Studies in Economic History

Andrés Álvarez
Vincent Bignon
Anders Ögren
Masato Shizume *Editors*

Money Doctors Around the Globe

A Historical Perspective

Studies in Economic History

Series Editor

Tetsuji Okazaki, Faculty of Economics, The University of Tokyo, Tokyo, Japan

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Preface

This book has evolved from ongoing discussions among researchers who share common research interest on “money doctors” in history and have been gathering at conferences and workshops since 2014.

This project commenced in September 2014, initiated by the co-organizers who convened the first workshop in Lund to prepare for a session at the XVII World Economic History Congress (WEHC) in Kyoto in 2015. Since then, our focus has been on investigating the history of money doctors engaged in addressing practical monetary and financial issues of a country. We organized sessions at subsequent WEHC meetings as well as onsite and online workshops. In 2018, we conducted a session on “Crises, money doctors, and reforms: Critical moments in the development of modern monetary systems” at XVIII WEHC in Boston. In 2022, we held another session on “Crises, money doctors and reforms: Is the new monetary technology a resource or a curse?” at XIX WEHC in Paris. We held onsite meetings hosted by Banque de France in 2018, 2019 and 2023. During 2020–2022 when the COVID-19 pandemic prevented onsite gatherings, we sustained our discussions through monthly or bi-monthly online meetings.

Most chapters of this book were presented and discussed at the latest workshop held at the Paris venue of Banque de France in October 2022. We extend our gratitude to Banque de France for generously providing us with a venue for meetings and financial support. We appreciate the efforts of all contributors to the volume for bringing this out, participants at conferences and workshops mentioned above for their invaluable comments and discussions. Last but not least, we would like to thank Tetsuji Okazaki, series editor of the Studies in Economic History book series and the editorial board members of the book series as well as Juno Kawakami, the editor at Springer, who has dedicated herself to ensure the publication of this book.

Bogota, Colombia — Andrés Álvarez
Paris, France — Vincent Bignon
Uppsala, Sweden — Anders Ögren
Tokyo, Japan — Masato Shizume

Contents

Introduction: What's a Money Doctor? 1
Andrés Álvarez, Vincent Bignon, Anders Ögren, and Masato Shizume

Money Doctors in the Medieval/Pre-modern Period

Is Oda Nobunaga the Last Champion of the Medieval Era or a Pioneer of the Early Modern Era? A Money Doctor in 16th Century Japan 19
Hisashi Takagi

Johan Palmstrüch, a Copper Money Doctor: Stockholm Banco and the Emergence of Banknotes in Seventeenth Century Sweden 33
Anders Ögren

Fiat Copper Money and Trust: Monetary Campaign of Alexei Mikhailovich (1654–1663) 55
Danila Raskov

Money Doctors in Modern Nation-Building

The H.C. Carey School of U.S. Currency Doctors: A "Subtle Principle" and Its Progeny 77
Stephen Meardon

Money Doctors Who Established Japan's Modern Monetary and Financial Systems 97
Masato Shizume

Zhang Jia'ao's Bank Management in the Beijing Government Era: Central Bank Independence Reconsidered from Chinese Historical Perspective 115
Hiroaki Morota

No More Papers. We Need Sound Institutions! Monetary Debates in Colombia Before the Central Bank 133
Andrés Álvarez

The Making of Latin-American *Neo-Metalista* Monetary Policy in the Twenties: The Case of the Andean Countries Visited by E. W. Kemmerer 151
Rebeca Gomez Betancourt and Matari Pierre Manigat

The Money Doctor *Raimundo Fernández Villaverde* and the Classical Gold Standard in Spain 177
Pilar Nogues-Marco

Money Doctoring Italy in the Interwar Years. The Rationale for Central Banking and Its Outcomes 193
Giandomenico Piluso

Money Doctors in Crises

The Diagnoses, Right and Wrong, of O.M.W. Sprague, One of America's Premier Money Doctors During the Great Depression 217
Hugh Rockoff

The Doctor is a Quack: The Delahaye Brothers, or How Fringe Politicians Framed the 1930s Financial Crisis Narrative in the French Senate 235
Patrice Baubeau

Sir Alfred Charles Davidson and the Australian Exchange Crisis of 1929–31 257
Frank Decker

Parallel Depreciating Money: Mr Unterguggenberger's Prescription to the Economic Ills of the Great Depression 283
Ester Barinaga

A Money Doctor Ignored? Edwin Kemmerer's Second Mission to Colombia, 1930 295
Carlos Andres Brando and Gianandrea Nodari

Robert Triffin's Latin American Missions for the Federal Reserve System in the 1940s 317
Ivo Maes

Edward A. Tenenbaum and the Creation of the Deutsche Mark: Who's the Money Doctor? 333
Vincent Bignon

Rueff Versus de Lattre: A French Money Doctors' Duel for Influence Over de Gaulle 355
Maylis Avaro

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Vincent Bignon is a senior research advisor and the counselor of the communication director of Bank of France after having been the advisor of the chief economist. He is also an associate professor at the Aix-Marseille School of Economics in the University of Aix-Marseille and a research fellow of the Center for European Policy Research.

