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RESEARCH  
WORK IN  
PROGRESS

N. 270, APRIL 2008

**AN UNCERTAIN DOLLAR: THE WALL  
STREET JOURNAL, THE NEW YORK  
TIMES AND THE MONETARY  
CRISIS OF 1971 TO 1973**

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AN UNCERTAIN DOLLAR: THE *WALL STREET JOURNAL*, THE *NEW YORK TIMES* AND  
THE MONETARY CRISIS OF 1971 TO 1973<sup>i</sup>

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**Abstract**

In August 15, 1971, President Nixon announced the unilateral suspension of the convertibility of the dollar into gold, a foundation of the world monetary system since the Second World War. The media and economic experts were caught by surprise, neither could foresee the immediate consequences of the decision or what would be the architecture of the emerging international monetary system.

From 1971 to 1973, the money markets and the value of the dollar became a news, an opinion, an editorial item in both the *New York Times* and the *Wall Street Journal*. I examine this record to question how was anxiety about the dollar resolved in media communication?

Media narratives were not uniform between and within the two newspapers. What distinguished the *Times* and the *Journal's* coverage was their diverse framing of the dollar as political, financial or economic object. I conclude that media uncertainty about the dollar was less an outcome of failing expert knowledge as it was a consequence of the dollar's multiple cultural significations.

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<sup>i</sup> This research was funded by a Postdoctoral grant of the Foundation for Science and Technology, Lisbon, Portugal, reference: SFRH/BPD/30403/2006.

## 1. THE MEDIA PUBLISHING UNCERTAINTY

The only politically relevant science is controversial science. Public debate is engaged by threats as diverse as monetary crisis and global warming. These threats are played out in the media as controversies, with opposing stands in polity and science. The subject of scrutiny is how to act to avert harm. But prior to these pragmatics, decisions must be made about which body of knowledge will interpret the facts and, in a democracy, how to weigh the claims of diverse groups.<sup>2</sup> Policy is made on contested knowledge. Public debate is riddled by uncertainty.

How risk is communicated to the public has been a major subject of study for sociologists and communication scholars.<sup>3</sup> Some of this literature has zoomed in on the media's misrepresentation of risk. An exemplary study of this kind addressed the 1989 scare when Alar, a growth regulator of apples, was suspected of being carcinogenic.<sup>4</sup> Another apt subject was the Chernobyl disaster, with ethnographic work on how the public (sheep farmers in Cumbria, UK) accepted or rejected expert advice on the risk of fallout.<sup>5</sup> More recently,

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<sup>2</sup> Jasanoff, Sheila (2006), *Designs on Nature: science and democracy in Europe and the United States*. Princeton, N.J.: Princeton University Press; Friedman, S. M.; Dunwoody, S. and Rogers, C. L. (eds.) (1999), *Communicating Uncertainty: Media Coverage of New and Controversial Science*. Mahwah, NJ: Erlbaum.

<sup>3</sup> For a broad survey of the literature see Nelkin, Dorothy (1995), "Science Controversies – The Dynamics of Public Disputes in the United States" in *Handbook of Science and Technology Studies*, Jasanoff, Sheila; Markle, Gerald E.; Petersen, James C. and Pinch, Trevor (eds.), London: Sage. pp. 444-456.

<sup>4</sup> Friedman, Sharon M.; Villamil, Kara; Suriano, Robyn A. and Egolf, Brenda P. (1996), "Alar and Appples: Newspapers, risk and media responsibility", *Public Understanding of Science*, 5: 1-20; Dunwoody, Sharon and Peters, H. P. (1992), "Mass Media Coverage of Technological and Environmental Risks: A survey of research in the United States and Germany", *Public Understanding of Science*, 1: 199-230.

<sup>5</sup> Wynne, Brian (1992), "Misunderstood misunderstanding: Social Identities and Public

scholars have turned to study “public engagement exercises” like the British Genetically Modified Food Debate.<sup>6</sup> Overall, this literature compares assessment of risk differentially expressed between media, experts, and laymen, highlighting how strained their communication can be.

Economic policy making is an apt setting to examine the management of uncertainty. The history of economic policy is punctuated by episodes of policy collapse leading to re-examination of prevailing doctrine.<sup>7</sup> The early 1970s capture one such instance of intense public debate, when the international monetary system underwent major restructuring. In August 15, 1971, without consulting his international partners, President Richard Nixon suspended the dollar’s convertibility into gold. Over the next three months, bilateral and multilateral meetings were held between the main industrialized nations of the world, the Group of Ten.<sup>8</sup> In December 1971 at the Smithsonian Institution, a new exchange rate was set between the dollar and other currencies. The new regime lasted for little more than a year. In March 1973, after a surprise devaluation of the dollar the month before, exchange rates were left to float. Control over exchange rates was forsaken as an instrument of national policy and as a stabilizer of money markets.

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Uptake of Science”, *Public Understanding of Science*, 1: 281-304; Rowe, Gene; Frewer, Lynn; Sjoberg, Lennhart (2000), “Newspaper reporting of hazards in the UK and Sweden” *Public Understanding of Science*, 9: 59-78.

<sup>6</sup> Cook, Guy; Robbins, Peter T. and Petri, Elise (2006) “‘Words of Mass Destruction’: British newspaper coverage of the genetically modified food debate, expert and non-expert reactions”, *Public Understanding of Science*, 15: 5-9. Jasanoff, *Designs on Nature*.

<sup>7</sup> Stein, Herbert (1994), *Presidential Economics: the making of economic policy from Roosevelt to Clinton*. 3rd rev. ed. Washington, D.C.: American Enterprise Institute for Public Policy Research.

<sup>8</sup> The ten were: the United States of America, the United Kingdom, Japan, France, West Germany, Canada, the Netherlands, Italy, Belgium and Sweden.

Briefly expressed the events of 1971-73 are uncontroversial. They have been examined to exhaustion in the secondary literature by economic historians and economists.<sup>9</sup> But concealed in this settled past are the surprise of Nixon's August 1971 policy overhaul and the anxiety over the unforeseen consequences of the monetary regimes proposed, adopted and abandoned in that short period.

This essay studies the *New York Times* and the *Wall Street Journal's* coverage of the debate on monetary reform. I focus on the newspaper media as a privileged source of information and interpretation on both science and policy.<sup>10</sup> It is uncontroversial that politicians and experts consider the media as the channel to address the public. In the USA of the 1970s, the *Times* and the *Journal* were two of the most respected and widely read dailies.<sup>11</sup>

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<sup>9</sup> To list a few notable titles: Solomon, Robert (1977), *The International Monetary System, 1945-1976*. New York: Harper Row. Tew, Brian (1988 [1977]) *The Evolution of the International Monetary System*. London: Hutchinson; Bergsten, C. Fred. (1996), *Dilemmas of the dollar: the economics and politics of United States international monetary policy*. 2nd ed. Armonk, N.Y.: M.E. Sharpe; Britton, Andrew (2001), *Monetary regimes of the twentieth century*. New York: Cambridge University Press.

<sup>10</sup> Economics is by a large margin the most salient of the social sciences reported in the national media. See Weiss, Carol H. and Singer, Eleanor (1988), *Reporting of Social Science in the National Media*. New York: Russell Sage.

<sup>11</sup> For 1971, the same year it published the Pentagon Papers, *The New York Times* had a circulation of 908,462 daily and 1,468,944 on Sundays. *The Wall Street Journal* was the only national newspaper in 1971 and its circulation was at 1.3 million daily. *Circulation* (1971) American Newspaper Inc.; Dealy Jr., Francis X. (1993), *The Power and the Money*. New York: Birch Lane Press.

*The New York Times* has been shown to have the largest volume of business and economic news of the generalist newspapers. Further, business news increased markedly in 1970-73 and again in 1978 when the *Times* created the section "The Business Day." See Feldman, Howard D. and Aronoff, Craig E. (1980) "Trends in Newspaper Coverage of Business and Economics, 1968-1978" *Newspaper Research Journal* 1(4) July: 54-65.

The question I ask of this record is: how did the media manage uncertainty about the monetary crisis? I am interested in highlighting how expert knowledge participated in the media's coverage. I begin this essay by showing that expertise on international monetary regimes was invisible circa 1971. I identify who were the burgeoning experts in the academic community, once identified I can search for their participation in the print media. The three sections that follow, the body of the essay, describe the media's narratives for: the late half of August 1971; the months leading to the Smithsonian agreement of December 1971; and February and March 1973. In each, I argue that narratives focused uncertainty upon a clear threat. Further, each narrative considered the dollar in one of its multiple cultural significations (treasure, source of pride, economic index). In way of conclusion, I examine differences between the two newspapers and its staff which may account for differences in their framing of the dollar crisis.

