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Review

Reviewed Work(s): *The Life and Political Economy of Lauchlin Currie: New Dealer, Presidential Adviser, and Development Economist.* by Roger J. Sandilands

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especially when the general case is so very general. Indeed stronger stability results are obtained here, together with an interesting collection of comparative analysis properties of firms' optimal behavior. Again most of the results had already appeared in the technical literature, but their collection here should make them accessible in a systematic form to nonspecialist readers.

In chapter 6, as the authors remind us, "we are entering uncharted terrain." Building on previous work by Skiba, Dechert, Nishimura, Brown, Heal, Guesnerie, and their own work, Brock and Malliaris develop a theory of dynamic equilibrium in the presence of increasing returns and a regulatory agency. It would take me beyond the space limitation of a book review to examine the results in detail. I should stress, though, that this is probably the most innovative and theoretically stimulating chapter. Quite a few of the ideas introduced appear very promising and certainly worthy of further investigation either from the viewpoint of optimal mechanism design or from that of competitive equilibrium growth under increasing returns.

The second part is completed with chapter 8, in which the authors develop a representative household model that integrates the standard theory of optimal consumption and investment with an analysis of the production-financing decision of a competitive corporate sector. The introduction of money and other financial variables results in a rather sophisticated environment in which the dynamics of both real and numerical magnitudes can be jointly analyzed.

The third part of the book coincides with the last chapter, chapter 10. Admittedly, this is a bit of an "outlier" within the general framework of the book since it reports on recent developments in the empirical study of chaotic phenomena. Both the topic and the techniques adopted are somehow orthogonal to the stability theme that characterizes the rest of the book. An effort to describe some of the recent work on the theoretical foundations for chaotic dynamics in optimal control models might have helped nonspecialist readers to build a connection between these phenomena and the turnpike theory so carefully examined before. This criticism aside, chapter 10 is not less rich, interesting, and stimulating than the previous ones. The fact that it is "orthogonal" to the rest of the book may not necessarily be a minus: orthogonal vectors, after all, are able to span a larger number of future states, when properly used.

In summary, this is a superb book that I highly recommend to theoretical and applied economists alike. I am sure it will become a classic reference tool for anybody using continuous-time, dynamical methods in economics.

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The Life and Political Economy of Lauchlin Currie: New Dealer, Presidential Adviser, and Development Economist. By ROGER J. SANDILANDS.
Durham, N.C.: Duke University Press, 1990. Pp. 442 + xii. \$57.50.

This is a remarkable book about a remarkable economist. Lauchlin Currie was born (in 1902) and raised in Nova Scotia. As a graduate student he first attended London School of Economics and then received a Ph.D. from Harvard. In 1934 he went to Washington, initially to the Treasury; then to the Federal Reserve Board as a staff member; and ultimately to the White

House as one of the six assistants to President Franklin Roosevelt. At Harvard and before serving in the White House, he was concerned mostly with monetary questions. As a presidential assistant, however, he branched out into a far broader range of economic issues, including some that were almost entirely political, such as American policy toward China before and during the war against Japan, economic cooperation with Canada, and, as deputy head of the Foreign Economic Administration, lend-lease and wartime relations with neutral Sweden and Switzerland.

Like so many of his generation, Currie was attacked for alleged communist leanings and for having helped to "lose China." He left government in the McCarthy years, trying first business in New York, with no great success; then heading a World Bank mission to Colombia, the first of its kind; and gradually settling there as an economic adviser. Once McCarthyism petered out in the Kennedy years, he traveled widely, including in the United States, Britain, and especially Canada, giving lectures, attending conferences, and teaching, especially at the University of British Columbia. Currie is rapidly approaching 90 years of age, but through at least 1989 he has continued to be highly active, writing profusely and developing "novel and controversial theories" (pp. 202, 215, 288, 348, 466), especially on economic growth and on monetary and banking theory applicable to developing economies. During his early years in Colombia after 1953, he ran a prize dairy farm, later played tennis four or five times a week, and ended up cultivating prize irises, all the time writing "streams of memoranda, articles and books" (p. 264) and "dozens of memoranda" (p. 323). The book contains a 14-page annotated bibliography of major titles in English and Spanish, beginning in 1931 and coming down to two items dated 1990.

Sandilands was a student of Currie in Scotland between 1967 and 1970, and Currie supervised his doctoral dissertation. Sandilands later worked as Currie's assistant at the Colombian National Planning Department. Still later he was commissioned by the Colombian Savings and Housing Administration to write Currie's biography, which he did from 1987 to 1990. He had access to Currie's voluminous files, along with a draft memoir covering especially his childhood and student years. The preface emphasizes that Currie has allowed Sandilands complete freedom and that Currie in fact welcomed criticism and called attention to weaknesses. This then is not hagiography. While the account of Currie's life and work is strongly positive, there is frequent mention of failures, large and small, and of frustrations and disappointments.

