

A.O. Hirschman, *The Postwar Economic Order. National Reconstruction and International Cooperation*, Edited by Michele Alacevich and Pier Francesco Asso, Columbia University Press, 2022.

As the editors state at the end of their introduction, “this book shows how Hirschman became Hirschman”. After accumulating an expertise in topics related to international trade, foreign exchange and monetary policies in Italy and France during the 1930s, Hirschman was appointed economist at the Washington board of the Federal Reserve, specialized in European reconstruction issues. Hirschman’s writings collected in this book testify this early stage of his activities as an analyst at the Federal Reserve between 1946 and 1952, before he would become famous as a founding father of development economics. The book is a useful tool for understanding both Hirschman’s intellectual career and the economic policies problems of the post-war European order, with an emphasis on Italy, France and the making of Europe.

In order to better appreciate the standing of Hirschman as a critical economist, a few words on the early years of his extraordinary biography are required. Born in 1915, Albert Otto Hirschman was in a sense a typical son of the “short Twentieth century”. He came from a Berliner high-bourgeois Jewish family, and after the Nazis came to power in January 1933, he left Berlin for Paris, as he was an activist of the Social Democratic Party. In the inter-war period, he studied economics all around Europe – Paris, London, Trieste – without interrupting his activism in antifascist organizations. His first training on international economic problems dates back to this period, when he

wrote several articles on the Italian economy, showing an uncommon ability to combine a widespread knowledge of theory, history and statistics and the study of international trade relations. In 1936, he joined the International Brigades in Spain as a volunteer fighter and later, after the outbreak of World War II, he fought with the French Army, before moving to the United States in 1940. Here he obtained a fellowship at Berkley, University of California, where he wrote his first book, *National Power and the Structure of Foreign Trade* (published in 1945 and partly available in Italian in a book edited in 1987 by Pier Francesco Asso and Marcello de Cecco), and met his future wife, Sarah Chapiro. After 1941, Hirschman also served as volunteer for the US Army in Europe.

The historical circumstances and Hirschman's personal attitudes (he was an open-minded economist with international experience and a trusted antifascist activist) explain why Hirschman found a job as an expert in European economies after the war. Thanks to the aid of his colleague Alexander Gerschenkron, who helped Hirschman to overcome the allegations regarding his sympathy for Communism, Hirschman was hired by the Federal Reserve, with the initial task of studying reconstruction and monetary issues in France and Italy, a task soon extended to the entire Western European region. He would leave the position at the Federal Reserve in 1952, when the political atmosphere changed under the pressure of McCarthyism and he was given the opportunity to become an economic adviser for the Colombian government.

As an expert at the Federal Reserve, Hirschman explored many aspects generally oriented to the goal of European reconstruction. Among them, this collection of essays provides original (unpublished or rare) essays on many related topics such as: the problem of the dollar shortage, the jump-starting of European economies, the working and effects of the Marshall Plan, the attempts to overcome bilateral agreement on trade and reactivate a multilateral approach in international economic relations, the prospects and technical obstacles to European cooperation and the relationship between the United States and the rest of the world.

Focusing in particular on the Monnet Plan for France (1946), Hirschman underlined several shortcomings, relating to the management of inflation. By contrast, the Italian economic policy was judged as well-regulated, using a mix of orthodox and expansionary measures. According to his pragmatic approach, the challenge rested on the capacity of walking on a very narrow path between deflation and inflation, privileging those investments that, in the long run, would stimulate idle resources and hidden opportunities. If we consider

Hirschman's subsequent contributions, it seems that the study of the French and Italian post-war economic scenario could have been a kind of "training" for building the basic concepts and tools of development economics.

As the essays and reports collected in the book testify, Hirschman can be regarded as one of the few technicians who contributed to the creation of the new system of European economic relations, based on multilateralism and the cooperation and transparency of economic authorities, thanks also to the elaboration of a reliable and comparable set of statistical data. In the post-war scenario, Hirschman gave a crucial contribution to the economic debate on multilateralism and paved the way for the early efforts towards European integration. A little gem contained in this book regards his (so far unpublished) project for a European monetary authority that Hirschman wrote at the request of the European Cooperation Administration and anticipates future debates on the prospects of a monetary union. His understanding of the disruptive consequences of the disintegration of international economic relations in the interwar period played a crucial role in shaping Hirschman's theoretical contribution, as well his closeness to the fathers of European federalist thought (in particular his two brothers-in-law Eugenio Colorni and Altiero Spinelli).

One of the most important achievements of this theoretical and practical effort was the European Payment Union, established in 1950 as one of the most important by-products of the Marshall Plan aid, the ambitious programme to reactivate market mechanisms in Europe and to put into place a mechanism for a functional market economy, orientated to growth and full employment. The European Payment Union was a Keynesian-oriented system, a real innovation, because it created new forms of flexibility in clearing systems, favouring a reduction in the use of the dollar, and guaranteeing a better distribution of the sacrifices necessary to overcome any structural disequilibrium between surplus and deficit countries.

An interesting final text published in the book analyses the long-run effects of industrialization outside the United States. This crucial issue involves the relationship between the United States and their European allies in Western Europe. In the post-war years, Hirschman expressed an optimistic view about the future of European industrialization, also interpreted as the result of the altruistic and forward-looking attitude of the United States. Yet, as historiography has shown, the financial stability warranted by the Bretton Woods system, went into crisis also due to the growing competition within the industrial sector, and in particular between American industry and that of Germany, paving the way to the economic instability of the Seventies.

Despite being elaborated more than half a century ago, Hirschman's work has not lost its timelessness, due to the author's perennial updating, revising and subjecting his own thoughts to continuous scrutiny. In a sense, Hirschman could represent the figure of the ideal scientist in the Popperian sense: a researcher able to falsify his theory through a permanent comparison between theory and reality, and capable of revising the initial hypotheses to resolve any possible subsequent anomalies.

By collecting and publishing these essays, Alacevich and Asso have provided a valuable instrument for both historians and economists, in order to better appreciate a heterodox economist and reformer, who did not accept trivial answers to complex questions, submitting questions and subjecting accumulated knowledge to criticism, including, of course, the author's own thinking generated over the course of his long intellectual life. Starting from a broad vision of economic problems and supporting an interdisciplinary research process, Hirschman encourages a scientific approach in which economics is linked to politics, sociology, history and anthropology.

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