## **2. WHO WERE THE EXPERTS?**

Milton Friedman is often credited with writing the seminal piece calling for exchange rate reform and for flexible exchange rates to be determined by private agents in the market. Friedman, writing in 1953, had full confidence that volatility in international money markets would be reduced under flexible rates and reasoned that rigid exchange rates were restrictive of trade, requiring “changes in reserves, internal prices and monetary conditions or direct controls over imports, exports.” To follow a fixed exchange policy was a hindrance to a sovereign fiscal and monetary policy. In policy, for Friedman, less control was better control.<sup>12</sup>

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<sup>12</sup> Friedman, Milton (1953), "The case for flexible exchange rates" In *Essays in positive economics*. Chicago: University of Chicago Press, pp. 157-203. The essay however generated only moderate interest, besides reviews of the book only four papers in the 1950s mention Friedman's essay. Baumol, William J. (1957), "Speculation, Profitability, and Stability." *The Review of Economics and Statistics* 39(3): 263-271; Gehrels, Franz (1959) "Monetary Systems for the Common Market", *The Journal of Finance* 14(2): 312-321; Katz, Samuel I. (1954), "Exchange Flexibility and the Stability of Sterling", *The American Economic Review* 44(1): 94-103; Tsiang, S. C. (1958), "A Theory of Foreign-Exchange Speculation under a

Friedman's suggestions came in untroubled times. It was only in the 1960s that the international monetary arrangements came under strain. From 1964 to 1967, the British struggled to protect their exchange rate, finally devaluing by 14% in November 1967. In 1968 a rush to draw gold led to creating a two tier system for its exchange. The private price of gold was determined in the City of London commodity markets, while its transaction between central banks was fixed at 35\$ an ounce. Canada had from 1950 allowed its currency to be priced by the markets, it readopted a fixed rate in 1962 only to return to a float by June 1970. In May 1971, Germany and the Netherlands joined the float.<sup>13</sup> Later that month, Austria and Switzerland revalued.<sup>14</sup> The brief chronology underscores how monetary crises followed in succession and in increasing intensity up to 1971.

The first concerted efforts to develop economic research on the subject of international monetary systems were contemporaneous to the early currency crises and the demands of international negotiation. In 1963, the IMF and the finance ministers of the Group of Ten commissioned reports examining reform proposals.<sup>15</sup> At the press conference where the announcement was made, Edwin Dale Jr. of the *Times* asked Secretary of State Dillon if no academic economists were to be consulted. The response by Dillon angered the economists in attendance, he “claimed that economists could never agree, even among themselves, and could not therefore provide useful guidance on problems that should be discussed with the utmost discretion in closed meetings by responsible officials only.”<sup>16</sup> Fritz Machlup at

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Floating Exchange System", *The Journal of Political Economy* 66(5): 399-418.

<sup>13</sup> To hold the exchange rate, the Germans had been forced to purchase one billion in dollars on May 4 and another billion on the first hour of the next trading day.

<sup>14</sup> These events are well known, and have thoroughly examined in a number of publications, for reference see Solomon, Robert (1977), *The international monetary system, 1945-1976: an insider's view*. New York: Harper & Row.

<sup>15</sup> For summaries, see Daane, J. Dewey (1965), "The Report of the Group of Ten", *The American Economic Review* 55(1/2): 150-157; Polak, Jacques J. (1965), "The Report of the International Monetary Fund", *The American Economic Review* 55(1/2): 158-165.

<sup>16</sup> Triffin, Robert (1978), "The impact of the Bellagio Group on International Monetary

Princeton took the leadership asking the Ford and Rockefeller Foundations to fund a series of academic conferences parallel to the government studies. The rationale was that since the “official inquiries were to be made exclusively by “government economists” and under rather restrictive mandates, a complementary study undertaken by nongovernmental economists without any constraints on the direction of their deliberations seemed desirable.” The likely result clearly set out by Machlup was to find “whether economists who have presented very different recommendations can still agree on a great many fundamental propositions.”<sup>17</sup>

Machlup marketed “academics” as unbiased and unburdened to study monetary reform. A report published to coincide with the two official reports, was titled as the conclusions of a group of 32 economists, also called the G32 report. The economists unified statement was that a new reserve standard needed to be set up to supplement or replace gold and that more regular adjustments of exchange rates should be permitted. The economists disagreed with the official reports' minor and conservative proposals. However, the economists' consensus was a weak one. At a symposium at the American Economic Association meetings, the three reports were contrasted, and although no academic endorsed the official views there was also dissent from the G32 conclusions.<sup>18</sup>

Out of the Machlup conferences came a continued effort by economists to intervene in debates over the reform of the world monetary system. Machlup was joined by William Fellner and Robert Triffin from Yale University, with new Foundation grants. They became known as the “Bellagio Group” from its favored European setting, Villa Serbelloni, in Bellagio, a

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Reform" In *Breadth and depth in economics: Fritz Machlup--the man and his ideas*, edited by Jacob S. Dreyer. Lexington, Mass.: Lexington Books, pp. 145-158

<sup>17</sup> “International Finance Section, Annual Report, 1963-1964”, p. 2; Letter of Fritz Machlup to Robert V. Roosa, Under Secretary of the Treasury, October 18, 1963. From the files of Professor Fritz Machlup.

<sup>18</sup> Milton Gilbert found the Bellagio proposals unrepresentative of the economics profession, and offered a new weighting of the possible consensus. But the principal critic was Friedman highlighting the political dangers of relying on systems run by central bankers, unelected officials. Friedman, Milton; Bernstein, Edward M. and Gilbert, Milton (1965), "Discussion", *The American Economic Review* 55(1/2): 178-188.



mansion owned by the Rockefeller Foundation overlooking Lake Cuomo in Italy. For the second round of conferences invitations were sent to “officials,” i.e. central bankers, IMF economists and finance ministry secretaries. Consequently, records of the conversation were no longer published. After a book of essays prepared for a first meeting in Zurich, no more joint publications were forthcoming.<sup>19</sup> Machlup’s explanation was “to avoid speculations about official views of alternative policy measures.”<sup>20</sup> In 1969 with the backing of Robert V. Roosa, Fred Bergsten, and George N. Halm the talks were further opened to “practitioners,” i.e. private bankers and corporate men dealing on the forward exchange market. For the first time, through the *Wall Street Journal*, the media took notice of what was happening.<sup>21</sup>

At the organization of the meetings there was a concern in discriminating between the “academics,” the “officials,” and the “practitioners.” This was not always easy to do since many commuted between the domains. The Bellagio group was engaging in that familiar effort of attempting to enter the policy arena without losing an outsider identity which was ultimately the source of their authority.

In its early years the Bellagio conferences' goal had been to foster professional consensus. It's later mandate was to supply officials with a scholarly insight into the monetary system. The Bellagio group meetings had admittedly no influence in the direction of policy. In this the “academics” and “official” participants and the policy analysts all agree.<sup>22</sup> For my purposes,

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<sup>19</sup> Fellner, William; Machlup, Fritz and Triffin, Robert (1966) *Maintaining and restoring balance in international payments*. Princeton, N.J.: Princeton University Press.

<sup>20</sup> “International Finance Section, Annual Report 1967-1968”, p. 4. From the files of Professor Fritz Machlup.

<sup>21</sup> Initially, “officials” were reluctant to meet with “academics” and “practitioners,” presumably because they knew the minds of the latter all too well, but such a joint conference did take place in January 1970, not to be repeated. Bergsten, C. Fred, and Halm, George Nikolaus (1970) *Approaches to greater flexibility of exchange rates; the Bürgenstock papers*. Princeton, N.J.: Princeton University Press. *Wall Street Journal*, March 24, 1969, p. 1.

<sup>22</sup> See Triffin, "The impact of the Bellagio Group"; Odell, John S. (1979), "The U.S. and the

the brief story of the Bellagio group underscores three important points. Firstly, it highlights how little development there was in the field of international monetary relations that it begged a strong institutional effort to produce relevant scholarship. Secondly, it testifies to economists' assumption that to inform policy was to engage with “officials,” the higher to middle level bureaucrats. Further and most importantly, Bellagio discriminates the experts. Figure 1 depicts a participant list of the “academics” attending the 1968-1972 meetings. We can observe a stable and select group (unsurprisingly mostly Americans and Canadians) composed of the organizers Machlup, Triffin, Fellner, joined by Robert Mundell, Walter Salant, Richard Cooper, Gottfried Haberler, and Harry Johnson.<sup>23</sup>

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Emergence of Flexible Exchange Rates: An Analysis of Foreign Policy Change", *International Organization* 33(1): 57-81.

<sup>23</sup> Although not of immediate interest to my argument, the most regular European academic participants were Claudio Segre and Pascal Salin from France, Friedrich A. Lutz from Switzerland, and Herbert Giersch from Germany.

	Sep-67	May-68	Sep-68	Mar-69	Sep-69	Mar-70	Jan-71	Sep-71	Mar-72
	Rio de Janeiro	Bologna	Princeton	Lugano	Princeton	Torremolinos	Taormina	Washington DC	Cascais
A. de Lettenhove									
A. Lamfalussy									
E. Fried									
T. Willett									
C. Stem									
C. Krause									
F. Bergsten									
H. S. Houthakker									
P. Keller									
J. Tobin									
P. Kenen									
S. Marris									
M. Friedman									
J.E. Meade									
A. Gutowski									
H. Wallich									
E. Lundberg									
J. Williamson									
R. Harrod									
T. Scitovsky									
C. Segre									
H. Giersch									
P. Salin									
F.A. Lutz									
W. Fellner									
H. Johnson									
G. Haberler									
F. Machlup									
W. Salant									
R. Cooper									
R. Mundell									
R. Triffin									

Figure 1- "Academics" attendance of Bellagio conferences, 1969-1972.