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and Ryland Thomas published by the Bank of International Settlement Papers in 2022.

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Masato Shizume is a professor of economics at Waseda University. His research focuses on the history of money and credit and the emergence and developments of the modern society and state in Japan. He has published articles, books and book chapters on the monetary history of Japan both in English and Japanese. His recent publications include *The Japanese Economy During the Great Depression: The Emergence of Macroeconomic Policy in A Small and Open Economy, 1931–1936* 2021; "Strategic Central Bank Communication: Discourse Analysis of the Bank of Japan's Monthly Report," *Journal of Economic Dynamics and Control* vol. 100, 2019 (with Kohei Kawamura, Yōhei Kobashi and Kōzō Ueda); "Historical Evolution of Monetary Policy (Goals and Instruments) in Japan: From the Central Bank of an Emerging Economy to the Central Bank of a Mature Economy," Stefano Battilossi Youssef Cassis and Kazuhiko Yago editors, *Handbook of the History of Money and Currency* 2018; "A History of the Bank of Japan, 1882–2016," Tor Jacobson, Daniel Waldenström and Rodney Edvinsson editors, *Sveriges Riksbank 350 Years: A Central Bank in a World of Central Banks* 2018; and "Financial Crises and the Central Bank: Lessons from Japan during the 1920s," Isao Suto and Hugh Rockoff editors, *Coping with Financial Panics: Some Lessons from Financial History* 2018. His undergraduate degree is from Keio University, and his Ph.D. is from Kobe University.

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Introduction: What's a Money Doctor?

Andrés Álvarez, Vincent Bignon, Anders Ögren, and Masato Shizume

Abstract This book contributes to a broader understanding of money doctoring by examining its historical trajectory and cross-sectional variations. We expand the conceptual boundaries of money doctors to include individuals with specialized knowledge in monetary and financial matters who are responsible for identifying, analyzing, and implementing remedies for monetary and financial challenges. Our research focuses on understudied cases from various historical periods and geographical contexts, as well as unexplored aspects of well-established instances, to illuminate the multifaceted nature of money doctors and their impact on economic systems.

1 Background and Aim of the Book

Money doctors resolve money troubles. Those troubles manifest themselves in inflation or deflation, in exchange-rate depreciation, in financial or economic crises, or in a general distrust in the currency. Each one is costly for the individuals who live in those economies and may lead to large political or social costs. Their causes may

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originate in an inappropriate governance of the monetary system, in a poor or inadequate organization of the payment system, in a dysfunction of the credit system or in macro-financial imbalances.

Money troubles are as old as the invention of money. And history is full of proposals to solve them. When implemented by a monetary authority or a government, a specific proposal for reforming the monetary system becomes a "monetary reform". If the intention of any proposal is to restore a stable monetary system, only a few are implemented and not all those implemented were successful in bringing back prosperity.

What lies in between money troubles and monetary reforms are individuals. Flandreau (2003) shows that the expansion of the Money Doctors goes beyond the dissemination of ideas or techniques from the North to the South. The success or failure of the Money Doctors' interventions must be assessed in their ability to expand the stability of global capitalism. It is precisely through institutional stabilization that these expert missions operated. Flandreau highlights that money doctors acted as intermediaries, facilitating interactions between local authorities and foreign investors by connecting financial resources with necessary reforms. Their role is, however, multifaceted as they may be, for example, the authors of a published proposal for monetary reform and/or the main advisors of the authority in charge of implementing a monetary reform, with a brokering role at the frontier of politics and money. Analyzing the history of those individuals, and of their role in specific episodes of monetary reforms is the goal of this book. To that end, we have assembled a wide-range of case studies, from the sixteenth century to the post World-war II period, covering four continents, and dealing with the many different causes of monetary troubles.

The interest of studying the role of Money Doctors is that a policy does not exist independently of who formulated it. Like Janus, money doctors stand at crossroads and their role is to open the road to prosperity. To succeed, they must have two faces, one of mastering in economics and another of mastering in politics. Those two faces helped them design a policy that is implementable and that ended up being, hopefully, successful. Their proposals usually rest on three different tasks. First, they propose a diagnosis of the troubles by comparing the quantitative and anecdotal evidence on monetary disturbances against their practical or theoretical knowledge in money and macroeconomics. Second, to maximize the chances of success, their proposed cure must rely on the cutting-edge knowledge of monetary or macroeconomic theories of the time to separate appropriate cures from fallacies, though they have to take into account the constraints of the political regime and social structure, internal or international. Third, succeeding in solving monetary troubles requires either building a consensus or as emphasized by Kindleberger (1970), working under the umbrella of a hegemon.

Until now, the academic literature has presumed a money doctor to be a foreign national to the country experiencing the money troubles. Building on the definition proposed by the famous US money doctor and Princeton professor Edwin Walter Kemmerer in his 1926 presidential address to the American Economic Association (Kemmerer, 1927), a money doctor is defined as an academic expert working for a

foreign government and whose proposals for monetary reform are adopted by this government (Flandreau, 2003).