Emphasis in the title and in the text is on Currie as political economist. He has always been interested in theory and has been prepared to argue with vehemence about it, but he has been especially concerned in his work with giving advice on policy and having it followed. There is a revealing memorandum to a protégé planning the Colombian position for the Habitat conference on housing held in Vancouver, British Columbia, in May–June 1976: "but to do this requires careful manipulation or leadership on your part. Speeches are necessary. But the important thing is still the manipulation of people to achieve desired ends (always assuming that the desired ends are really worthwhile!)—the art of getting things to happen" (p. 281). Apart from the parenthetical expression of possible doubt, the statement puts one who worked in Washington in most of the period from 1940 to 1948 in mind of Harry D. White's manipulation of the Bretton Woods conference, as described by van Dormael (1978). White and Currie were close friends from their days together at Harvard and when they were together in the Treasury before Currie went to the Federal Reserve Board to work with Marriner

Eccles. In a letter written to a lawyer friend in 1951, Currie stated that he and White entertained one another about once a year (pp. 23, 154). Hearsay in Washington in the war years, however, led one to believe that they saw a lot more of one another outside official duties and enjoyed loud and aggressive arguments that made onlookers uncomfortable. There are other statements about the years before Colombia that raise doubts. Sandilands considers *The Supply and Control of Money in the United States* (Currie 1934) as presenting a rounded indictment of the Federal Reserve Board for having caused the Great Depression of the 1930s. It looks to me much more concerned with the technical details of the money multiplier. Less significant overstatements, as I view them, relate to cooperation with Canada (pp. 105–6, 113), involvement with the selection of bombing targets in Germany during the war (p. 137), and the view that Germany got more aid than Britain during the Marshall Plan (pp. 134–40); the last is clearly wrong.

There can be no doubt, however, of Currie's intelligence, energy, influence, and capacity for controversy. His theory of economic growth, drawn initially from his student days at Harvard under Allyn Young (to whom *Supply and Control* was dedicated), was sharply differentiated from those of most economists, including notably Albert Hirschman (with whom he did not get along in Colombia), Raul Prebisch, W. Arthur Lewis, Gustav Ranis, the Harris-Todaro model, and a long list of others (pp. 195, 196, 202, 213, 214, 228, 240, 331, 363). Currie strongly opposed land reform, housing for the poor in agricultural areas, export-led growth, and *dependencia* theory. Theoretically following J.-B. Say and Young, he advocated supply-side programs for middle-class housing in new cities to create demand for building materials and labor and drawing surplus agricultural workers into the cities to occupy the housing vacated by the upwardly mobile people, who incidentally increased their savings to buy the new housing. The emphasis on construction attracted him to the Habitat conference and to new towns such as Milton Keynes in Britain and Reston, Virginia. This growth theory ran in terms of "leading sectors," of which construction was the most important, but was unrelated to the leading-sector approach of W. W. Rostow, whose *Stages of Economic Growth* (1960) receives no mention.

Keynes on Currie bears on the latter's personality. The book quotes a letter from Keynes to Sir Wilfred Eady, written in October 1943:

Conceivably he [Currie] will be content to leave OLLA [Office of Lend-Lease Administration] mainly to Knollenberg. But conceivably he may not. If he does interest himself in it, difficulties are likely to arise. Currie is an old friend and I know him well but there is no one more difficult to handle. He is extremely suspicious and jealous, very anti-British on such issues as India, and always inclined to assume the worst. He is not fundamentally unfriendly or unreasonable. But he is certainly one of the most difficult to be sure of. [P. 134]

Keynes of course was trying to "handle" Currie, just as Currie tried to "manipulate" those about him.

Controversy makes for good teaching, and it seems evident both from Sandilands's enthusiasm and from the frequent invitations that Currie had to teach that he was a stimulating instructor. He emphasized the Socratic method (pp. 24, 216, 223). At the same time he could be didactic: "he regarded it as one of his most important responsibilities to unravel the mysteries and explain in simple terms central bank theory" (p. 342).

There is perhaps a contradiction between Currie's intense hostility to theories of economic development other than his own Say-Young-Currie brand and his asserted eclecticism:

I am still an inveterate planner. Despite my good intentions, the State reappeared, but I hope in acceptable collaboration with the use of economic incentives The resulting strategy is a mixed one, difficult to classify. I distrust labels. Personally, I would not call myself a monetarist nor a Keynesian, nor a believer in intervention, nor the market nor a structuralist, nor a neo-classicist, but a little of all of these, and am prepared to use policies involving elements of all these approaches when the attainment of certain goals appears to make them appropriate. [P. 372]

Taken with his predilection for novelty and controversy in his long, brilliant and stormy career, the statement underlines the ambiguities and complexity of an outstanding economist portrayed in this fascinating book.

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