

Book Review

Alan Bollard, *Economists at War:
How a Handful of Economists Helped Win and Lose the World Wars*
(Oxford University Press, 2020)

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Allan Bollard is a Professor of Economics at Victoria University of Wellington, New Zealand. Prior to joining the university, he had an extensive career in the public sector. He served as the Executive Director of the Asia-Pacific Economic Cooperation (APEC) Secretariat based in Singapore from 2013 to 2018. APEC is a regional economic forum for the promotion of trade, investment, and sustainable growth in the Asia-Pacific, that is, *economies* surrounding the Pacific Ocean.

He is also known as the co-author of *Crisis: One Central Bank Governor & the Global Financial Collapse* (2010)⁽¹⁾. This book transports its readers as if they were present with him in the meeting room of the Reserve Bank of New Zealand or traveling with him to attend meetings in Basel, Hong Kong, and Washington D.C. during his term as the Central Bank Governor (2002–2012).

As the Governor of the Reserve Bank of New Zealand, Bollard oversaw monetary policy and bank regulation at a time when the Global Financial Crisis and the Great Recession hit the world. He published *Crisis* (2010) using materials from the Reserve Bank Oral History with the help of Sarah Gaitanos before the crisis was over. He was required to address domestic questions, when New Zealand was shaken by major earthquakes in February and June 2011.

In his book entitled *Economists at War: How a Handful of Economists Helped*

(1) Allan Bollard and Sarah Gaitanos, *Crisis: One Central Bank Governor & the Global Financial Collapse* (Auckland: Auckland University Press, 2010). Updated edition, 2012.

Win and Lose the World Wars (2020), Bollard revisited history, portrayed four economists and three mathematical economists/mathematicians related to two world wars, Hot and Cold, and connected them based on existing research (and original work in the case of John Maynard Keynes). The first half of the book linked Korekiyo Takahashi (Japan), H. H. Kung (Republic of China), Hjalmar Schacht (Germany), and John Maynard Keynes (Britain) with war finance, business, and study trips by utilizing his position as a central banker. The other half demonstrates a different aspect of the wars, where he associated Leonid Kantorovich (USSR), Wassily Leontief (United States), and John von Neumann (United States) to their works on the application of mathematics, mathematical economics, and advanced computing technology, which were considered useful for the war or the command economy.

I, too, was critical of the book when I was tasked with introducing reviews from other scholars to an international forum project. I had to refrain myself from writing my own criticism, because the author lacked the opportunity to respond to write back to mine. However, I felt uncomfortable in reading through the book because the renowned author ignored Japanese research activities and their scientific communications with the western scholars at the individual level. Moreover, studying the Japanese language enough to read Korekiyo Takahashi's writings is difficult for a westerner, given that limited writings in English on Japanese social sciences are available. I agreed to join the project because I found my conference paper "Tameyuki Amano and the Teachings of Sontoku Ninomiya" (2014) in his references.⁽²⁾ However, I cannot find the fact that he used it in the main text. Moreover, I continue to feel obliged to write about the book at least as a substitute for a review.

When I was young, a Swedish historian of economics mentioned that he would not want me to write about Swedish personalities in economics, such as Knut Wicksell, without studying the Swedish language. However, Bo Sandelin generously helped me to write *A History of Economic Science in Japan* (2014), which Bollard excluded

(2) Aiko Ikee, "Tameyuki Amano and the Teachings of Sontoku Ninomiya: the Japanese foundation of modern economics" (International Economic Association, 17th World Congress, 2014).

from his references, by translating a relevant part of Gustav Cassel's autobiography entitled *I Fornuftests Tjanst* (1941-42) from Swedish into English.⁽³⁾ This part explains the reason why Cassel wrote *The Japanese Currency* (1926) and how the research report reached Japanese scholars in Tokyo. Notably, the Japanese scholars and policy makers were communicating with their counterparts across the world. In this regard, I will describe the Japanese pacifist-oriented research, albeit partially, and its efforts to prevent wars. Bollard was critical of the expansionism of Japan and foreshadowed how Japan was defeated if readers were to focus on the Pacific-centered story. Indeed, the Second World War (WWII) and the subsequent Cold War were wars that mobilized economists and mathematicians.