In the academic journals the Bellagio economists were the most prolific writers on the subject of international monetary arrangements. Interestingly, so were some of the “officials,” Marcus Fleming as deputy director of the IMF was the “official” that attended the most meetings.<sup>24</sup> The Bellagio meetings did lay the foundation for a consensus, a theoretical one instead of a policy one. It is illustrative to compare Anne O. Kruger's 1969 survey stating that “there is no “theory of international monetary economics.” (...) there are several related bodies of theory” each useful for a set of questions, with Peter Taylor's 1995 survey naming the work of Mundell and Fleming as the canonical model of exchange rate determination.<sup>25</sup> As I examine the record of the *Times* and *Journal's* coverage of international monetary crisis I look to see if they identified the Bellagio experts, what use they made of their commentary and how they fit into the media's narratives.

### **3. AUGUST 1971 - SURPRISE AND A THREAT TO OTHERS**

By early 1971, the existence of a “crisis” was well recognized in the media. The *Times* covering the May trials of the German mark was initially reassured that the origin of the convulsion was in other nation's currencies and economies. The interpretation was short lived giving way to the recognition that the source of the crisis was the structure of international arrangements. The asymmetric nature of the Bretton Woods system guaranteed that failures in US fiscal and monetary policy would be borne out by adjustments in other nations' exchange rates and monetary reserves. But there was no reason for alarm, reporters noted, since “the American economy is huge enough to be of great importance to them, but international

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<sup>24</sup> Mundell won the 1999 Nobel Prize in Economics for “predicting the future development of international monetary arrangements and capital markets.” His seminal contributions were: "A Theory of Optimum Currency Areas" (1961), *The American Economic Review* 51(4): 657-665; and "Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates" (1963), *The Canadian Journal of Economics and Political Science* 29(4): 475-485.

<sup>25</sup> Krueger, Anne O. (1969), "Balance-of-Payments Theory", *Journal of Economic Literature* 7(1): 1-26; Taylor, Mark P. (1995), "The Economics of Exchange Rates", *Journal of Economic Literature* 33(1): 13-47.

transactions are so small” that other nations could cause no harm to the United States even if they so wanted.<sup>26</sup>

The second week of August 1971 began with headline news of a report by House of Representatives’ Henry Reuss, examining recent turmoil in the exchange markets. The report concluded that a devaluation of the dollar would help stabilize the markets and cut the trade deficit. Friedman made headlines by criticizing the committee's conclusions. He argued that a unilateral devaluation would be of little consequence without an effort of international negotiation. He reaffirmed his conviction that the free float of currencies was the ideal state of affairs and the future destination of the monetary system. Reuss, himself a participant in the Bellagio sessions was also criticized by another Bellagio regular, Robert Roosa, a former under-secretary of President Kennedy and a professional economist.<sup>27</sup>

On Friday, the *Journal’s* front page collected the opinion of businessmen and economists about devaluation and “they say, come to think of it, it may not be a bad idea.” Although largely optimistic, the article closed with corporate executives confessing that “It is such a gosh awful complex thing that there’s no simple answer.” With similar concerns, the *Times’s* senior economic policy reporter commented that

The United States ... doesn’t know what to do. The Swiss National Bank doesn’t know what to do. The International Monetary Fund does not know what to do. Academic professors ... frequently give an air of assurance, but they are sufficiently divided so that it can safely be said that they don’t know what to do.

Dale’s list of “doesn’t know what to do” went on with Henry Reuss, Giscard D’Estaing, Karl Schiller, the Japanese and Dale himself.<sup>28</sup>

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<sup>26</sup> Dale Jr., Edwin “Extraordinary Role of U.S. Dollar in World Monetary System Illustrated in Crisis” *NYT*, May 6, 1971, p. 71; Silk, Leonard “Money Crisis Impact” *NYT*, May 12, 1971, p. 55; Dale Jr., Edwin “Europeans Bear Brunt in Crisis of Dollar” *NYT*, May 16, 1971, p. F9.

<sup>27</sup> “Friedman differs with Reuss Panel” *NYT*, August 11, 1971, p. 49.

<sup>28</sup> “Whither the dollar?” *WSJ* August 13, 1971, p. 1; Dale Jr., Edwin “Monetary Strife: No

In this “time of great doubt” Nixon made a televised announcement, Sunday night, August 15 1971. Nixon outlined a new policy blueprint to meet what he termed “the challenge of peace.” The new economic policy aimed at three goals: “create more and better jobs;” “stop the rise in the cost of living;” and “protect the dollar from the attacks of international money speculators.” Nixon noted that “in recent weeks, the speculators have been waging an all-out war on the American dollar.” Alongside a 90 day freeze on prices and wages, he suspended the convertibility of the dollar into gold and other reserve assets. Adding that “unfair exchange rates” were hurting the US trade balance, he imposed a 10% surcharge on imports to even out competition. Nixon’s tone was bellicose when charging that “time has come for exchange rates to be set straight and for the major nations to compete as equals. There is no longer any need for the United States to compete with one hand tied behind her back.”<sup>29</sup>

The media reacted with justified surprise. Only a few days before, the *Journal* had been assured by the White House that no major economic policy shift was in the works. The day after Nixon’s speech, the *Journal*’s front page began with the complaint: “It wasn’t supposed to be like this in the Nixon Administration. (...) Newsmen could know they would never be called to the White House late on a balmy summer night to know about the newest thrust of

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one wants it but...” *NYT*, August 15, 1971, p. F5.

<sup>29</sup> Nixon's August 1971 decision has been a fascinating puzzle for policy scholars since it seemed to betray all of his ideological priors. For an insider's narrative of events at Camp David, that signals Secretary of Treasury Connally's influence, see Safire, William (1975), *Before the Fall: An Inside View of the pre-Watergate White House*. Garden City, NY: Doubleday.

economic policy.”<sup>30</sup> In contrast, the *Times’s* first editorial impulse was to applaud the boldness of the President.<sup>31</sup>

Despite being caught off-guard, the newspapers admirably filled in commentary and long articles for the front pages unpacking the new policy.<sup>32</sup> The interviewed administration did not offer much insight into what lay ahead. The *Times* noted “The change in the world monetary system ... is entirely uncertain. That was the word used by Secretary of the Treasury John B. Connally. What matters most is exchange rates among currencies and Mr. Connally said he did not know what would happen.”<sup>33</sup> Late night, on Sunday, both the *Times* and the *Journal* rushed to phone financiers, business leaders and economists to record their assessment. The *Times* found them supportive although insistent that the wage-price freeze and the import surcharge should be temporary. The *Journal* saw it slightly different: “welcome for the tax credits, a wait-and-see attitude on wage-and-price controls, and

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<sup>30</sup> Janssen, Richard J. “White House Denies and Evades Rumors of Economic Policy Shifts” *WSJ* August 13, 1971, p. 11; “The Outlook” *WSJ* August 16, 1971, p. 1. The surprising policy turn remained a subject of interest for the *Times*. The newspaper sought to question the administration about the leading up to the decision. See Naughton, James M. “Nixon’s Economic Shift: How and Why he Did it” *NYT*, August 17, 1971, p. 17.

<sup>31</sup> “Call for Economic Revival” *NYT* August 16, 1971, p. 26. Noteworthy that the *Journal* found Nixon’s “leadership” objectionable, calling it grandstanding. Anderson, David C. “Nixon: Flair for the Long Ball” *WSJ* August 17, 1971, p. 14 and Wicker, Tom “The Power to Act” *WSJ* August 17, 1971, p. 35.

<sup>32</sup> The episode is retold in a history of the *Journal* as an example of journalistic skill, particularly Janssen’s. Rosenberg, Jerry Martin (1982), *Inside the Wall Street Journal: The History and the Power of Dow Jones & Company and America’s most Influential Newspaper*. New York: Macmillan, pp. 288-293.

<sup>33</sup> Janssen, Richard F. “Altering the course” *WSJ*, August 16, 1971, p. 1, 3; Dale Jr., Edwin “Severs Link between Dollar and Gold” *NYT*, August 16, 1971, p. 1, 15.

apprehension about the effect of closing, even part way, the gold window.”<sup>34</sup>

Throughout the third week of August, economic players were queried about the new measures. The *Times* sought the American Importers Association that foresaw the surcharge on imports as “disastrous,” and the National Trade Council deemed it “disturbing and unnecessary” to correct the trade balance. The *Journal* queried the automobile and machine-tool manufacturers who were pleased with the surcharge and the investment credits contemplated by the new policy mix.<sup>35</sup> Along with these predictable reactions, there were the tales of stressed American tourists who on August 16 saw their dollars denied in European shops, and the worried travelers that stocked on foreign currency in anticipation of their trips abroad.<sup>36</sup>

Academic economists’ commentary, with greater emphasis in the *Times* than in the *Journal*, was distinctively confident. Arthur Okun called Nixon’s actions “a leap forward” and Paul Samuelson “approved of everything in President Nixon’s package except his cutback of Federal Spending.” Samuelson, as the economist who “won the Nobel Prize last year for his economic theories and writings,” was invited to write a column on the Nixon program. Samuelson focused on the international aspects. He wrote that currencies would move from

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<sup>34</sup> Hershey Jr., Robert D. “Financial Leaders Back Nixon’s Steps” *NYT* August 16, 1971, p. 14; “Business surprised, but Initial Reaction to Nixon’s Move Is Generally Favorable” *WSJ*, August 16, p. 3.

