancestor, rather than of the three countries or continents in which I have worked most: the United States, Europe, and Latin America.

Administratively, I was always forced, of course, to be a citizen of one country only. When I moved to the United States and made my career in it, I felt it most appropriate to become an American citizen. This was all the more attractive at a time when the United States had assumed the leadership of the so-called "Free World" — including many countries unworthy of that name — against the hateful racist tyranny and imperialism of Nazi Germany.

Having returned, in 1977, to my native Belgium, I found it most appropriate, for the same reasons, to resume my Belgian citizenship. This move was all the more attractive since a small country like Belgium is least susceptible to being imperialist or aggressive, and is probably the most deeply attached to the ideal of European unity to which so much of my professional career has been devoted.

I nevertheless retain the greatest affection for my adopted country, the United States, for giving me unique opportunities for constructive work, and in which I retain so many friends as well as loving and beloved children and grandchildren.

Freud would of course consider the above explanation as an *ex post* rationalization of nationalistic Belgian instincts instilled into me as a child; but I hope that some of my readers are *not* Freudian.

3. *Friends and Family*

This brings me to a final reflection, which I hope will be meditated by my students.

My greatest regret is to have allowed my professional interests to absorb too much of the time that I should have devoted to my friends and family. I love them very dearly, and hope to have done well by them. But I undoubtedly have sacrificed them too frequently, by being too fully absorbed and "distracted" by my research, writings, and conferences, under the vanitous and fallacious illusion that — as my wife said at times — the earth would stop its course around the sun, if I did not obey the urgent dictates of whatever problem was then claiming my attention, — and which I rarely succeeded in solving to my, and others', satisfaction.

Louvain-la-Neuve

ROBERT TRIFFIN

BRIEF BIBLIOGRAPHICAL GLEANINGS

I have kept up to date the 1935-1965 bibliography recorded on pp. 537-585 of my book on *The World Money Maze: National Currencies in International Payments* (Yale University Press, 1966) and entitled "A Surfeit of Triffin: Chronological List of Publications". (I am horrified to admit that its 141 items have now expanded to well over 300.)

My most significant articles of these 30 years are reproduced in that book, but few readers will wish to consult more than — or even all of — the following publications:

1. *Monopolistic Competition and General Equilibrium Theory*, Harvard University Press, 1940.

2. *Europe and the Money Muddle: From Bilateralism to Near-Convertibility*, Yale University Press, 1957.

3. *Statistics of Sources and Uses of Finance, 1948-58* (in collaboration with Geer Stuvell and the OEEC staff), Organisation for European Economic Cooperation, 1960. [I believe that the methodology used in this little known compendium might still be of interest to today's students.]

4. *Gold and the Dollar Crisis: The Future of Convertibility*, Yale University Press, 1960.

5. "Intégration économique européenne et politique monétaire", in *La Restauration des Monnaies Européennes*, Revue d'Economie Politique, Sirey, 1960.

6. *The Evolution of the International Monetary System: Historical Reappraisal and Future Perspectives*, Princeton Studies in International Finance No. 12, Princeton, 1964.

7. *Our International Monetary System: Yesterday, Today and Tomorrow*, Random House, 1968.

8. "The Thrust of History in International Monetary Reform", *Foreign Affairs*, April 1969.

9. "Rapport sur la Création d'un Fonds Européen de Réserves", Seizième Session du Comité d'Action pour les Etats-Unis d'Europe, Bonn, December 15-16, 1969.

10. "Vers l'Union Economique et Monétaire de la Communauté" Troisième Rapport au Comité d'Action pour les Etats-Unis d'Europe, Paris, July 15, 1970.

11. "International Reserves in 1970 and Beyond", *The Morgan Guaranty Survey*, February 1971.

12. "The Use of SDR Finance for Collectively Agreed Purposes", in this *Review*, March 1971.

13. "Lettres au Général de Gaulle", *Espoir*, October 1973.

14. "L'Europe face à la crise du système monétaire international", and "A European Monetary Area in World Trade": inaugural lectures of Paul-Henri Spaak Foundation, November 5-7, 1974, in *L'Europe des Crises*, Emile Bruylant, Bruxelles, 1974.

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But why go further? I would be delighted at this juncture if policy-makers would merely glance at four of my most recent articles which summarize it all:

1. "Gold and the Dollar Crisis: Yesterday and Tomorrow," Princeton Essays in International Finance No. 132: inaugural John J. McCloy Lecture at the Council of Foreign Relations, November 14, 1978. This article summarizes, in 21 pages, the obstinacy — and changes (?) — over thirty years, of my diagnosis and prescription regarding worldwide and European monetary evolution and needed reforms.

2. "The International Monetary Chaos: Causes and Cures" (Proceedings of Conference on the *European Monetary System and International Monetary Reform*, Collège d'Europe, Bruges, June 4-6, 1981). This is the most updated version of my familiar views about worldwide and regional monetary reform, with special emphasis on the problems of the Third World, and comprehensive tables on the evolution of the international reserve system since the end of World War II.

3. "Le Système Monétaire Européen dans le Cadre du Système Monétaire Mondial", *Banque*, Paris, May 1981.

4. *The First Two Years of FECOM Transactions*, Economic Papers No. 2, Commission of the European Communities, Brussels, July 1981.

R.T.