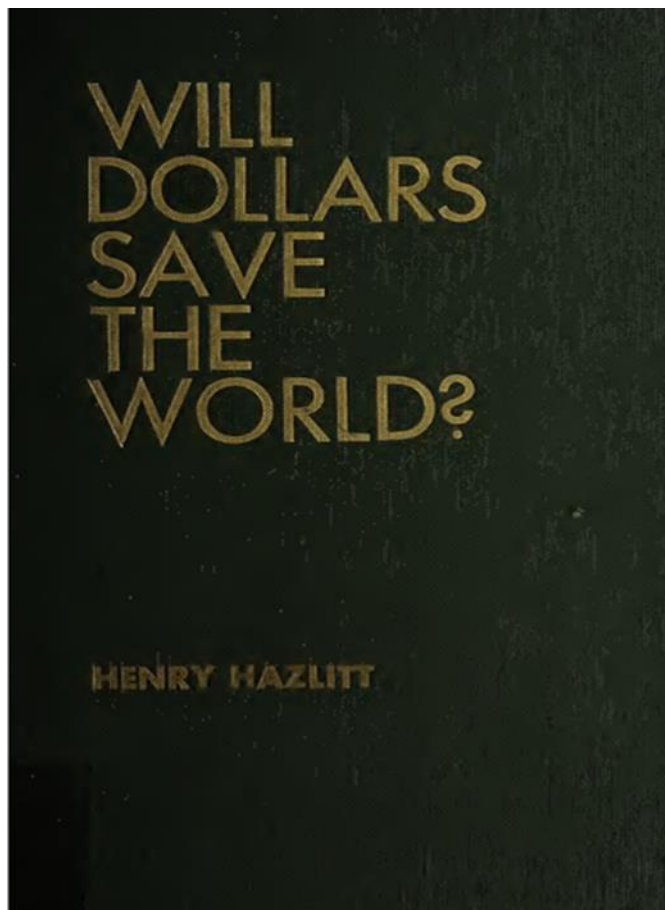


BOOK REVIEW (บทวิจารณ์หนังสือ)

Will Dollars Save the World?

Reviewed by Juan Miguel U. Palero^{*}

Title of Book:	Will Dollars Save the World?
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The riveting history of the United States dollar still has some obscure areas that scholars and other interested laymen have yet to fully understand. Oftentimes, the study of the United States dollar was understood, in general, as a historical evolution from coinage to fiat currency, being utilized from the American Revolution to the present, confined to the national level. After all, money played a significant role in the economic and political development of the country (Friedman and Schwartz, 1963: 3). The statement implies that a problem, which has been repeatedly observed and sometimes takes a contentious turn, is implicit in the historiographical understanding of the definitive period concerning the internationalization of the currency. This problem was fully exposed in the post-Second World War years, when the exercise of the “dollar diplomacy” framework revealed its eventual “stewardship responsibility” as the pyrrhic cost of victory.

Inasmuch as the Second World War inflicted incalculable destruction on both physical and commercial lives for the sake of an ideological-turned-military agenda, the urgent economic problem faced by the Americans after the war was not the reconstruction of their own turf but rather that of their wartime allies, the European nation-states. To properly appreciate and ground the contemporaneous sentiment of the Americans in the idea of aiding Europe to rebuild their war-torn society, it is best to revisit the 1947 work of Henry Stuart Hazlitt, an able financial correspondent in various editorials such as *The Wall Street Journal*, *New York Herald*, and *The New York Times*, and a known author of economics-related books, entitled *Will Dollars Save the World?* Hazlitt, in his introduction, elaborated a candid aspiration for the book, which is to review whether or not “the destruction and dislocation of war or the governmental policies followed since the war which are primarily responsible for the present European Crisis” (Hazlitt 1947: 8).

Summary

Hazlitt’s work opens with a brief prelude for the overall discussion that would be made in the book. It revolves around the need for disproving the prevailing “belief” that “the United States has a duty to lend or give huge sums to other countries, principally in Europe,” which was further cemented by the speech made by General George C. Marshall (Hazlitt 1947: 7). Nevertheless, Hazlitt formulated a counter-case that the Americans must not meddle with the economic recovery of Europe because each nation-state has its own distinct economic structure; rather, they must make the necessary financial measures and arrangements for the future, not of the past.