<sup>35</sup> Jones, Brendan “Sudden 10% Surcharge is Assailed by Importers” *NYT* August 17, 1971, p. 18. “Auto Makers See Big Sales Surge, Imports Slowdown” *WSJ*, August 17, p. 4; Winter, Ralph E. “Depressed Machine-Tool Industry Expects Gains From Nixon Plan--but Not Overnight” *WSJ* August 17, 1971, p. 5. See in particular “Nixon’s Economics” *WSJ*, August 17, 1971, pp. 1, 22.

<sup>36</sup> “For Many American Travelers Abroad, Yesterday Was a Very Bewildering Day” *WSJ*, August 17, 1971, p. 6; Weinraub, Bernard “Tourists Confused at Money Exchanges” *NYT*, August 17, 1971, p. 19; Gapay, Les “Travelers to Europe Scurry in New York For Foreign Currency” *WSJ* August 19, 1971, p. 14.



“disequilibrium to equilibrium,” to the benefit of all trading parties.<sup>37</sup>

Journalists also volunteered an interpretation of events. These writings summarized the collected commentary of economic player, politician and expert. Eileen Shanahan, a journalist for the *Times's* Washington bureau considered that the consequences of inconvertibility “could not be harder to predict, simply because the step is so radical.” H. Erich Heinemann likened Nixon’s move as cutting the mythical Gordian knot, but cited Peter L. Bernstein worrying that it “created more long-run problems ... than he appears to have solved in the short run.”<sup>38</sup> Journalists were being cautious about the international issue. The *Times's* economic specialists focused mainly on the inflation part of Nixon’s three target policy and the Washington bureau’s economic chief explained: “The international monetary matter is of great moment” but “come[s] behind the wage price problem in people’s lives.”<sup>39</sup>

In contrast, the newspaper editorials were more adventurous. They shied from foretelling the future but did not hold back advice. The *Times* editorial writers made a principled defense of free trade and insisted that the import surcharge could only be justified in the very short run. They concurred with the experts (Samuelson) that the free floating currencies would find a new resting equilibrium and argued that “this country should press toward widening the permissible fluctuation around pegged exchange rates and a better system for future changes in parity among currencies.” The *Journal's* editorial of two days later agreed with the *Times*. Outlining a brief monetary history of the previous decades it called for the new monetary system to include “more flexibility than its predecessor.”<sup>40</sup>

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<sup>37</sup> Lydon, Christopher “Reactions Mixed” *NYT*, August 16, 1971, p. 1, 14; Samuelson, Paul “At last, devaluation” *NYT*, August 18, 1971, p. 37.

<sup>38</sup> Shanahan, Eileen “President's Triple Ploy” *NYT*, August 17, 1971, p. 20. Heinemann, H. Erich “Nixon Cuts Gordian Knot” *NYT*, August 25, 1971, pp. 49, 45.

<sup>39</sup> Dale Jr., Edwin “To Public Wage-Price Freeze is Paramount” *NYT*, August 29, 1971, p. F7; Silk, Leonard “An antiquated balance of power” *NYT*, August 23, 1971, p. 29; Dale Jr., Edwin “President’s Program: How Much Economic Stimulus?” *NYT*, August 22, 1971, p. F4.

<sup>40</sup> “The New Economic Policy” *NYT*, August 17, 1971, p. 34. “A new world monetary order”

In the mid-August commentary there was no alarm of impending danger. No one doubted the strength and soundness of the dollar or the US economy. “Confusion” and “anxiety” were words used only to describe European and Japanese reactions to the policy.<sup>41</sup> The media's frame was of surprise at Nixon's condemning of the monetary system born at Bretton Woods. They found the same shock and puzzlement everywhere they looked.

#### **4. FALL 1971 - ASSIGNING BLAME AND THE THREAT OF TRADE WAR**

Intense negotiations followed Nixon's announcement. The International Monetary Fund met in September 26. The Group of Ten gathered in London, September 15-16, in Rome, November 30 and December 1, and finally at the Smithsonian Institution in Washington DC on December 17-18, 1971. In between there were frantic bilateral meetings and consultations, decisively one between Nixon and French President Pompidou, mid-Atlantic at the Azores in early December. It was the difficulty to broker an international agreement that forced the media to reassess the stakes. The coverage of meetings flooded newspapers with scenarios: what would be the price of the dollar against other currencies? What reserve system would replace gold? Were exchange rates to be fixed or floating, or floating/fixed within wide bands? Interestingly, the commentary on these options was framed by a narrative on the guilt and innocence of international partners.

In his August 15 speech, Nixon had named “international money speculators” the culprits of monetary instability.<sup>42</sup> The *Journal* immediately undermined the suggestion. In editorial, it blamed public officials' “attitudes” for creating lack of confidence in the monetary system. It argued that international cooperation was the requirement for monetary stability, which Nixon had imperiled with the import surcharge. A few days later, the *Journal* ran a front page piece

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*WSJ*, August 19, 1971, p. 8.

<sup>41</sup> Farnsworth, Clyde H. “Most Currency Dealing is Halted” *NYT*, August 16, 1971, pp. 1, 18.

<sup>42</sup> Nixon made his career as a prosecutor and persecutor of “communists in government.” He continued to have a penchant for seeing conspiracies. Summers, Anthony and Swan, Robbyn (2000), *The Arrogance of Power: the Secret World of Richard Nixon*. New York: Viking; Mitchell, Greg (1998), *Tricky Dick and the Pink Lady*. New York: Random House.

with a reporter visiting Corn Products Co., a wholesome food exporter, which as part of its standard operations used the forward currency markets.<sup>43</sup> This “speculator” was an unlikely villain.<sup>44</sup>

The *Journal* was faster than the *Times* in adopting a narrative of political blame. As early as August 18, its senior economic policy writer and the European correspondent wrote a front page feature addressing the terms of a negotiated settlement on exchange rates, new rules for fluctuations in exchange, and a new reserve or intergovernmental “money.” The focus was on bargaining terms between nation states.<sup>45</sup> The *Times* noted: “While the issue seems technical, it is in fact highly political.” The *Journal* echoed: “the monetary problems may have so many political implications that mere technicians cannot solve them. Instead politicians may have to haggle on for quite a long time while the world awaits a workable monetary setup.”<sup>46</sup> Only the sentiment distinguished the newspapers, the *Journal* seemed to lament an intrusion of politics, the *Times* took it as a given.

The prospect of a confrontation between nations anticipated danger for the economy. The expressed anxiety was a return to the 1930s when “competitive devaluations, export subsidies and other “beggar-thy-neighbor” policies help trigger a world depression and kept it going by inhibiting trade.”<sup>47</sup> The highlight of national and political arrogance turned the original

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<sup>43</sup> “Problems of Attitude” *WSJ*, August 17, 1971, p. 14; “World of Finance: How Multinational Firm Protects its flanks in monetary dealings” *WSJ*, August 20, 1971, pp. 1, 18.

<sup>44</sup> At this early stage, the *Journal* preferred to credit blame to a “fanatic determination to cling to fixed exchange rates” by all countries. “A new world monetary order” *WSJ*, August 19, 1971, p. 8.

<sup>45</sup> Janseen, Richard E. and Vicker, Ray “What next?” *WSJ*, August 18, 1971, pp. 1, 23. The *Times* had a similar item the day before, but less detailed, Heinemann, Erich H. “Observers say Nixon’s Aim is 12% to 15% Devaluation” *NYT*, August 17, 1971, pp. 1, 9.

<sup>46</sup> Dale Jr., Edwin “IMF is Opposing US Gold Stand” *NYT*, August 21, 1971, pp. 1, 13. “A Task for Technicians” *WSJ*, September 10, 1971, p. 8.

<sup>47</sup> Kleiman, Robert “He wants “An Awful Lot for Very Little”” *NYT*, September 12, 1971,

surprise into an identified threat: a world depression through trade war.

