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Catherine Schenk, **The Decline of Sterling: Managing the Retreat of an International Currency, 1945–1992** (Cambridge: Cambridge University Press, 2010, 437 pp., £60, $99)

The role of sterling and the management of its retreat from an international to a national currency has been a central issue in British postwar history. Politically as well as economically, sterling was important in defining Britain's place in the world. Sterling's place in the international monetary system distinguished Britain from other European countries in the postwar period. Moreover, the decline of sterling was an important development in the international monetary system, especially in the 1960s.

As observed by Schenk, the demise of sterling as an international currency was widely predicted after 1945, but the process took 30 years to complete. Why was this downfall so prolonged? Traditional explanations emphasised British efforts to prolong sterling's role on the grounds that it either increased the capacity to borrow, enhanced prestige or supported London as an international financial centre. Schenk challenges this view. She shows that, as early as the 1950s, many British ministers and officials recognised that the burden of sterling's role in terms of the cost of borrowing and confidence in the exchange rate outweighed the benefits of sterling as an international currency. In her view, sterling's international role was critical for the stability of the international economy (the United States saw sterling as the dollar's first line of defence, a 'domino' which had to be defended). Schenk argues then that sterling's international role was prolonged by the weakness of the international monetary system and by collective global interest in its continuation. This enabled the United Kingdom to attract considerable support for managing sterling's gradual retreat. The demise of sterling as a commercial currency was brought about largely through new exchange controls. These encouraged the use of the dollar in commercial transactions and favoured the offshore Eurodollar market, in which the City would play a leading role. The decline of sterling as a reserve currency took more time. It gradually came about through negotiated management among the developed and developing world rather than through free play of market forces.

The book contains more than 400 pages. It is very much based on detailed archival work in many parts of the world. It is structured into three key chronological periods.

The first considers the postwar settlement and the re-establishment of international economic relations during the years 1945 to 1959. The crucial issue here was the long and tortuous process of restoring sterling convertibility. The second part focuses on the 1960s. The key development in this period was the reorientation of the United Kingdom towards the European Community after the end of the British Empire. These were critical years for negotiating a phase-out of sterling's role as a reserve currency. A seminal event was the 14.3 per cent devaluation of sterling in November 1967. The third part considers the period 1970–92. It marked a further retreat of sterling as an international currency. However, the pound sterling continued to play a role in 'Britain's troubled relationship with western Europe' (p. 33).

This study offers several new and very valuable insights. However, there are certain shortcomings as well. A first element concerns the sources. Contrary to what is mentioned in the blurb, I did not observe the use of 'archives of partner countries in Europe' (it is also a pity that there is no comprehensive list of archives or references in the book). While the author has clearly done very extensive archival work, Europe appears to have been left out somewhat. This is also discernable in the contents of the book. For instance, in the story of the restoration of the convertibility of sterling in December 1958 (pp. 109–16), much attention is paid to the US, but the difficulties in France and De Gaulle's redirection of economic policy are not even mentioned. There are also certain inaccuracies. For instance, on p. 285, the governor of the Bank of Italy is referred to as Roberto Carli (instead of Guido Carli).

An element that surprises me is that the British macroeconomic situation is, with the exception of short observations, rather absent from this book. For instance, on pp. 410–13, there is an extensive discussion of the 'cost of the ERM debacle'. Based on quotations from archival documents, it focuses rather exclusively on the losses in terms of foreign exchange reserves. However, it does not discuss macroeconomic effects (or political fallout, as it was a fundamental factor behind the Conservatives' long loss of power). Lastly, perhaps with the exception of the conclusion, there is not much discussion of the claim, in the blurb, that: 'This revised view of the decline of sterling has important implications for current debates over the future of the US dollar as an international currency.' As the main argument is that the stability of sterling was important for stable exchange rates in the Bretton Woods system, I would tend to deduce that, with floating rates, this is not really an important factor for the United States dollar today. I might be wrong about this, but I rather regret that the author did not elaborate on this really important claim further.

Notwithstanding these shortcomings, this book is a welcome addition to the literature. It contributes to a better understanding of the slow but inevitable decline of sterling and the development of the international monetary system in the postwar period.

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