To build his counter-case, Hazlitt first examined (in Chapter 2) the economic quagmire faced by Germany, which is now in the hands of the Allied forces, and the prospect of its economic revival, which he considered the “first key to the revival of Europe” (Hazlitt 1947: 10). Hazlitt recognizes the importance of the systematic industrial capability long brandished by the Germans but became “paralyzed” by the partitioning of the Allied forces and the enforcement of distinct policies in each occupied zone, viewing it as a medium for the economic revival of all of Germany. The author also paid special attention to the hyperinflation experienced, specifically in the Soviet-occupied zone. Drawing on the narrative of journalist John Davenport, Hazlitt perched on the idea that the money supply circulating within the country was not designed to control the prevailing economic crisis; rather, it became the necessary stimulus for more societal infractions to appear. It led to the imposition of uncompromising wage distribution, wage controls, and enforcement of strict price controls, which made it harder for

producers or sellers to raise their prices to compensate for a currency rapidly depreciating in terms of its value (Hazlitt 1947: 11).

Another contention of Hazlitt, to avoid repetitive discussion, is the existence of “Ruritania” (Chapter 3). This composite sovereign nation of Hazlitt exemplifies what the author sees as “demoralized production imposed by stupid controls” that plagued most of the European nation-states (Hazlitt 1947: 14). To bring forth a more vivid picture of the reality Ruritania is experiencing, Hazlitt elaborated on the issue of government-controlled inflation; unbalanced apportionment of the national budget; the language of bilateralism that promotes artificial price increases between two nations, which is not relative to the current world price; and the overvaluation of currencies that ultimately leads to a chronic trade balance deficit (Hazlitt 1947: 15-19).

Hazlitt then shifted to Chapters 4 and 5 as he discussed the European reception of American interventionism for economic recovery. Hazlitt argued that the myth of a “dollar famine,” a belief that many Europeans had extremely sustained at the time, is just a whimsical excuse to conceal their desire “to get from us more than they give” (Hazlitt 1947: 20). It stemmed from the overvaluation of the European currencies when pegged to the United States dollar, as it encouraged higher importation and stronger demand for the dollar as a direct investment because it could be bought at bargain prices. Therefore, Hazlitt argued that strict adherence to the gold standard is an impelling occasion that many European countries with a trade deficit with the Americans must not overlook (Hazlitt 1947: 24).

From there, he formulated three candid fundamental principles for American foreign aid to the European nations: first, America cannot feed the world (Hazlitt 1947: 25); second, the need for outside help to restore Europe’s capital structure has been greatly exaggerated (Hazlitt 1947: 26); third, the funds received from foreign assistance will be allotted to the least urgent needs of the recipient nation. On the other hand, he also enumerated five solutions to make the reality of European nations relatively appealing to the eyes of the Americans: a balanced budget, imposition of “decontrol” export controls, ending government-regulated price control, lowering or removal of trade barriers, and the strict prohibition of extensive military establishments (Hazlitt 1947: 30-32).

The sixth chapter deals with the inveigled discussion of the effects of handing out foreign loans (through the Marshall Plan) on the immediate post-war economic condition of the United States. Viewing the British, French, Soviet, and even Indian sentiments to the Marshall Plan as published in their respective publications, Hazlitt crafted a prescient and pretty candid proposition stating that no one can get rich by giving their goods away, more so in a discounted value but it is possible for particular firms and persons within the nation to profit by such a transaction at the expense of all the rest (Hazlitt 1947: 43-44). It is a no-brainer to state that American conglomerates or business owners constantly produce more than what can be consumed, just for the sake of international consumers, much to the detriment of local producers and consumers. Putting this in a real-life application, sending products to other countries not only creates a scarcity of goods for American consumers to choose, but as the American government still maintained the same amount of circulating money, this situation essentially permitted inflation (Hazlitt 1947: 45).