The early candidate for blame was Japan. For two weeks after Nixon's unilateral decision, the Japanese had resisted an upward valuation of the yen against the dollar. The *Journal* reported that "many Japanese businessmen believe that revaluation will force a badly needed reorganization of Japan's industry," however, the short-sighted government was committed to keeping a depressed rate. The *Times* seemingly addressing the government remarked that the Japanese "must recognize that a lasting improvement in its trade relations with the United States requires a further upward valuation."<sup>48</sup>

The Europeans were also criticized. In a mid-September editorial, the *Journal* remarked that: "The US is the big boy on the block and the Europeans would like to kick him a few times while they think they have the chance. ... they insist that the US do at least part of the job by officially devaluing the dollar. ... an open confession of financial error." With this statement the *Journal* also dismissed the French and the Dutch proposals of creating a dual currency market (one for goods, one for finance) to dampen monetary movements. The European proposals were portrayed as insincere politicking.<sup>49</sup> Since the dollar was the currency indexing all others, a devaluation of the dollar meant one of two possibilities: either an across the board repricing of all currencies, which was uncalled for, or a re-pricing of the dollar in gold, away from \$35 an ounce. It was the symbolic significance of the latter that angered the *Journal*.

The *Journal* was reluctant to represent the USA engaging in self-interested tactics to the same extent as other nations. But with time discomfort set in. Consistently, the *Journal* denounced the import surcharge as a poor example to set trade partners and an invitation to a spiral of protectionism. Late September, the *Journal* began to question the righteousness of the US position and argued: "Whoever was at fault for what happened in the past, the present need is

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pp. E1.

<sup>48</sup> "Everyone can win" *WSJ*, September 2, 1971, p. 4. "Avoiding a Fiasco" *NYT*, September 12, p. E16.

<sup>49</sup> "A Task for Technicians" *WSJ*, September 10, 1971, p. 8. The argument was repeated in "Monetary Muddle" *WSJ*, November 11, 1971, p. 16.

to prepare for the future.”<sup>50</sup> By October, the *Journal* had accepted the accusation that the US was engaging in economic nationalism.<sup>51</sup>

As the *Journal* reported the political intrigue, its editorials became estranged from the dominant positions on offer. The *Journal* became opposed to the link to gold, while seeking to preserve the dollar's position of “leadership” in the monetary system.<sup>52</sup> It became an advocate of a free float. First in October, and insistently in December, the *Journal* argued that an “expert might set the relationship between the U.S. dollar and the British pound within, a broad range but anyone who claims he can set a precise figure at any moment, without help of the free market, is merely foolish.”<sup>53</sup>

The *Journal's* editorial position was a defense of free trade, stated as: “Free Economic Competition isn't an easy game to play. Approached intelligently, it is nonetheless a game at which every nation can win.”<sup>54</sup> The *Times* also saw a game being played. Leonard Silk described a “poker game” between the Group of Ten and the USA bluffing its hand into an advantageous position. The *Times* reported how Treasury negotiators Secretary Connally and

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<sup>50</sup> “The Reality of Reprisal” *WSJ*, September 13, 1971, p. 16; “A Task for Technicians” *WSJ*, September 10, 1971, p. 8. “The Weakness of Bigness” *WSJ*, September 23, 1971, p. 18. “Trading With the Enemy” *WSJ*, September 29, 1971, p. 12.

<sup>51</sup> “Fair trade vs Free trade” *WSJ*, October 1, 1971, p. 8; “An Expensive Nationalism” *WSJ*, October 5, 1971, p. 28; “The Protectionist Virus” *WSJ*, October 9, 1971, p. 24. “Dangers of the Import Surcharge” *WSJ*, November 18, 1971, p. 22.

<sup>52</sup> “The Dollar's Future Role” *WSJ*, September 3, 1971, p. 4; “Who Will Lead?” September 16, 1971, p. 14; “Everyone Can Win” *WSJ*, September 2, 1971, p. 4. On the issue of gold the *Journal* was in a polemic with its readers. See “No Magic in Gold” *WSJ*, September 1, 1971, p. 10; “Readers Urge the Merits of Gold” *WSJ*, September 17, 1971, p. 8; “The Second-Best Monetary System” *WSJ*, September 17, 1971, p. 8.

<sup>53</sup> “Doing the Unthinkable” *WSJ*, October 6, 1971, p. 16; “An Opportunity Slipping Away” *WSJ*, December 16, 1971, p. 20.

<sup>54</sup> “Every one can win” *WSJ*, September 2, 1971, p. 4.

under Secretary Volcker were using the import surcharge to bargain a new set of exchange rates, eliminate non-tariff restrictions on American exports and share the costs of US military presence overseas.<sup>55</sup>

Compared to the *Journal* the *Times* produced less editorial commentary about the negotiations, although equal amount of news.<sup>56</sup> As a result, discussion about different monetary regimes was largely mute.<sup>57</sup> The *Times* was also distinctive for taking a nearly moral stance about the problem and its resolution. They saw:

The immediate objective for the United States must be to obtain a realignment of currencies that promises to restore equilibrium to its balance of payments – without forcing terms upon other nations that would be harmful to their employment, trade and payments positions.

Therefore, the *Times* accepted the European demand that the US should devalue the dollar, which the *Journal* found so objectionable. The *Times* took the devaluation for granted. It justified that “the formal act of dollar devaluation will ease the adjustment problem for other nations and prove Americans willingness to cooperate in building the kind of new monetary system of more flexible exchange rates.”<sup>58</sup> Unlike the *Journal*, the *Times* did not stake out

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<sup>55</sup> Silk, Leonard S. “Economic Poker Game” *NYT*, September 15, 1971, pp. 61-73; Kleinman, Robert “He wants “An Awful Lot for Very Little”” *NYT*, September 12, 1971, p. E1. Lee, John M. “Preliminary U.S. Talks With Its Trade Partners on Problems Are Inconclusive” *NYT*, September 2, 1971, p. 8.

<sup>56</sup> The *Journal* during this period had just over 30 pages, Monday to Friday. The *Times* had about 80 Monday to Saturday and a bulky 350 on Sundays.

<sup>57</sup> Farnsworth, Clyde H. “Monetary Key: U.S. Global Role” *NYT*, September 16, 1971, p.34; Silk, Leonard S. “Balance of Payments Is Key Issue in Talks” *NYT*, September 28, 1971, p. 32; Farnsworth, Clyde H. “O.E.C.D. Study Used” *NYT*, October 19, 1971, p. 61.

<sup>58</sup> “Progress in Rome...” *NYT*, December 1, 1971, p. 46. See also on the devaluing of the dollar “Resolving the Monetary Crisis” *NYT*, December 6, p. 38. The editorial writer was Silk who also wrote a more detailed piece on the financial pages, praising the Germans for their

editorially the shape of a new monetary system, the immediate task was to realign currencies and reform would wait.

Based on this record, my claim is that newspapers approached the monetary negotiations through a political narrative of national interests and national characters. Although they complained, particularly the *Journal*, that a technical problem was being polluted by political maneuvering, they used political reasoning to judge the alternatives. The *Times* advocated a swift devaluation of the dollar as requested by the Europeans because it saw the Administration engaged in imposing its will upon others. To the *Journal* all parties were engaged in despicable politics, and it blamed all in equal measure for the troubles of the monetary system. The *Journal* thus moved to an advocacy of a free floating exchange system, because it expelled the experts, the technicians and the politicians.

The *Journal's* anger at the proposed re-pricing of gold and dollars was justified as an attempted humiliation of America by foreign powers. The dollar was a source of pride and the erosion of its price a national loss. The dollar bound to gold signified treasure and in the 1971 narrative, also the leadership role of the USA in the world economy.

On December 18, 1971, at the Smithsonian Institution, Nixon announced “the most important monetary agreement in the history of the world.” It was settled by the Group of Ten that: the official price of gold would become 38\$ an ounce, from \$35 an ounce prior to August 1971; new exchange rates were estimated to represent a devaluation of the dollar of about 10%; currencies would be permitted to float in wider bands of 2.25%. The monetary setup, however, remained largely unchanged and both newspapers found Nixon’s self-congratulations excessive. The *Journal* editorialized “With all due respect to all concerned, we suggest that there is in reality scant occasion for pride and celebration.” It added, the devaluation was “a culmination of a record ... of international financial irresponsibility.” The *Times* also found Nixon’s wording misleading, and stated “it remains to be seen how stable [a

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arbitration between the Americans and the French. Silk, Leonard “High Politics of Money” *NYT*, December 1, 1971, pp. 69, 78. And further about the US’s reluctance to devalue the dollar, Silk, Leonard “Alice’s Dollar and some other currencies” *NYT*, December 5, 1971, p. E2.

system of inconvertible dollar standard] will be.”<sup>59</sup>

Despite Nixon’s hyperbole, the newspapers were pleased by the Smithsonian agreement. The threat of protectionism and exchange war had been defused. The *Journal* remained hopeful for “even greater flexibility.” The *Times* called for continued negotiations “over many months, probably years” ahead. The identified threat of trade war had been averted.

I have examined the early coverage of Nixon's 1971 policy overhaul and the *Times'* and the *Journal's* evaluation of the issues in the months that followed. Both newspapers called for flexibility in the money markets, both offered a political narrative of protagonists and events. What I have not yet done is to discuss if and how experts contributed to focus uncertainty about the dollar as a risk of political deadlock and escalating trade war.