In this review, I would like to note an unwritten aspect and correct his misunderstandings from the Japanese perspective.

Chapter 2 focuses on H. H. Kung as the first family of China (Republic of China). Yet, T. V. Soong (China) was also an important man of war finance on the Pacific, whereas H. H. Kung traveled to Germany to discuss war collaboration with Hjalmar Schacht and Adolf Hitler. Soong was connected with Keynes, because they contributed the chapters of their book entitled *Lessons of Monetary Experience* (1937) to the festschrift on monetary economics and history in honor of Irving Fisher.⁽⁴⁾ As Bollard noted, Fisher advised Kung when Kung was a graduate student at Yale University. However, neither Kung nor Soong had settled in Taiwan after the communists established the Beijing government in October 1949, although the Republic of China was one of the victors during WWII.

(3) Gustav Cassel, *I Fornuftests Tjanst* (In the Service of Reason), 2 volumes (Stockholm: Natur och Kultur, 1941-42).

(4) A. D. Gayer ed. *The Lessons of Monetary Experience: Essays in Honor of Irving Fisher* (New York: Rinehart and Company, 1937). Reprint, New York: Augustus M. Kelley, 1970. The book has chapters of J. M. Keynes's "The theory of the rate of interest," pp. 145-152, and T. V. Soong's "Lessons of Chinese monetary policy," pp. 347-362. It also carries the chapter "The recent monetary policy of Japan" (pp. 379-395) written by Eigo Fukai, who Bollard (or Smethurst) regarded as one of economic advisers to Takahashi. In other words, Fisher might play some role connecting important individuals for Bollard.

Chapter 5 on Leonid Kantorovich in the USSR and Chapter 6 on Wassily Leontief in the United States present a history of the Marxist political economy from the western (or an English-speaking scholars') perspective, which differs from Japanese history. Interestingly, economic planning may be inconceivable in the USSR without Kantorovich's research on mathematical programming and its application. The general equilibrium approach, armed with mathematical apparatus, can be used in socialist and capitalist economies and can be criticized in the both economies by casting the accusation that the analytical device is useful for another economy.

Notably, Ladislaus Bortkiewicz at the University of Berlin initiated the mathematization of Marxist political economy as the English translation of *Capital* by Karl Marx includes mathematical phrases, such as value and reproduction equations. Leontief, who attended Bortkiewicz's classes, introduced this discussion to the United States and helped in generating the so-called transformation question from labor value to market prices in the Marxist political economy.

As written in Chapter 1, Takahashi (1854–1936) was assassinated because he helped his country lose the war by refusing to finance a war preparation. According to a biography of Richard Smethurst, on which Bollard referred on Takahashi, Takahashi received less formal education in contrast with other heroes who received elite education. Moreover, Takahashi trained himself on his jobs during the transition period from the feudal to the modern era. He studied English with Clara Hepburn in Yokohama, stayed with the Dutch-American missionary Guido Verbeck (1830–98) to receive tutelage, and provided the American educator David Murray (1830–1905) and other foreigners, who were employed by the Japanese government, with interpreter services. Smethurst cited that Takahashi's views were best represented by the editorial policy of the economic magazine, *Tōyō Keizai Shimpō* (Oriental Economist), which was founded by Chuji Machida (1863–1946) in 1895.⁽⁵⁾ Takahashi's main economic *adviser* was not Tokuzo Fukuda (1874–1930), but Tameyuki Amano (1861–1938), who succeeded the editorial responsibility of the magazine from Machida in 1897 and was a full-time professor of Tokyo Senmon Gakko (currently, Waseda University) at the

same time. Takahashi's economic views reflected Amano's editorials on economics; monetary and fiscal policy; and trade.⁽⁶⁾ Amano (Takahashi) believed that, in modern terms, economic integration with neighboring economies by reducing tariffs was necessary to compete with western economic powers. In 1934, Tanzan Ishibashi (1884–1973), then editor of *Tōyō Keizai Shimpō*, established the English monthly magazine named the *Oriental Economist*, which supported democracy and economic prosperity by raising the standard of living. Importantly, Ishibashi foresaw the post-WWII world and its reconstruction.