The literature so far followed Kemmerer's plea for his own practice and define money doctoring as a form of foreign financial advising. Extensive works have been done on Kemmerer's role as money doctor, making more precise the conditions for the grafting of external reforms during each of his missions in Latin America, which have come to be viewed as an instrument of the Dollar diplomacy (Flandreau, 2003).

From there, the literature has dealt with foreign advisors' implication in Latin America (Drake, 1989, 1994), in Europe in the 1920s or in post-World War II Europe (Drake, 1994; Flandreau, 2003; Kindleberger & Ostrander, 2003), in late-nineteenth to early twentieth century Japanese empire (Schiltz, 2012) or in early twentieth century China (Ho, 2016) and India (Gomez-Betancourt, 2013). They have been involved in the creation of a central bank, in defining the rules of money issuance and banking business, in helping a country join the gold standard, or in making the country able to borrow on international markets, or more precisely on the main financial centers of the time (Flandreau, 2003).

Previous works identify money doctoring as being exerted by an academic, often a professor in an influential university. This starts with the reform proposed by the French Courcelle-Seneuil in nineteenth century Chile and continues with the studies of money doctors of the Victorian empire. The foreign money doctors of the 1920s in Latin America have been extensively studied, starting with Edwin Walter Kemmerer (Drake, 1989; Gomez-Betancourt, 2007, 2010), but the French money doctors of the 1920s or of the 1960s (Mouré, 2003; Schuker, 2003, Chivvis, 2006) and those of the League of Nations in the 1920s (Clavin, 2003) also received a fair amount of scholarly attention. Robert Triffin or the Federal Reserve System were active money doctors in Latin America in the 1940s and 1950s (Caldentey & Vernengo, 2019; Helleiner, 1999). Money doctors may also have worked in international agencies such as the IMF, especially in the post-WWII period or the post-soviet era (James, 2003).

Money doctoring is also associated with the doctor being a foreign national who was often invited by the domestic government. From there, the literature explores how and whether the doctor's prescription indeed helped a country participate in (and benefit from) the international monetary system (Flandreau, 2003) and whether it acted as a political broker of already debated reforms –to use the word term of Drake (1993)– or as the operator of some 'technological' transfer, i.e., transposing the state-of-the-art economic theories to the local context. A corollary discussion has been on the acceptability of the reform, i.e., whether foreign solutions were accepted by the local elite or the population, and whether it was a criterion of success of the reform while Kindleberger insists that a monetary reform could succeed only if being imposed by a hegemon (Meardon, 2014).

One topic in the literature is whether money doctors are mere advisors seeking the common good or whether they impose their ideological view. Some, including Kemmerer (1927), see money doctoring as a way to seek the "common good". Though technical financial issues are inherently political, some underlined that it may also be ideological, i.e., promoting ideas for political rather than efficiency or efficacy

motives. Hirshman (1993) defends that ideological bias of the French money doctor Courcelle-Seneuil has been detrimental to Chile's welfare in the nineteenth century. Money doctoring was also sometimes viewed as a form of imperialism (Drake, 1989; Schiltz, 2012). It was also underlined that there was a kind of "missionary" intention in some Kemmerer's missions, notably when wanted to lead the host government towards the enlightenment (Gomez-Betancourt, 2022). Some previous analyses also studied whether the theories used by those doctors were correct in terms of the economic reasoning and whether they are at the standard of today's theoretical knowledge, another potential form of ideological bias (Velde, 2020).

So far, it has become customary to qualify an academic economist as a money doctor if, helped by his academic background, he has been involved in policy making, on issues related to international finance or the international monetary regime. This definition is not without difficulty when it comes to study specific episodes of monetary reforms, notably the older ones or the monetary reform implemented in developed economy. What matters in money doctoring is how individuals proposed and succeed (or not) in solving money troubles.

In this book, we depart from this definition on three critical dimensions. First, nothing requires a money doctor to have an academic education or work as an academic, though this may be a necessity in some period and in some country. Second, nothing requires a money doctor to be a foreigner, though this may matter to explain the role that a specific money doctor played in an episode of history. Third, nothing requires a money doctor to deal and solve international macrofinancial issues, as the nature and cause of money troubles are much broader.

Our aim is to historicize money doctoring on two dimensions: First in the cross-section and second in history. On the cross-sectional side, restricting attention to financial advising leaves in the shadows all episodes of money doctoring that consist in taking actions and effectively deciding the design of a monetary or financial system. Indeed, if one applied this definition of money doctoring as pure financial advising to medical doctoring, this would confine medical doctoring far outside the design and implementation of a medical cure. On the historical side, restricting attention to professional academics leaves in the shadows all episodes of monetary troubles and reforms that have been dealt with before the creation of economics chairs in university departments. As excluding medical doctor before the age of medical observation would be far too restrictive in terms of the medical science history, excluding money doctors because they were not renowned academic economists would artificially reduce money doctoring to a specific historical phase in the history of money doctoring.