The seventh chapter focuses on the question: “Can Europe’s Needs be Measured?” The impracticability and vagueness of the Herculean endeavor of “measuring the postwar needs” of Europe, as presented in the Paris Conference Sixteen-Nation Report, made the impression to

Hazlitt that it barely touched the surface of the real needs of these nation-states. The said report also made it crystal clear to him that “there is no scientific standard by which Europe’s need for aid can be measured” (Hazlitt 1947: 49). At one point, Hazlitt implied as to why is this the case. It is through the existence of the “artificial” (government-controlled), not market-driven, price control and the whole process of price adjustment that tends to perpetuate chronic shortages of consumer goods circulating, rather than the government itself providing a tangible and efficient solution necessary for genuine economic recovery (Hazlitt 1947: 53).

In chapter eight, Hazlitt considered the possibility of interpreting the giving of American foreign assistance to European nation-states as a politically vested method of thwarting the spread of communism. A prevailing belief during Hazlitt’s time was that to prevent the spread of communism, a nation must utilize “socialism” as the solution. Hazlitt outrightly struck down such a perverse belief as he opined his belief that “so-called ‘gradual’ socialism is at best a halfway step toward communism” (Hazlitt 1947: 60). Socialism serves as a transitional guide to attaining communism. Furthermore, Americans’ power and freedom to give appropriate financial assistance to impoverished nation-states must be approached with caution. It is within human nature, Hazlitt implied, to retard or to burden the benevolent intention of giving financial assistance as a form of political maneuvering or, in other words, a form of nonviolent coercion to accede to American policies. Ultimately, Hazlitt warned that “the very government to which the aid has been granted may use it against us” (Hazlitt 1947: 64).

Chapter nine, entitled, “You Can’t Buy Good Will”, rightly fits as the next topic for discussion. Hazlitt’s main thesis here is that, from a moralist perspective, it will be a grave mistake for the Americans to count on the belief that, in exchange for their financial assistance, it will be treated as a form of “bought goodwill”, hence the title of the chapter. Hazlitt’s statement is logical, as expecting political gratitude in exchange for financial assistance is a fallacy most, if not all, politicians and businessmen make. The nature of “good will” is diluted by two factors, namely: (a) historical precedents, as seen in the relative rancor in terms of the negotiations done with Yugoslavia and Great Britain via the Lend-Lease Act; and (b) the drive for assistance towards economic revival was fueled with self-interest by a handful of capitalists and militarists, which is antithetical to the moral inclination of kindness (Hazlitt 1947: 70-71). It need only be added that, implicit within gratitude between governments, is the anticipation and priming of the relationship for future favors. After all, the historical records are by no means lacking in pertinent references to prove that this feeling of indebtedness makes it clear to the recipient nation the overpowering power of the creditor nation—in this case, the United States.

Now, as a conclusion to his work, Hazlitt recapitulates seventeen important discussion points regarding state-led financial assistance, most of which he explicitly frames as ‘negative’. This highlights that, by 1947, Hazlitt was overly pessimistic, arguing that “European governments will not only fail to achieve the results expected from them but may defeat the very ends its most disinterested advocates have in mind” (Hazlitt 1947: 87). Though these assertions might sound true based on the grounding of Hazlitt’s contentions, in addition to his repugnance towards granting absolute control to the government with respect to economic endeavors, he himself noted that there were ‘positive’ recommendations that could be extended and eventually picked up by European and other nation-states and incorporated into their distinct economic policies. which would serve as a relatively distinct substitute for the Marshall Plan. Some of his recommendations include lowering American tariffs to promote a healthier export for other nations; permitting the Germans and Japanese to restore their economies; abandoning the gold standard; strengthening incentives for American producers to boost production; and,

intriguingly, returning the business of international lending to the private sector (Hazlitt 1947: 86-89).

Analysis

From the packaging of the book, it is simply irresistible for readers of Hazlitt's work to think and identify that the missionary aspect of "Dollars" is treated as the main topic. This reason alone makes the book interesting to read, made doubly so because this work provided a fleeting glimpse of an opportune time in not just the plain history of United States-European relations but also of how the postwar landscape indeed makes it look like the United States has to carry the burden of championing the European economic recovery. Though, to be frank, Hazlitt never intended to literally mean "Dollars" as the saving grace or the panacea for the war-torn nations—it was never intended as such; rather, it is a metonym for the United States' commitment to effectively resolve the double challenge of projecting preeminence in a manner that would prove mutually beneficial to the Americans and other nation-states, as well as ensuring that their assistance is only to be considered as assistance, not as a ticket to demand something much more.