In Chapter 7 on von Neumann, Bollard relied on the biography written by Norman Macrae (1992).⁽⁷⁾ Macrae was trained in economics at Cambridge and joined *The Economist*. He visited Japan to prepare for surveys as an assistant or a deputy editor during the 1960s.⁽⁸⁾ I offer my apology for the fact that Macrae (1992) did not mention Shizuo Kakutani's stay at the Institute of Advanced Study in Princeton during 1940–1942, nor his attendance (or giving his paper on a fixed-point theorem) at Neumann's seminars on mathematics (1940–1941) or game theory (with Oskar Morgenstern, 1941–1942).⁽⁹⁾ Neumann mathematically operated the seminar on game theory. Eventually, Neumann added economic meat to the mathematical skeleton through a discussion

(5) Richard J. Smethurst, *From Foot Soldier to Finance Minister: Takahashi Korekiyo, Japan's Keynes*. (Cambridge: Harvard University Asia Center; Distributed by Harvard University Press, 2007), p.4, p. 41, and pp. 138–139. Smethurst did not mention the *Oriental Economist*, which was started in 1934.

(6) Aiko Ikeo, *A History of Economic Science in Japan: The Internationalization of Economics in the Twentieth Century* (London: Routledge, 2014), Chapter 8 “Tameyuki Amano and the Teaching of Sontoku Ninomiya,”; A. Ikeo, “Amano Tameyuki to Toyo Keizai Shimpō,” *Waseda Commercial Review*, 459: 1–50, 2020; A. Ikeo, “Tameyuki Amano as Editor of the Tōyō Keizai Shimpō (Oriental Economist),” RIBA Working Paper No.2020-001, Research Institute of Business Administration, Waseda University, 2020; A. Ikeo, *Biography of Tameyuki Amano* (Kyoto: Minerva Shobo, forthcoming).

(7) Norman Macrae, *John von Neumann: the scientific genius who pioneered the modern computer, game theory, nuclear deterrence, and much more* (New York: Pantheon Books, 1992).

(8) *The Economist* carried the following surveys: “Consider Japan,” September 01 and 08, 1962; “Year of the Open Door,” November 28, 1964; “Japan Risen Sun,” May 27 and June 03, 1967. The Japanese translations were published with Macrae's name.

with Morgenstern. Moreover, their *Theory of Games and Economic Behavior* (1944) addressed solely cooperative games instead of non-cooperative games. Moreover, Bollard could have mentioned the pacifist activities of Kan'ichi Asakawa (1873–1948), a professor of Yale University, such as his drafting of a presidential letter to the Japanese *tennō* (emperor) to prevent a war and entrusting it to his close American friend Langdon Warner in November 1941. A rewritten letter arrived in Tokyo on December 7.⁽¹⁰⁾ After WWII, Neumann commented on Hukukane Nikaido's mathematical papers.⁽¹¹⁾ Neumann was amiable to the Japanese. However, the war, which was enhanced by Neumann and other scientists, led to a large casualty. Against his background, Bollard's book seemingly inherited misunderstandings and omissions from Macrae's book.