The Bellagio economists' channel to “officials” remained open in 1971. They met in Taormina, Italy, in January, and significantly they had a joint seminar in September 24, sponsored by the think tank American Enterprise Institute, before a meeting of the IMF. Three papers were published with the accompanying discussion. Armin Gutowski was the one that approached the subject of reform to reveal a preference for a more flexible system against the close controls of the past. The absence of detail was conspicuous and suggests the careful staging of the events so that no details of actual policy be advanced.<sup>60</sup>

During the negotiations, journalists on occasion reported economists' views. Of their policy brainstorming, that of Fred Bergsten, once adviser to the Nixon administration, received the most coverage by Dale at the *Times*. But characteristically the reporter did not endorse Bergsten, his blueprint was dubbed complex and difficult and ultimately of little relevance to

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<sup>59</sup> “Very Like a Whale” *WSJ*, December 20, 1971, p. 12; “The Free World Has Won” *NYT*, December 20, 1971, p. 34.

<sup>60</sup> There was a second closed door meeting after the AEI conference. At the conference Machlup spoke of Europe's practice of banks allowing for deposits in dollars and its consequent creation of dollars through credit. Friedrich A. Lutz spoke of European Community integration and the need for a concerted foreign exchange rate policy. *International monetary problems*. (1972) Washington, D.C.: American Enterprise Institute for Public Policy Research.



an agreement.<sup>61</sup> Bergsten was newsworthy to Dale because he was a former staffer of Henry Kissinger and was testifying to Congress criticizing the Administration's handling of the negotiations. Bergsten also fit the media's "nations in battle" narrative. Bergsten worried about the advent of a "trade war" and the outcome of the monetary negotiations to international relations.<sup>62</sup>

The economists also had un-mediated access to the newsprint.<sup>63</sup> Robert Triffin had written in the *Times* in April 1971, diagnosing the collapse of a monetary system that compelled nations to take on unlimited amounts of US dollars to abide to the rules of the IMF. To Triffin the system was "bizarre" and unsustainable.<sup>64</sup> Besides, economists did not file many columns on the international monetary crisis. At the heat of the controversy, Friedman, who was often cited authoritatively in editorials at the *Journal*, wrote a two part column for the *Times*, but focused mainly on the issue of wage-price controls staking government intervention of this sort as "immoral."<sup>65</sup>

In the frame of nationalist self-interest and politicized bargaining there was seemingly no role for expertise. In October 1971, Leonard Silk's two part article on the money crisis, gave lavish

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<sup>61</sup> Dale Jr., Edwin "Discussion Urged on Dollar's Role" *NYT*, June 24, 1971, p. 53; "Unthinkable thoughts" *NYT*, July 25, 1971, p. F5; "Murky Currency Situation" September 12, 1971, p. F4.

<sup>62</sup> Dale Jr., Edwin "Rep. Reuss Asks Devalued Dollar" *NYT*, September 22, 1971, p. 1; "Everyone Is Angry at the US as IMF Talks Begin" *NYT*, September 26, 1971, p. F4; Janssen, Richard F. "Monetary Muddle" *WSJ*, September 26, 1971, p. 1; Silk, Leonard "Splitting of Blocs" *NYT*, October 13, 1971, p. 65, 70.

<sup>63</sup> Also occasional letters to the editor, Fellner in *NYT*, February 16, 1971, p. 32; Haberler, Gottfried in *NYT*, April 22, 1971, p. 40.

<sup>64</sup> Robert Triffin "Europe's Dollar Tea Party" *NYT*, May 14, 1971, p. 41;

<sup>65</sup> "Fears of Floating" *WSJ*, July 20, 1971, p. 10; "Premature fears" *WSJ*, July 25, 1971, p. 14. Friedman, Milton "Morality and Controls I" October 28, 1971, p. 41; "Morality and Controls II" October 29, 1971, p. 41.

praise to Triffin as the economist that as far back as 1958 had foreseen the collapse of the gold-exchange system. Having shown the economists' prophetic insight and outlined their various proposals to replace gold and the dollar as the reserve currency, Silk concluded that: "Which route or combination of routes the world takes toward reform is a matter of politics more than economics."<sup>66</sup> Economists seemed to have a minor role to play in the political narrative.

## 5. WINTER 1973 – SELF-DOUBT AND A COMPETITIVE THREAT

On the eve of the Smithsonian agreement the *Journal* published an open letter by eighteen economists calling for the US government to maintain its "neutrality with respect to exchange rates," the political term "neutrality" denoting a free market of exchange. The economists stated that the US could then unburden its domestic policies of the concern to balance international payments, the outcome would be greater trade.<sup>67</sup>

Among the undersigned of the *Wall Street Journal* letter was Friedman. As a columnist for *Newsweek*, Friedman offered some commentary of the monetary crisis. In late May 1971, He had commented on the troubles with the mark, first arguing that the crisis of the German currency was not related to the dollar, and that the crisis and the floating of the mark had strengthened the world monetary system. Friedman was unequivocal in stating: "the sooner [the system] is replaced by floating exchange rates, the better." Friedman penned the August 16, 1971, column at *Newsweek*, with no time to react to Nixon's startling announcement, it was by coincidence that the subject of his column was gold. He wrote "The official price [\$35 an ounce] is wholly symbolic, and so is the monetary role of gold." Friedman's commentary

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<sup>66</sup> Silk, Leonard "Forewarning on the Dollar" *NYT*, October 6, 1971, pp. 65, 73; "The Dollar Overhang" *NYT*, October 13, 1971, pp. 63, 68.

<sup>67</sup> "A New Wave of Mercantilism" *WSJ*, December 16, 1971, p. 20. The undersigned were Armen Alchian; William Allen; George Benston; George Borts; Karl Brunner (principal promoter); James Buchanan; Milton Friedman; Herbert Giersch; Donald Gordon; Jack Hirshleifer; Harry Johnson; William Meckling' Allan H. Meltzer; Thomas Saving; Egon Sohmen; Jerome Stein; and Gordon Tullock.

on the Nixon policy for the latter half of 1971 and all of 1972 focused on fighting inflation and monitoring the growth of the US money supply. He only wrote about the international currency subject in December 1971 and July 1972. The first column overlapped with the *Journal* letter lamenting that “Secretary Connally and President Nixon will have snatched defeat from the jaws of victory” by agreeing on a new set of parities and a new price in gold instead of remaining in a free float. Half a year passed, and he dismissed public concern over the floating of the pound. The ideal international arrangement was a free float of all currencies and as soon as the “Smithsonian agreement is undermined the better.”<sup>68</sup> Friedman was thus of a single mind on the matter of exchange rates, saying let the markets decide.

The *Times* on its front page of December 22, 1971, published the “unanimous” protest of twelve economists to the “Smithsonian” accord. Economists warned that the agreement would not avert a new monetary crisis. They called for new rules to allow “small and more frequent” adjustments of exchange rates, a much reduced role of gold, a move towards an international reserve currency, reductions in trade barriers and the uncoupling of financial negotiations with the US's desire to obtain “burden-sharing” for its military costs overseas.<sup>69</sup> These deliberative and consensual expressions of expertise, contradicting the dirty political arrangements, were newsworthy. Both newspapers echoed the experts calls for a continued discussion on restructuring the international monetary system.

The *Times* invited Machlup and Triffin to expand on the subject. Machlup's column was an extended version of the twelve economists agreement stating that the Smithsonian wider variation bands for exchange rates were insufficient to avert crisis. Machlup explored the semantics of adjustment regimes: unalterable, jumping, gliding and no parities. He focused on a system of few but large changes in parities (jumping) and one of minor but frequent ones

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<sup>68</sup> Friedman, Milton, *Newsweek* “The Mark Crisis” May 24, 1971, p. 72; “Gold” August 16, 1971, p. 69; “Keep the Dollar Free” December 20, 1971, p. 83; “Welcome to a Floating Pound” July 24, 1972, p. 61.

<sup>69</sup> Dale Jr., Edwin “Economists Urge List of Reforms” *NYT*, December 22, 1971, pp. 1-53. The twelve economists were: C. Fred Bergsten; Sir Alexander Cairncross; Jean-Claude Casanova; Don Guido Colonna di Paliano; Richard N. Cooper; Edward R. Fried; Motoo Kaji; Norbert Kloten; Fritz Machlup; Roy Matthews; Sahure Okita and Kiichi Saelti.

(gliding, the boundary being bigger or smaller than 3%). This would enable a non-traumatic adjustment. To determine the moves, experts should look at the trends in the value of currencies to diagnose systemic changes to their position. With equal detail Triffin wrote about the reserve aspect of the system. He noted the massive flood of dollars between 1970 and 1971, increasing total world reserves by 20%. This was a source of instability and a true world currency reserve should be adopted, and not gold. To Triffin, the IMF should become more active eliciting rate changes and managing the world reserves.<sup>70</sup>

While the Fall 1971 negotiations were underway economists' arguments were buried, once the negotiations had been closed their opinion surfaced to comment on the limitations of the agreement and to outline a more reflected blueprint for the monetary system. Still, the newspapers lacking direct signs of market disorder allowed the issue to fade in the weeks and months ahead.<sup>71</sup> When the pound was forced to float and suffered a substantial devaluation in late May, the newspapers paid attention. They also followed the IMF meetings in May and September although little progress came from them.<sup>72</sup> Newsworthiness in 1972 was principally attached to the Presidential election and economic journalists were interested in changes to Nixon's economic team, as when Secretary of Treasury Connally was replaced by George Schultz.<sup>73</sup>

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<sup>70</sup> Machlup, Fritz "Flexibility Versus Fixed Exchange Rates" *NYT*, December 16, 1971, p. F12; Triffin, Robert "Toward a Viable Monetary System" *NYT*, January 23, 1972, p. F16.