We also believe it is particularly fruitful to (partly) re-nationalize the discussion on money doctoring. The goal is to bring the focus also on the domestic discussion, both in terms of the history of money doctoring before and besides the intervention of international financial advisors (something that was touched upon by Conaghan, 1994), but also on domestic money doctors after the invention of economics university chairs. This brings back into the history of money doctoring all countries in which monetary reforms were internally discussed and implemented without foreign help. It also leads to discussions on the internal balance of power (the brokering part of money

doctoring) and the issue of internal diagnosis on the monetary troubles. If one wants to think about monetary and financial issues and the role played by an "external" hegemon, one needs also to understand when internal monetary reforms are successfully implemented. What makes countries decide on reforms that improve economic and monetary welfare? How does they differ from countries that experienced foreign money doctoring?

In our approach of money doctoring, we systematize previous approaches drawing a parallel between economics and medicine (Drake, 1989, 1994; Flandreau, 2003; Kemmerer, 1927). However, compared to previous contributions, we aim at systematizing and transposing the medical analogy to monetary troubles (illness, then), which leads us to broaden the definition, with the goal of improving on current analyses of money doctoring.

It has always been customary in economics to describe money troubles with a medical metaphor, from Petty[1] to Locke (1691) to Ben Bernanke who stated in 2009 that "Credit is the lifeblood of market economies" (Bernanke, 2009). Though the use of the medical metaphor may be a particularly effective tool in communication, it may come with bad policy recommendations (Weston, 2013) or even misdiagnose the correct causes of difficulties (Skwire, 2020). Kemmerer was the first to coin the concept of money doctor in the context of policy making by its invoking of the therapeutic language. Rather than picking one or another dimension of the medical metaphor to convey an image, we rather want to spin the metaphor all the way and spell out how at each point in time and throughout history money doctoring was close to the medical practice or not.

Contrary to nineteenth or eighteenth century economics, the goal is not to compare money with blood and the economy with a body, but to acknowledge that the discipline of money doctoring—besides economics—has practices and methodology that parallels the practices and methodology of medical doctoring of their time, but on monetary and financial matters. While we need to be cautious about oversimplifying similarities of these two disciplines, doctoring in money and medicine hold some elements in common. Both are by heart a science of observation. Both require a deep and large prior knowledge to be able to pinpoint and build a judgement on the cause(s) of the trouble and therefore propose an appropriate diagnosis. Both require on-the-job training to learn on the recent advances in science, and a deep rooting in the day-to-day life. Both require testing assumptions and being able to decide on the tension between the time required to be convinced of a diagnosis (prove) and the time pressure created by the need to act before it is too late. And, both always need

[1] To cite one example "Money is but the Fat of the Body-Politick, whereof too much doth as often hinder its Agility, as too little makes it sick. This true, that as Fat lubricates the motion of the Muscles, feeds in want of Victuals, fills up uneven Cavities, and beautifies the Body, so doth Money in the State quicken its Action, feeds from abroad in the time of Dearth at Home; evens accounts by reason of its divisibility, and beautifies the whole, altho more especially the particular persons that have it in plenty. (Petty, 1662, Chapter 5.: Of Money, and how much is necessary to drive the Trade of the Nation. [1963], Economic Writings volume 1, p. 113). See also Clément (2003) and Weston (2013).

advances in research in order to reach a decisive diagnosis which completely cures the problem.

We define money doctors as experts in monetary or financial matters whose occupation is to observe and diagnose monetary and financial troubles and derive from this process a cure. Following the description made by the French novelist and medical doctor Jean-Christophe Rufin in a *2018 lecture at the College de France in Paris*, the process of building a diagnostic, the process of diagnosing is the process of listening to many pieces of information and sorting them against practical and theoretical knowledge in order to diagnose the cause of the trouble and derive the appropriate cure, if it exists. By reference to this description, a money doctor is "a person who, helped by theoretical and practical knowledge, advises and/or propose to act on how to build a stable monetary and financial system or to repair ongoing monetary turbulence."

Money doctors therefore come in variety. Like in medicine, each has his own specialty, be it related to internal or external cause of troubles. Each has his own history and experience, from his country of citizenship to his academic background, to his occupations and political or theoretical inclinations. Money doctors can vary according to their role in the reform—be they a decision-maker or an advisor—and each has had a specific function during the implementation of the reform, either as a broker, a designer of the monetary reform plan or as an implementer. Table 1 describes various dimensions used to describe characteristics, theoretical backgrounds, challenges, actions and beliefs of a money doctor.

The chapters describe and analyze some of the tradeoffs that may explain the success of a money doctor in solving money troubles, considering that a money doctor may worsen troubles or be ineffective in solving them. This may be because he is not qualified enough or because his solutions are shaped by his personal or ideological inclinations. The actions of a money doctor may have been influenced or shaped by his role in politics, for example if he acts as a finance minister or is a politician. In the design or implementation of a plan, it is indeed important to contrast the influence played by political ideology (e.g., social democrats, conservative, populist)—if it had any—and the role played by the economic theories used to think and analyze the monetary troubles. The economic theory mobilized by a money doctor is especially important, as it may act as a barrier to imagine the most appropriate solutions to the money troubles. It is also important to take into account the potential conflicts of interests, be they pecuniary or related to the ties of money doctor with a foreign country.