Moreover, Bollard mentioned Karl Menger's mathematical colloquium in Vienna, which was attended by three Japanese scholars. Two of the three were Yukio Mimura (1904–1984), and Kazuo Midutani (1897–1981). They discussed the colloquium with Kakutani, and Mimura advised him to read the mathematical papers published by Neumann. Naturally, Kakutani decided to visit Princeton and returned to Japan through an exchange ship in 1942. After WWII, returning to Princeton and finding Neumann extremely busy with government work, Kakutani decided to be transferred to Yale University. During two-person lunchtime conversations, Kakutani may have passed information about Karl Menger's colloquium to Gerard Debreu, who was adding the final touches to his *Theory of Value* (1959).⁽¹²⁾

Chapter 6 cites more than a dozen works by other scholars (including historians) on Leontief. Although Leontief's input-output economics was useful for detecting

(9) Aiko Ikeo, *A History of Economic Science in Japan* (2014), pp. 129–131. John von Neumann and Oskar Morgenstern, *Theory of Games and Economic Behavior* (Princeton: Princeton University Press, 1944).

(10) T. Takeda, *Asakawa Kan'ichi: A historian who worked for world peace* (Tokyo: Taiyo Publishing Company, 2007).

(11) Aiko Ikeo, *A History of Economic Science in Japan* (2014), p. 138.

(12) Gerard Debreu, *Theory of Value: An axiomatic analysis of economic equilibrium* (New Haven and London: Yale University Press, 1959). His preface referred to Neumann and Kakutani's mathematical papers.

weakness among enemy economies, and many economists in the United States were mobilized for war efforts, I was unable to find evidential research on Leontief's participation in identifying the transport problem in the Japanese economy. Leontief had many Japanese friends and had remained popular for his input-output economics in Japan. His festschrift volume *Wassily Leontief and Input-output Economics* (2004) features four Japanese contributors.⁽¹³⁾ In the first chapter, Paul Samuelson recalled that Shigeto Tsuru (1912–2006) was frequently in the company of Leontief at Harvard University prior to WWII.

A well-known fact is that the United States government waged propaganda during WWII. Leontief and Neumann were emigrés in the United States. Thus, they should have received information more than that used in the propaganda when they were persuaded to join the war-related research. If I could command the German, Russian, or Chinese languages, I could have added useful analyses on German, Russian, or Chinese *economists*. Bollard's wide coverage provides readers with a good opportunity for discussing the wars seriously from the global perspective. The book is a debatable one for any political scientist, historian, and economist. Moreover, I am compelled to mention that an increased number of Japanese women were incorporated into the workforce during the war to avoid misunderstanding.⁽¹⁴⁾

(13) Erik Dietzenbacher and Michael L. Lahr eds *Wassily Leontief and Input-output Economics* (Cambridge, University of Cambridge Press, 2004). The book has chapters of Paul A. Samuelson's "A portrait of the master as a young man," Iwao Ozaki's "Economics of plant scale and structural change," Masahiro Kuroda and Koji Nomura's "Technological change and accumulated capital: a dynamic decomposition of Japan's growth," and Shuntaro Shishido's "Japan's economic growth and policy-making in the context of input-output models."

(14) Aiko Ikeo, "Japanese Women's Economics, 1818–2005," *The Routledge Handbook of the History of Women's Economic Thought*, edited by Kirsten Madden and Robert W. Dimand (London: Routledge, 2018), p. 95 and p. 97. Koko Sanpei in her *History of Working Women* (Tokyo: San-ichi Shobo, 1956, p. 134) writes: "The war brought women from the home to the workplace, and a new variety of workplace at that. The prejudice that women were neither good at nor able to work outside the home had been overcome. Women themselves learned from their experience that they can do many things that men can if only they get the relevant training and the doors are open to them. Women can become liberated by getting themselves jobs and earning a wage. This was the major turning point in the history of Japanese women."

Endnote: This review is supported by the JSPS Grant-in-Aid for Scientific Research (C) for FY2021–2023 (“Continuity in the History of Japanese Economic Thought and the Global History,” No. 21K01608). I would like to add a recent work written in English related with Korekiyo Takahashi’s monetary policy and his team in the Bank of Japan, Shizume Masato’s *The Japanese Economy During the Great Depression: The Emergence of Macroeconomic Policy in A Small and Open Economy, 1931–1936* (Springer, 2021). I hope to see many Japanese studies published in English in the future.