BOOK REVIEWS – BOOK REVIEWS – BOOK REVIEWS

Reviewed by Carlos Bourgeois

Jacques de Larosière, born in 1929, shares his career path with us while providing an overview of the various financial crises that gripped the post-war world. The main purpose of this book is to describe the crises and to link them to the different positions J. de Larosière occupied during his career, at both the national and international level.

He built a very distinguished career as an elite civil servant of the French State: it can be described as the unstoppable rise of a very able and intelligent man, loyal to France and to the State, staying above the fray when confronted with different political opinions, but always loyal to the authority that designated him in his functions. Jacques de Larosière lived through the Second World War, first in Italy, then in Turkey and finally in the unoccupied ‘free zone’ in France. After he completed brilliant studies at the National School of Administration (ENA, Ecole Nationale d’Administration), he gained practical experience during ‘internships’ in London and Algeria, at the time when a new financial system was being installed following the country’s independence.

He started working at the Inspectorate General of Finances and then moved to the External Finance Office. He was appointed Assistant-Director for Multilateral Affairs, before becoming Head of Department of International Affairs at the Treasury at 42.

It was at that time that he was confronted with the first ‘crisis’ in the international monetary system. The idea of the U.S. dollar’s fixed value against gold under the ‘Bretton Woods system’ of fixed exchange rates collapsed. It failed to provide means to cope with the economic change in the participating countries. After the collapse of the Bretton Woods system, countries shifted toward more flexible exchange rate arrangements: the monetary snake was created as well as the tunnel, the European Unit of Account, the European Monetary System, the European Economic and Monetary Union and ‘finally’ (if we can put it that way) the euro.

Jacques de Larosière has seen these evolutions take place during the various functions he performed: Head of the Minister of Finance’s Private Staff in December 1973, Managing Director of the International Monetary Fund between 1978 and 1987, Governor of the Banque de France from 1987 to 1993 and President of the European Bank for Reconstruction and Development.

He had the opportunity to meet the elite from the financial and political circles of his time. With discretion, he tells us about the interactions he had with them. Those memories reveal that the problems that caused the successive crisis have not been dealt with yet: when Europe fails to focus as much on economic and social unity as it does on currency unity, we will face a substantial risk of seeing the euro disappear. What caused the crisis is that the fixed exchange rate regime was not suited to deal with changes at the economic and political level. However, flexible exchange rates were no solution either. On the contrary, international financial flows have been escalating and along with them the outstanding debt incurred by several countries.

As J. de Larosière writes in the afterword to his book, those debts, which at the time of the first oil shock were seen as a way to reduce the large imbalances caused by the sharp rises in oil prices, currently give rise to a certain pessimism.

This book tells the personal story of a successful man and at the same time it helps us to get an overview of the economic and political milestones of the past 50 years.