Each chapter comprises the following common elements: first some background information on the money doctor such as his biography, the theories and monetary ideas that have influenced his work; second, the issue that the money doctor aimed to solve and the root causes of the issue; third the diagnosis; and fourth the results and evaluation of the proposed cure. It is worth noticing that some chapters deal with a group or groups of money doctors rather than with one single person. Nonetheless all the chapters aim to maintain the above structure or an adaptation of it when dealing with group of money doctors.

Table 1 Criteria describing the actions and beliefs of a money doctor

Country of origin	Academic or professional background	Role	Economic theory (or political inclination)	Money troubles or issue solved	Position with regards to politics (internal or international)	Role in the reform/ as a money doctor	Specific function in the reform
Domestic citizen	Ph.D.	Academic: Professor or university position	Free-banking	Exchange rate / balance of payment	Insider	Decision makers	Broker of a reform
Foreign citizen	Economist (without a PhD degree)	Central banker	Quantity theory of money	Financial or debt market issues	Outsider	Advisor of decision maker	Designer of the reform plan
	Practitioner (banker, merchant)	Advisor of an authority (ministry, IMF)	Keynesian	Means of payment			Initiator/ implementer of the reform
		Public official or politician	Real bills doctrine	Macro: inflation/ GDP			Politicians

This approach allows each author to analyse how efficient the proposed cure was in solving the troubles and conclude with a presentation of the consequences of the money doctor's intervention.

The studies of this book speak to numerous fields in history, economics and policy-making and international studies. Policymakers and academics alike will learn a lot about the reasons for success and failures of the art and sciences of curing money troubles. It will also tell a lot to the economic historian, to the historians of economic sciences, and to the historian of economic thought. This is especially so because of the evolutionary nature of money. The history of the emergence of modern monetary systems and their internal or external developments gives us an endless number of lessons on how to deal with turbulences and design a stable monetary system. Students in economic thought will particularly enjoy the variety of theories that have been used and mobilized to analyze monetary troubles. Economic historians will learn how money doctors have contributed to the transformation of monetary systems over time. The historians of sciences will benefit by exploring the interactions between science on the one hand and politics and practices in the real world on the other hand. To those fields, we also add by emphasizing the role and belief of the actual person behind the monetary reform.

This book is also a contribution to the study of money doctoring on three dimensions:

First it proposes a consistent definition of money doctoring. It de-historicizes the previous definition that insisted too much on the foreign-imposed solutions which obscured many previous studies in this field studying concrete policy actions.

Second the studies assembled here propose a contribution to the intellectual history of the science of money doctoring. By focusing the definition of money doctoring on Edwin Walter Kemmerer's description of his own practices, the field restricted the history of money doctoring to post-eighteenth century experiences. What the pre-nineteenth century studies presented here suggest is that money doctoring follow a path similar to the history of medicine as analyzed for example by Michel Foucault in *Naissance de la Clinique*. Foucault (1963) attributes the birth of the medical science as an empirical study in the late eighteenth century to a change in doctors' attitude toward their patients. This shift moved from a model consisting in applying cases to existing theories to a model in which everything begins with observations to construct new methods to deal with illnesses. It also involved a recognition that doctors as humans are the subjects studying and patients as humans the objects to be studied simultaneously. Foucault relates the birth of medical science to paradigm shifts in the history of science in a broader sense (Foucault, 1963: conclusion).

Applying Foucault's argument on medical doctoring to money doctoring, we observe that the late eighteenth century marked the birth of economics as a social science, focusing on the study of human agency. The paradigm shift is applicable to the empirical study of economics if we consider a national economy as the money doctor's patient. Furthermore, Foucault's emphasis on the political dimension of the doctor-patient relationship finds relevance in the context of money doctoring. Finally, the practices of pre-nineteenth century money doctors may sometimes be viewed as a form of charlatanism.

Third and finally a last contribution of the case-studies assembled in this book is a questioning of the role of individuals in decision-making progress. So far, part of the literature centered on the figure of a hero, whereby a single individual, armed with his deep academic knowledge and previous policy achievements, succeeds in bringing a country out of monetary despair. Conversely, another part of the literature portrayed money doctors as villains, who, acting as self-interested individual or ideologue traveled to foreign countries to bring despair. The goal of this book is to take into account the context in which individuals acted as money doctors, thereby leading to emphasize the collective and deliberative nature of money doctoring.

2 Structure of the Book

The remaining of this book is divided into three parts, organised mostly in chronological order. Part 1 explores the activities of money doctors from the medieval through the early modern period (from the fifteenth to the seventeenth century); Part 2 delves into cases of modern nation building from the mid-nineteenth to the early twentieth century or the interwar period; Part 3 examines the challenges money doctors faced during the interwar and the post-WWII period, where their previous experiences and conventions appeared ineffective or even harmful, and the attempts by new types of money doctors to overcome them. While not comprehensive, we rather focus on underexplored cases from various times and spaces, and hidden aspects of well-known cases to shed new light on money doctors.