His primary contention that touched on the unnecessary American intervention in the postwar recovery of Europe was a stark intellectual opposition to what the majority of scholars believed. He thoroughly subjected the questionable and evidently polemical option to accept the reality of a "collapsing Europe" that needs American aid, since it is within their national interest to do so, which was in fact seen as a single-market. His interpretation that the American financial assistance functioned as "scapegoats" to either perpetuate the European leaders' mischievous deeds that would eventually lead to a more miserable condition for their country or to condone mediocrity is exactly why the European recovery did not demand American intervention for the sake of engineering social change (Hazlitt 1947: 71; Arkes 1971: 4).

Another strength of the book is that, despite its brevity, spanning only 95 pages, Hazlitt's choice of words in articulating his arguments against the Marshall Plan was well-thought-out and reflects a conscientious choice made to make it easier for his readers to understand his thoughts. His simplistic method in explaining seemingly abstruse economic concepts makes it an even more delightful read. In addition, the use of footnotes, which is rare for a work of the 1940s, is an extremely valuable addition that further grounded or provided context for his ongoing discussion.

On this point, while the strengths of Hazlitt's work are well-articulated, it may be appropriate to assertively probe the details of the work and elaborate on its shortcomings.

First, as mentioned earlier, one of Hazlitt's "prescriptions", sounding like a seasoned economist through his work, to the postwar recovery of European nation-states is that the business of international lending be returned to the private sector. For him, this act is an unorthodox but necessary step towards redirection leading to a more accountable and incentivized economic system. Truth be told, his recommendation has truth clutched in it, as the private sector possesses the financial flexibility and "independence" that is beyond the jurisdictional advantage of the government. Notwithstanding such a recommendation, Hazlitt's assertion is a far cry from reality. He failed to realize that American investors or capitalists would not make sufficient quantities of capital available since they are more interested in investing more locally, and even if they wanted to help in the economic recovery of Europe through lending or investing, the interested party still has to get a guarantee from the government to ensure

financial protection (Ala'i 1947: 908). Admittedly, the private sector is called upon by the national government to partner in securing adequate investment to use to stabilize trade deficits (Haberler 1948: 512).

Second, from the construction of the title, the readers will explicitly see the term "World" as the one being saved by the "Dollars." It is like preconditioning the mind that the "Dollars" will serve as the determinant for the international financial recovery for the entire world. In short, the title invites expectation. And in this case, Hazlitt failed to satiate the appetite of its readers, albeit to a certain extent. Hazlitt's definition of "world" is to be measured against historical reality, rather than to his own liking. From his work, it is conspicuous that his idea of the "world" remains in the European-centric framework, which is actually a prevailing intellectual belief of the time. Ergo, it is not too much to say that Hazlitt could have reconsidered dropping the "world" and changing it to "Europe," which makes it more forthright.

Third, his conception of "Ruritania" is relatively problematic. Independent of Hazlitt's ambition to amalgamate the discussion of the economic conditions of other European nation-states aside from Germany into a single country, this book reviewer finds it analytically disputable that Hazlitt did not conclusively state the specific countries he utilized as inspiration for "Ruritania." A staunch disciple of Hazlitt could counter that "Ruritania" is a fictional place that serves as an allegorical mirror of central and eastern Europe. But such a conviction does not directly answer the question: which specific nation-states did he employed as inspiration? To the book reviewer, it invites the temptation to state that Hazlitt has utilized a motte-and-bailey fallacy, as he ignored the proclivity of the readers to further research his argument by stating real-world evidence but retreated to a fictional construct ("Ruritania") when he was about to be cornered. Given the economic reality of "Ruritania," any inquisitive readers or students of history must be well-acquainted with the fact that Hazlitt acquired his real-life influences for Ruritania from the economic experiences of Poland, Greece, Turkey, and Italy. The book reviewer feels that Hazlitt deliberately withheld the specific countries from which he had gotten his inspiration from. For a veteran economic journalist, his lack of specificity with respect to this could bring forth some skepticism about how he formulated his arguments and the veracity of the details he presented.