<sup>71</sup> The academics also witnessed a lull in their close dialog with the officials. In 1972, the academics and officials met only once in March, in Cascais, Portugal, from the usual standard of two to three meetings a year.

<sup>72</sup> Silk wrote a new two part essay on monetary reform in August 1972. This time he gave some credit to Friedman's proposal of a free market exchange regime, placing Walter Salant as his critic arguing that it would not work.

<sup>73</sup> Janssen, Richard "The Shultz Shift" *WSJ*, May 17, 1972, pp. 1, 21; Sloane, Leonard "Choice for Treasury Secretary" *NYT*, May 17, 1972, p. 22. Leonard Silk wrote a book on Nixon's first term economic policy. He concluded that Nixon lacked an ideology and veered toward the politically expedient wisdom. Silk, Leonard Solomon (1972), *Nixonomics: how the*

Turmoil in the monetary markets reemerged in February 1973, when a ten day run on the German Mark and the Japanese Yen signified the collapse of the Smithsonian parities.<sup>74</sup> Volcker made a world trip to negotiate a 10% devaluation of the dollar, and the Japanese agreed to let their currency float and appreciate.<sup>75</sup> The unfolding of the Smithsonian accord in a bit over a year of existence was interpreted as proof against a fixed exchange regime. Silk wrote that “In a both theoretical and practical way, one of the major consequences of the current crisis appears to have been that it has blasted nations out of (...) their “theological” tendency to reiterate “par value, par value, par value.”” Private bankers and consultants were also reported to have increasingly abandoned trust in a fixed exchange regime.<sup>76</sup> In fact, the newspapers were comforted by the temporary floating of the currencies, a *Journal* editorial noted that Americans should not rush into any new arrangements.<sup>77</sup> The floating of currencies was no longer a state of distress, and even though Federal Reserve Chairman Arthur Burns called for the replacement of the float by a more managed system, the newspapers did not follow the urging.<sup>78</sup> When six European countries agreed in mid March to align their currencies and allow them to float together against the dollar, there was unanimous cheer at the solution.<sup>79</sup>

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*dismal science of free enterprise became the black art of controls.* New York: Praeger Publishers.

<sup>74</sup> Farnsworth, Clyde H. “Money Marts Closed Today” *NYT*, February 12, 1973, pp.1, 40.

<sup>75</sup> Lydon, Christopher “Monetary Diplomat” *NYT*, February 12, 1973, p. 40; David Binder “The Crisis: A week of flying and phoning” *NYT*, February 14, 1973, p. 55.

<sup>76</sup> Silk, Leonard “Semi Floating World” *NYT*, February 14, 1973; Heinemann, H. Erich “Currencies Afloat” *NYT*, March 3, 1973, pp. 39, 46; “After the Fall” *WSJ*, February 14, 1973, pp. 1, 13.

<sup>77</sup> “Pilgrimage to Paris” *WSJ*, March 9, 1972, p. 6.

<sup>78</sup> Dale Jr., Edwin “Burns Asks Speed in Monetary Reform” *NYT*, March 8, 1973, pp. 1, 65.

<sup>79</sup> “Floating Together” *NYT*, March 13, 1973, p. 38; “Crisis Resolution” *NYT*, March 18,

The problem of institutional design was no longer the principal focus of the newspapers' coverage of the monetary crisis. A new puzzle had materialized: how to interpret the “weakness” of the dollar? For the *Journal* the weak dollar was the outcome of government blunders in the managing of fiscal and monetary policy.<sup>80</sup> The *Times* took Nixon's cue, a new set of policy initiatives aimed at improving America's competitive position against Europe and Japan, that the dollar's loss of value denoted a eroding of America's economic dynamism.<sup>81</sup> The subject of American competitiveness was a theme that interested the *New York Times Magazine*, editorially independent from the daily *Times*. A South Asian correspondent wrote of an American popular abuse directed at the Japanese, “He gets blamed for being too aggressive, for getting up too early, working too late, for being the product of a culture that puts virtue in loyalty to both the company and the country.” Edwin Dale Jr. wrote to the magazine answering the question of whether the devaluation of the dollar reflected a loss of competitiveness of the US economy. He argued that the structure of the world economy had profoundly changed since World War II and “American industry and labor, we can now see, were the innocent victims of a monetary system that brought about an increasingly overpriced dollar.” He went on to say that having lasted this disadvantage, foreign business was allowed to set camp in the US market and would not abandon their share of the market. So for Dale, the weak dollar was an outcome of a past flawed monetary regime, and a weakened economy a casualty not a cause.<sup>82</sup> The dollar is here represented as an index of economic dynamism, and in the context of a looming recession, a measure of American competitiveness.

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1973, p. 214; “Making the guessing tougher” *WSJ*, March 13, 1973.

<sup>80</sup> “Return of the Prodigal Dollar” *WSJ*, February 14, 1973, p. 16; “Benign Neglect” *WSJ*, March 20, 1972, p. 26.

<sup>81</sup> Dale Jr., Edwin “Dollar is Sound” *NYT*, March 3, 1973, pp. 1, 46. Lee, John M. “Curtain Falls on Liberal Trade Era” *NYT*, 11 March, 1973, p. 165.

<sup>82</sup> Sterba, James “A Japanese businessman hops a cab from J.F.K. to Manhattan. ...” *NYT Magazine*, October 29, 1972, p. SM15; Dale Jr., Edwin “Why More Must Become Less” *NYT Magazine*, March 11, 1973, p. 280.

The fundamental test to the new floating status quo that settled in “benign neglect” in March 1973, was that it brought a recovery of the value of the dollar.<sup>83</sup> It was the dollar as an index both of wealth and of economic competitiveness that had become the subject of concern and no longer the institutional make up of the international monetary system.

Economists had something to do with this convincing, in the Winter of 1973 they were increasingly outspoken in the media calling for floating exchange. Silk reported on a Claremont Conference on International Monetary Reform joining some of the best known monetary economists. Silk was particularly struck by Haberler's argument that the monetary system despite the 1971-3 convulsions had not collapsed into bitter trade wars and bankruptcies, and was in fact quite sturdy. Silk was later confident in asserting that

Floating exchange rates are distrusted and opposed by many businessmen, bankers and government officials as both symptom and aggravant of world monetary disorder. But many economists (...) have come to regard floating as not only a necessary but a desirable way to restore equilibrium to nations' balances of payments.<sup>84</sup>

Economists also filed commentary in their own voice, to an extent that was more salient than in 1971. On the news of Volcker's negotiated devaluation in February, the *Times* called Fred Bergsten to write a column on the forthcoming negotiations. Bergsten looking at the US's proposal to the IMF of September 1972, underscored its political and economic shortcomings. But the assumption that the US was going to pursue that blueprint was flawed, and the prospect of the float became likely. Economists were brought in, again, after the event. Hendrik Houthakker wrote in the *Journal* on the 16<sup>th</sup>, Harry Johnson wrote in the *Times* on the 18<sup>th</sup> of March. Their message was the same, floating rates are alright.<sup>85</sup> Again,

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<sup>83</sup> Silk, Leonard “Stability During Crisis” *NYT*, March 14, 1973, pp. 55, 63 and “The Dirty Float” *NYT*, March 21, 1973, pp. 59, 67. “Monetary Evolution” *NYT*, March 30, 1973, p. 38; “Dollar is Firm as trading resumes” *WSJ*, March 20, 1973, p. 6.

<sup>84</sup> Silk, Leonard “Crisis on Money is Seen as Just One of a Series” *NYT*, February 19, 1973, pp. 33-34 and “Will the Float Help?” *NYT*, March 4, 1973, p. 193.

<sup>85</sup> Bergsten, C. Fred “The World's Next Monetary System” *NYT*, February 18, 1973, p. 209.

economists were cast to play the part of reassuring the public not to fear economic change.

## 6. JOURNALISTS MATTER

The *Times* and the *Journal* advanced political narratives as the frame to decipher not only the international negotiations but also the nature of the money crisis. But there were also differences between the publications. Their representation of President Nixon was quite distinct, the *Journal's* instincts were to support him, the *Times* sought to undermine him. And although the newspapers shared a reluctance to publicize expert advice and to frame the crisis in scholarly terms, there were differences of degree with the *Times* adept of following experts and evoke their authority.