Part 1 explores the activities of money doctors from the medieval times to the early modern period. During this time, monetary problems often arose from wars between kings or emperors. Money doctors then served their master and tried to theorize their practical knowledge for his benefit. However, as always with money, the key to success was common people's confidence in the currency and its issuer. This indicates that even in absolute monarchy, the true patients of a money doctor were the commoners, not the king.

Chapter 2 focuses on the case of Oda Nobunaga, a political reunifier of sixteenth century Japan amidst a civil war. He tried to curb monetary turbulences first by defining the exchange rates among currencies in gold, silver, and bronze and by prohibiting the use of rice as currency. Later, he defined a new system of standard coins. While aiming at acquiring enough money for military expenses, his reforms proved to be an eventual success by following common people's practices in using money, paving the way for the monetary unification implemented by his successors.

Chapter 3 explores the case of Sweden in the seventeenth century. It highlights a merchant and banker, Johan Palmstrüch, who had a vision to establish a bank similar to the Bank of Amsterdam. He established the Stockholm Banco in 1656, with a view of banking, money and payments that reflected the Real Bills Doctrine and the bold idea of allowing deposits to be used for lending. Faced with an outflow of deposits when the Treasurer changed the fixed exchange rate between copper and silver in 1661, he came up with the idea of replacing the cumbersome copper coins with bank

notes. These notes worked well and the bank's credit increased until 1663, when the fixed exchange rate between copper and silver again caused difficulties. The author attributes the eventual failure of Palmstrüch not to a lack of mastery in economics but in politics, including the lack of the protection stemming from a broad consensus or a strong hegemon.

Chapter 4 revisits the case of a monetary campaign in seventeenth century Russia under the reign of Tsar Alexei Mikhailovich. The tsardom tried to introduce fiduciary copper money to pay expenses induced by external wars and to provide a medium of exchange for the general public. The reform seemed to be successful for several years, but eventually led to widespread counterfeiting along with a lack of confidence in the new copper money. Although the attempt ended up in failure, its temporary success suggests the importance of confidence in money. The author relates the temporary success and the eventual failure to the three forms of confidence defined by Aglietta and Orléan (2002): (a) methodical or routine form which is grounded in the common use or habits, (b) hierarchical form of trust based on the recognition and legitimacy of the monetary authority, and (c) an ethical form grounded in the rationale for money issuance and which could be challenged by the power of other states.

Part 2 delves into cases in modern nation building from the middle of the nineteenth century to the early twentieth century or the interwar period. This is the period of emergence of central banking within nation states. It is also the period of revolutionary progress in modern economics as a field of the social sciences, as well as medicine as a field of the natural sciences. Money doctors in this period tried to present new ideas to bring innovations in monetary and banking systems, experimented the latest theories by implementing them in the real world, and formalized their practical knowledge in the language of economics.

Chapter 5 looks into debates on currency and banking reforms during and after the Civil War in the United States, focusing on the elastic-currency advocate Henry Charles Carey. He challenged the orthodox view of specie convertibility to be an essential part of good currency system, proposing a fiat money system with a legal tender not convertible to specie. His followers formed a school of self-regulation in banking and credit currency. They resisted at once a metal standard system and the use of discretion, by anyone other than the demander of money, in regulating the quantity of money in circulation. These money doctors sought to shrink the dominion of money doctors.

Chapter 6 turns its eyes to the money doctors on the other side of the Pacific. During the reform period after the Meiji Restoration, money doctors in Japan, namely Ito Hirobumi, Yoshida Kiyonari and Shibusawa Eiichi, engaged in a heated debate on monetary reform and the introduction of a modern banking system. Their ideas were derived from indigenous financial institutions and imported modern financial theories. They followed a trial-and-error approach to find a realistic solution, referring to the latest developments in theory and practice in the American plural issuing bank system and the European single issuing bank system.

Chapter 7 focuses on the early twentieth century initiative led by Zhang Jia'ao, a banker in China. He spearheaded reforms in the Bank of China, a privately-owned issuing bank, with the primary goal of maintaining the credibility of the banknote. The

major challenge to achieving sound banking and monetary stability originated from forced loans to the central and provincial governments and warlords. His reforms aimed at securing the bank's independence from the government intervention, a task proven extraordinarily difficult amidst internal and external wars. He successfully maintained the bank's private status until the financial crisis triggered by an external shock, the 1934 U.S. Silver Purchase Act, which abruptly ended his efforts with his unintended transfer to the public sector.

Chapter 8 explores another distinguished case where political economy played a major role: Colombia from the second half of the nineteenth century to the early twentieth century. It revisits competing proposals of the mid-nineteenth century to establish a credible issuing bank system—one with a public single issuing bank and the other with private plural issuing banks. The source of failure was not a lack of sophisticated theories and of understanding of a modern banking system, but enduring political and economic turmoil and weak public finances, which hindered stable monetary circulation. Consecutive failures to restore the value of banknotes led to the argument for a metal standard as the monetary anchor. The complexity of the debate was fuelled by financial disruptions and changes in the external position associated with the outbreak of WWI. The main contribution of the Kemmerer's commission wasn't to provide efficient monetary theory but to bring a political equilibrium to ease the long-standing dispute.