Fourth, Hazlitt's ascribing of transcendental significance to the European economic recovery through American assistance to Germany is questionable. While it is true among Western European nation-states, excluding the United Kingdom, Germany boasts the highest industrial capacity, which, when revitalized, will be on par with that of the United States and the United Kingdom. However, one must guard against the pitfall of a lack of understanding regarding the dominant forces at work. The historical records contested his assertion, as the planners of the Marshall Plan strongly advocated for "Western European integration" rather than permitting one nation-state (in Hazlitt's suggestion, Germany) to recover first and the rest would follow. Its advocates strongly pushed for integration, which they believed was the "logical next step towards achieving a higher rate of growth of per capita income", thanks to the help of the Americans (Milward 1984: 46). In discussing Hazlitt's argumentation of a "Germany-first" policy, he must not have thought that such a declaration actually invites and incites further trade deficits with her neighbors that could further cripple the already paralyzed economic standing of these nations by using either American dollars or their own undervalued currencies to eventually pay for German products.

Fifth, there were statements or arguments averred by Hazlitt that employed a sense of hyperbole, trespassing the intellectual boundaries of a well-grounded and relatively impartial presentation of arguments. The first explicit instance appeared on page 20, where Hazlitt blamed the desire of other nations outside the United States to purchase more goods than they could supply to Americans as the primary reason for their experienced “dollar shortage.” Such a statement cannot be accepted wholeheartedly by any inquisitive readers. Essentially then, the “dollar shortage” being experienced in the postwar world is actually a byproduct of the exchange rate treated as “prices,” which naturally tend to increase or decrease depending on the international market conditions and the fact that the foreign exchange in other countries is rationed at lower prices (Graham 1949: 3). Practically, Hazlitt focused on the “symptom” of dollar shortage, rather than its “cause,” which undermined the overall reliability of the argumentations he had formulated. The second instance is when he equated bilateralism with a command economy. The implied language used by Hazlitt is not technically hyperbole itself, but it is a form of conceptual hyperbole. He is gravely mistaken in his view that bilateral agreements, albeit an interventionist relationship with respect to national sovereignty, will not entail a full shift toward socialization of all property.

And finally, a minor caveat is seen in the assistance allotted for Philippine rehabilitation. Hazlitt, basing it on the information provided in the book entitled *What’s Happening in Taxation and Government Regulation*, stated that it was \$695 million (Hazlitt 1947: 94). However, the truth is the Americans only allotted \$620 million in virtue of the Philippine Rehabilitation Act of 1946, which was formally sponsored by Senator Millard Tydings for the postwar rehabilitation of their former colony. Hazlitt never had the intent to dwell deeper as to how his dollars were apportioned to save the Philippines: \$400 million will go to the rehabilitation of private properties, \$100 million of the fair value of war surplus will be transferred to the government, and the remaining \$120 million will be used for public property rehabilitation (Golay 1998: 473-474).

Conclusion

Henry Stuart Hazlitt’s *Will Dollars Save the World*, despite being published at the tail-end of the 1940s, carries the perpetual responsibility for intellectual exercise and inquisitiveness for a citizen, both in the 1940s and in the present, when navigating issues concerning political-cum-foreign relations. Each chapter of the book is an exemplar of concision, explicating an impressive range of straightforward, telling, lucid arguments—albeit sometimes written in a hyperbolic and polemical manner—responding to Hazlitt’s main objective to critically interrogate the purpose and viability of the Marshall Plan. *Will Dollars Save the World* dares to criticize all the existing literature that validates and eventually ingrains the apparent missionary-cum-financial responsibility in the public’s mind. It also poses a challenge for the present generation to act upon the lessons from the past, to permeate a healthy room of skepticism, and to encourage active citizen involvement in assessing governmental policies that could, one way or another, affect their lives. This work is a must-read for all scholars and students of history, politics, and economics, as well as interested laymen who want to see a glimpse of a differing yet contemporaneous viewpoint about the hallmark of the Marshall Plan.

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