Because the monetary crisis was a specialist subject, we can identify who were the journalists filing the reports and writing the editorials. The relevant names for the *Wall Street Journal* are Richard Janssen and Ray Vicker doing the reporting. While in the editorials, John E. Evans and Robert Bartley were in turn editorial page editors, and economic editorial writers were by Lindsey Clark and Jude Wanniski. At the *New York Times* the senior economic policy specialist was Edwin Dale Jr., writing on similar subjects was Erich H. Heinemann. Thomas Mullaney was the financial editor and Leonard Silk a columnist writing on the economics profession. The *Times* editorial pages were headed by John B. Oakes and the economic editorials were written by Silk.

The degree of journalistic autonomy differed between the publications and can be partly explained by longstanding editorial practices. The innovator that brought the *Journal* to its remarkable success in the 1950s and 1960s was Barney Kilgore. It was he who pioneered the feature articles, and the neat format of the *Journal's* front page. The feature items, like magazine pieces, often came days after the events but offered a wealth of research and analysis. Although a journalist filed the early drafts, the text was substantially edited by section and copy editors. In the news section of the *Journal*, due to this committee writing it is difficult to identify particular assumptions about the rule of expertise or other ideological commitments. In contrast, the *Times* had a more fragmented production of news. Although

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Houthakker, Hendrik "Cooling Off the Money Crisis" *WSJ*, March 16, 1973, p. 10; Johnson, Harry G. "Learning to Love Floating Rates" *NYT*, March 18, 1973, p. 165.



editors directed reporters on what events to cover, senior reporters enjoyed substantial independence. Hence, we can be sure that veteran reporter Edwin Dale, Jr., at the *Times*, had control over what was published under his name,<sup>86</sup> while the same may not be said of the *Journal's* Richard Jaansen. The other distinguishing aspect of the *Journal*, true to this day, is its separation of news and editorial pages.<sup>87</sup> While journalists do not often write opinion, editorial writers concentrate and specialize on opinion. At the *Times*, in particular in this period, there was some unity between news, commentary and editorials, because Leonard Silk was writing the economic column one day and the editorial the next. With differing degrees and formats both publications empowered its staff to voice opinion and analysis.

At the editorial page of the *Journal*, John E. Evans replaced in 1971 the famous Vermont Royster. Evans died suddenly in December that year, and was replaced by Royster's protégé, 34 year old, Robert Bartley. This changed the editorial page mid way through the period studied here. Lindsey Clark who had been the economic editorials writer during Evans' tenure stayed only a few weeks.<sup>88</sup> Clark had a masters in economics from the University of Chicago and is credited to have converted the editorial page to monetarism. He was replaced by the scandalous Jude Wanniski, who was previously writing about Washington and politics. The saga of Wanniski's relationship with economic doctrine and government policy has been a subject of passionate scrutiny. Wanniski had a close relationship with a maverick economist, Arthur Laffer, and to his own admission would confer with him daily on the phone about all subjects economic.<sup>89</sup> This relationship deepened in the mid-1970s when Wanniski became a

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<sup>86</sup> Having said this, Abe Rosenthal gave the *Times* his personal imprint while he held the post of managing editor. But this did not reach a micro-management of news. Goulden, Joseph C. (1988), *Fit to Print: A.M. Rosenthal and his Times*. Secaucus, N.J.: L. Stuart.

<sup>87</sup> Rosenberg, Jerry Martin (1982), *Inside the Wall Street Journal: the history and the power of Dow Jones & Company and America's most influential newspaper*. New York: Macmillan, pp. 201-208.

<sup>88</sup>Wendt, Lloyd (1982), *The Wall Street Journal: The Story of Dow Jones & the Nation's Business Newspaper*. Chicago: Rand McNally, p. 404.

<sup>89</sup>Scharff, Edward E. (1986), *Worldly Power: the Making of the Wall Street Journal*. New

propagandist of the policy views of Laffer and Robert Mundell, later labeled “Supply Side Economics,” and adopted by Ronald Reagan in his campaign to the Presidency.<sup>90</sup> Wanniski recalls having heard of and met Mundell in 1974, and only then did he adopt Mundell's prescription of a return to the gold standard. In 1972-3, Wanniski's close relationship with Laffer, nurtured an estrangement with the economics profession, and its public authority.

Conversely, at the *Times* there was sympathy for economists' expertise thanks due to Silk. A PhD in Economics, Silk began a journalism career in 1954 at *Business Week*, rising to become editorial page writer along with the honorary charge of Chairman of the editorial board. When in 1969 *Business Week* chose a new managing editor, a position Silk hoped for, he left for the Brookings Institution to work as an economist. He was soon invited to join the *Times'* editorial page. Silk is known as a pioneer of economics as news.<sup>91</sup> While at the *Times*, he wrote extensively on the economics profession including several books for the mass public.<sup>92</sup>

The contrast between Bartley-Wanniski vs Silk, denotes two very different commitments towards expert advice. The former were outsiders to economics, who saw economists as bureaucrats. Silk was an insider that had stepped out and was much more willing to grant respect and attention. Further, these preferences were embraced by distinct political

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York: Beaufort Books, pp. 255-56.

<sup>90</sup> Outside the editorial page his most famous writings were: Wanniski, Jude (1975), "The Mundell-Laffer Hypothesis-A New View of the World Economy", *Public Interest*, 39, p. 31; and (1976), *The Way the World Works: How Economies Fail and Succeed*. New York: Basic Books.

<sup>91</sup> Tiago Mata. "Trust in Independence: The Identities of Economists in Business Magazines, 1945-1970" Forthcoming.

<sup>92</sup> Silk, Leonard Solomon. *Nixonomics; Capitalism: the moving target* (1974), New York: Quadrangle; *The economists* (1976). New York: Basic Books; *Economics in plain English : all you need to know about economics--in language anyone can understand* (1978). New York: Simon and Schuster; *Economics in the real world* (1984). New York: Simon and Schuster; Silk, Leonard Solomon, and Vogel, David (1976), *Ethics and Profits: the crisis of confidence in American business*. New York: Simon and Schuster.

commitments, ones conservative, the other liberal.

The reporting of Edwin Dale Jr., is also instructive. Dale was reluctant to embrace expert advice. He reported it with misgivings. His stated objection was that economists could never agree. When in December 1971, groups of economists signed joint letters of protest against the Smithsonian agreement, in apparent unanimity, Dale was eager to print their views. Unlike Silk, Dale lacked the self-assurance of a training in economics and a familiarity with its language and practices, and looked for unanimity as a sign of scientific certification. His “beat” was politics and often preferred to quote the views of former government economists, as the case of C. Fred Bergsten, over the academics.

Beside the private assumptions, made up of the journalists' education, “beat,” or ideology, there was circa 1971 a wider cultural malaise combating expert knowledge. Economic journalists do not often reflect on their trade, but one such rare instance was provided in December 1971, at the American Economic Association Meetings in New Orleans. In a session jointly hosted by Walter Heller and Leonard Silk, “Economists consider Journalists and vice versa”, the invited journalists were Silk, Janseen of the *Wall Street Journal* and Bernard Nossiter of the *Washington Post*. The purpose was to reflect on how experts and reporters have interacted and how their conversation might be improved. Given contemporary policy controversy, both Silk and Janseen shared the concern for how government economists were turning into advocates. Economists feuding was highlighted as a reason to demote professional opinion about economic matters. Janseen stated:

Reasonable men can and differ on [matters of policy], and economists seem to differ at least as much as other reasonable men – enough so that it isn't reasonable for an economist to expect his views on the economy to be treated as the last word simply because he is an economist.<sup>93</sup>

Silk was even more severe. Addressing the Johnson and Nixon administrations, he offered instances of economists doctoring the numbers for partisan motives, while colleagues were

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<sup>93</sup> Janseen, Richard E. (1972), “Friends with Points of Friction and Misunderstanding”, *The American Economic Review* 62(1/2), March-May: 387-388.

“muzzled” for trying to speak against the official party line.<sup>94</sup> Overall, these statements denote a general discredit of expert advice among the journalists in the early 1970s.<sup>95</sup>

The patchwork of newspaper reporting is sewed with these threads. There is the dominance of political reporting guiding journalists’ coverage of economic controversy. There is the theme of distrust in expert advice favoring a narrative of political prejudices and manipulations. There are the editorial strictures of the publications leaving greater or lesser autonomy to its reporters. There are the particular beats of each journalist, their training and their ideological commitments that transpire in their choice of authoritative voice and subject.

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<sup>94</sup> Silk, Leonard S. (1972), “Truth vs Partisan Political Purpose”, *The American Economic Review* 62(1/2), March-May: 376-378.

<sup>95</sup> Nossiter had a different take on his mandate to discuss the media and economics and wrote about economists growing public prominence. He argued that its effect was that the media was not giving sufficient hearing to unfashionable and uncomfortable ideas, too tied up with economists. Only greater skepticism and a wider reporting of economic views could have helped anticipate the policy shifts of that year. Nossiter, Bernard (1972), “Economists and Reporters: A Combination to Promote/Restrain Trade”, *The American Economic Review*, 62(1/2), March-May: 381-83.

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