Chapter 9 analyses the connection between Kemmerer's reforms and the orientation of monetary policy in Latin America during the 1920s. Prior to the establishment of central banks, debates on monetary policy in the region revolved around the opposition between advocates of a metallic standard and those of a paper standard. Metallists supported anti-devaluation policies and advocated for the adoption of the gold standard, while papelists leaned towards using fiat money and often embraced pro-inflation policies. Trends and regional variations in these positions reflected uneven developments in those capitalist economies and banking systems, as well as the extent of foreign presence. Kemmerer's reforms aimed to establish a solid foundation for central banking, illustrating a neo-metallist approach that dominated Latin America in the 1920s. This approach was driven by the pressing need to enhance access to the U.S. capital and goods market.

Chapter 10 shines a spotlight on a reformist politician in Spain at the turn of the twentieth century: Raimundo Fernández Villaverde, a prominent figure of the Restoration period after the 1898 Cuban War of Independence. He advocated for monetary reforms aimed at adopting the gold standard in Spain. Despite his efforts, these reforms ultimately faltered, primarily due to two key factors. Firstly, there was a lack of political consensus among leaders. Secondly, the Bank of Spain, prioritizing shareholders' profits over national policy goals, resisted the proposed changes. In this case, the main obstacles to achieving a coherent policy toward a long-term goal were the fragmented interests among local political leaders and the governance of the Bank of Spain, which still did not operate as a central bank.

Chapter 11 delves into the rationale behind and the consequences of the central bank reform in Italy during the 1920s, focusing on the transition from a lightly-regulated towards a more-heavily-regulated banking system. In doing so, it examines the pivotal role of international cooperation among central bankers and the money doctoring of two outsiders, Montagu Norman and Benjamin Strong. They played a crucial part in the restructuring of the Bank of Italy into an independent central bank. A tight monetary policy and a resulting surge in non-performing loans, linked to the pegging of the national currency to gold, triggered a significant banking crisis. This crisis, in turn, paved the way for more stringent bank regulations and the establishment of a state-owned credit institution in the 1930s. Notably, this arrangement endured formally until 1990, surpassing the expectations of contemporary policymakers.

Starting with the interwar period, money doctors, as well as economic theory, faced new challenges where their previous experiences and conventions appeared ineffective or even harmful. In these circumstances, they grappled with the task of introducing new ideas and innovations. Part 3 delves into their trials and errors, examining the difficulties they encountered and the lessons learned during this transformative period. Among others, we explore misguided proposals by prominent money doctors who adhered to conventional wisdom at that time, as well as efforts by policy innovators attempting new approaches.

Chapter 12 delves into the story of Oliver Mitchell Wentworth Sprague, an economist designated by the press to be one of America's primary money doctors during the Great Depression. He played a crucial role in the establishment of the Federal Reserve System following the panic of 1907, positioning it as a lender of last resort. In 1929, during a bull run in the stock market, he made a prescient prediction, anticipating a potential crash. However, faced with the banking crisis in the early 1930s, he failed to diagnose the situation as the one requiring lender-of-last-resort actions. In 1933, he opposed the devaluation of the dollar based on his study of crises under the National Banking System. He was sceptical about the efficacy of monetary expansion to stimulate a depressed economy. The author reflects on Sprague's challenges, emphasizing that he had no option other than to rely on theories based on case studies without the benefits of advanced statistical methods or laboratory experiments.

Chapter 13 focuses on ill-motivated and "self-designated" money doctors of the national legislative branch of France who misdiagnosed the financial and economic crisis of the late 1920s and 1930s. In the late 1920s and the early 1930s, the Senate, the Upper House of the Parliament, was dominated by optimistic views on French economic and financial conditions, advocating conservative policy recommendations such as adherence to the gold standard. The Delahaye brothers, a pair of marginal Catholic, monarchist, and populist Senators with limited expertise in money and finance, played a crucial role in accusing financial scandals and denouncing cosmopolitan financiers. As the crisis menaced to erode the credibility of Poincaré's reform in 1928, speeches and reports at the Senate influenced by the Delahayes' theses, concluded that only a strict adherence to the gold standard and the defence of national savings could save the day. The emergence of such misguided money

doctors was rooted in a long-standing self-reinforcing loop of statistical ignorance and xenophobia.

Chapter 14 focuses on the success of an Australian money doctor, Alfred Charles Davidson. He was the head of the Bank of New South Wales, Australasia's largest and oldest private trading bank. Central banking in Australia was in its infancy and he took over a national leadership role during the 1929–31 exchange rate crisis. He implemented a floating exchange rate regime in 1930–31, well ahead of Britain. The move has been widely regarded as one of the major contributions of Australian monetary policy to the recovery from the Great Depression. He was said to have helped stabilising the Australian monetary system with his theoretical and practical knowledge amidst unprecedented turbulences. He was a strong proponent of free markets and opposed exchange controls. He kept searching for a market-based solution to the exchange rate crisis after his initial interest rate hike had proven to be insufficiently effective.

Chapter 15 explores an experiment by an Austrian money doctor, Michael Unterguggenberger, who introduced an innovative system of a depreciating value of money in his local community. He implemented Silvio Gesell's idea for the first time in the world, and yielded a magnificent triumph. Upon assuming the role of mayor, he rescued the municipality by issuing stamped money for wages for public work programs and tax. The local economy revived as a miracle. Unfortunately, his attempt was abruptly halted by a decree from the national central bank, claiming the innovation broke the monetary law.

Chapter 16 delves into Kemmerer's second mission to Colombia in 1930, with a focus on his intention to reform institutional design, specifically addressing the size and composition of the board of directors of the central bank, Banco de la República. Contrary to conventional wisdom, Kemmerer was not an unwavering supporter of the gold standard and monetary orthodoxy. His goal was to enhance the central bank's role in economic development by increasing representation from the agricultural and industrial sectors while decreasing that of the banking sector as creditors. However, policymakers did not immediately or fully implement his proposals, as they opposed his reforms in favour of the banking sector's interests.

Chapter 17 explores the emergence of Robert Triffin as a new type of money doctor. He was born in Belgium, moved to the United States, started his career at the Board of Governors of the Federal Reserve System, becoming responsible for the Latin American section. He adopted a Keynesian approach, arguing that government intervention was necessary to stabilize the economy. He elaborated modern monetary frameworks, adapted to the specific needs of a country, a great contrast with the earlier Kemmerer missions. Notwithstanding his Keynesian view of the world, he followed a monetarist methodology, paying close attention to the money supply and its counterparts.

Chapter 18 delves into the introduction of the Deutsche Mark in 1948, when the Deutsche Mark was smoothly swapped against the old paper money. The move in means of payment and associated changes in market structure coincided with a massive upsurge of production, productivity and consumption. The authorities did foresee that the new money would trigger those changes. The chapter revisits the

literature on who the money doctors of this reform were. Some claim that it was the to-be German economic minister Ludwig Ehrard, while others suggest that it has to be attributed to the US military government. Among the later, some highlight the role of Edward Tennenbaum. It reveals that it took more money doctors than Tennenbaum to have engineered this reform, and that most of them where economists who had to flee Germany to the US in the 1930s because of the persecution of Jews by the Nazi regime.

Chapter 19 presents the trajectories of two money doctors and their endeavour to sway French president Charles de Gaulle's perspective towards the Bretton Woods system in the early 1960s. Jacques Rueff campaigned against the Bretton Woods system, urging the termination of the U.S. dollar's international reserve role. He encouraged de Gaulle to publicly advocate the abandonment of the gold exchange standard. However, among de Gaulle's inner circle, André de Lattre tried to persuade the President to cooperate with the U.S. in safeguarding the stability of the international monetary system.

3 Conclusion

History of medical doctoring and money doctoring have some factors in common. First, both were established as sciences during the emergence of modernity. Second, development in both fields has been supported by feedback between theorical and empirical studies. Third, both include interactions between doctors and patients. At the same time, there are differences. Among others, the object of medical doctoring, human bodies, hasn't change a lot, while the object of money doctoring, societies and economies has substantially changed in the modern world.

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Money Doctors in the Medieval/ Pre-modern Period

Is Oda Nobunaga the Last Champion of the Medieval Era or a Pioneer of the Early Modern Era? A Money Doctor in 16th Century Japan

Hisashi Takagi

Abstract Oda Nobunaga—known as early modern Japan's re-unifier—is generally considered a pioneer of the early modern regime in Japan. This chapter explores the Oda administration's monetary policies, especially those regarding bronze coins, and reconsiders their significance in the sixteenth century. Moreover, I attempt to describe Oda Nobubaga as a money doctor who acted to repair an ongoing monetary turbulence and, consequently, developed a monetary system for early modern Japan.

1 Who is Oda Nobunaga? a Very Brief Biography

Oda Nobunaga[1] (1534–1582, r. 1568–1582) was born into a branch house of the deputy of the lord of Owari province (now Aichi prefecture in the midland of Japan's main island). Oda Nobunaga emerged as the re-unifier of early modern Japan and a well-known figure in Japan's history.

He is generally considered a pioneer in the early modern regime in Japan. This image is often reflected in TV dramas presenting him as a progressive and innovative hero. In this manner, he can be compared to Henry IV in sixteenth century France—the establisher of France's early modern regime.

However, recent studies have tended to regard Oda Nobunaga as a relatively conservative politician owing to, for example, his conservative attitude towards the Muromachi Shogunate and Imperial Court. Regarding economic policy, researchers have tended to interpret his policies as a continuation of the status quo—that is, a confirmation of the social practices of the time—or as imitating the ways of former provincial lords in the sixteenth century, for example, attracting merchants to the castle city under duty-free conditions (Hirota, 2020).

[1] In Japanese, when a person's name is written, the family name is placed first; in this case, Oda is his family name.

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