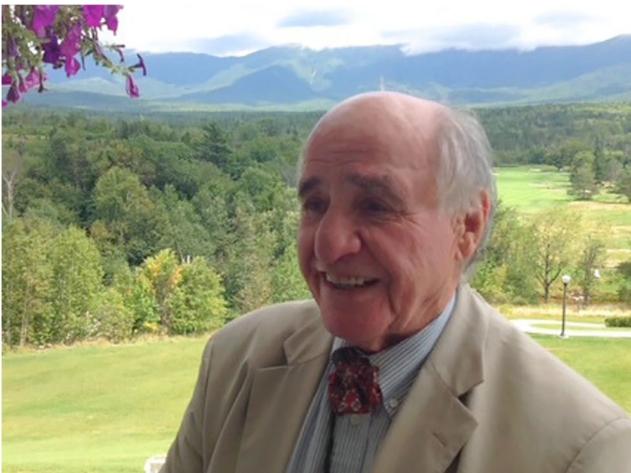




In Memoriam Robert Z. Aliber, International Economist, 1930–2025

Robert McCauley^{1,2} · Gylfi Zoega^{3,4}

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Robert Z. Aliber
International Economist, 1930–2025

Robert Z. Aliber, who died at the age of 94, was one of the last great international economists who lived when capital controls were the norm and floating exchange rates were heresy. A long-serving professor at the University of Chicago's Booth School of Business, he made a career of questioning the conventional wisdom of his peers, doing so with verbal flair, historical range, and infectious relish for argument.

He maintained an interest in economic phenomena, especially bubbles in financial markets, until the very end. He enjoyed traveling, exchanging views with people,

✉ Gylfi Zoega
gz@hi.is

¹ Global Development Policy Center, Boston University, Boston, MA, USA

² Research Associate, Faculty of History, University of Oxford, Oxford, UK

³ Department of Economics, University of Iceland, 102 Reykjavik, Iceland

⁴ Birkbeck College, University of London, Malet Street, London WC1E 7HX, UK

and identifying emerging crises. He joined us, Brendan Brown, and others for many conferences of the International Atlantic Economic Society in the last years of his life, when he was already in his late eighties and early nineties. A common thread ran through the different sessions: international monetary instability, the U.S. current account deficit, the management of the U.S. dollar, and the collapse of the Bretton Woods system in 1971. It was a pleasure to meet with him, to discuss these issues, and to socialize. We are grateful to Katherine Virgo, the organizer of these conferences, and to the engaged audience that she assembled.

Aliber came to fame early. His 1962 Yale PhD examined speculation in foreign exchange markets in interwar Europe, and its originality caused a stir. Unlike many doctoral theses, his was no dry academic exercise. It laid bare the mechanics of financial instability, and raised themes that would preoccupy him for the next six decades.

He was never quite in fashion, and he liked it that way. While the profession preoccupied itself with rational expectations and dynamic stochastic general equilibrium models, Aliber continued to draw on history, intuition, and discussions with financial market participants. He warned of the dangers of flighty capital flows long before the 1990s emerging market crises made them obvious. He questioned the intellectual foundations of floating exchange rates, calling them a “perpetual source of mischief.” He was blunt about the failures of the International Monetary Fund, multinational corporations, and the economics profession itself. “The world,” he liked to say, “is always more leveraged than we think.”

An American by birth, born in Keene, New Hampshire in 1930, Aliber had a notably international outlook. After graduating from Williams College in 1952 and spending a year at St John’s College, Cambridge, as a Fulbright scholar, he earned his PhD from Yale. He declined a job offer at the ascendant economics department at the Massachusetts Institute of Technology. Instead, he chose to serve as a staff economist for the privately funded Commission on Credit in New York, working with economists at the Federal Reserve Bank of New York, and then took a position at the U.S. Agency for International Development. He recently remembered successfully suggesting at a 1963 interagency meeting that the U.S. Treasury exempt not only Canada but also underdeveloped countries from a misguided but effective U.S. capital control, the Interest Equalization Tax. George Shultz lured him to the University of Chicago in 1965.

That decision proved pivotal, not just for Aliber, but for the Booth School. He developed the School’s international economics program with characteristic energy, introducing courses that quickly became favorites among MBA students and hiring the likes of Rudi Dornbusch, Jacob Frenkel, and Mike Mussa. For a time in the mid-1970s, Booth led the world in international economics. Aliber, true to his nature, played down his role. “We just needed people who knew the difference between a trade deficit and a capital inflow,” he quipped.

His best-known work is *The International Money Game*, first published in 1973 and updated through seven editions. Aimed at students, but read by policymakers, it explained global finance clearly and with humor. In 1993, he published *The Multinational Paradigm*, which argued that countries like Japan and Switzerland give rise to a disproportionate share of global corporations owing to their low cost of equity.

Yet Aliber reached his widest audience through his stewardship of an investment classic. In the early 2000s, he took over Charles Kindleberger's *Manias, Panics, and Crashes* and became its co-author. His revised editions (the fifth (2005), sixth (2011), and seventh (2015)) refreshed Kindleberger's insights for a post-Asian Financial Crisis world of volatile capital flows and systemic risk. Aliber integrated a "transfer problem" narrative into Kindleberger's text, arguing that large and sustained capital inflows lead to Minskyan credit excess, euphoric asset prices, and ultimately crisis. He also renamed chapters, including "Bernie Madoff: Frauds, Swindles, and the Credit Cycle," and added chapters like "Bubble Contagion: Mexico City to Tokyo to Bangkok to New York, London, and Reykjavik." One of us, co-author Robert McCauley, now maintains the work, and the 8th edition in 2023 featured two new chapters: "The International Lender of Last Resort in the 21st Century" and "Bitcoin: Worse Than a Ponzi."

Aliber had a rare talent among economists for identifying bubbles. Kindleberger pointed out the lending surge to developing countries in the first edition of *Manias...* in 1978, four years before the August 1982 bust with Mexico's near default. Others who shared this talent are Kazuo Ueda, then at the University of Tokyo and now Governor of the Bank of Japan and Robert Shiller of Yale University. Ueda identified the Japanese equity and property bubbles of the late 1980s well before their peaks. Nobel laureate Robert Shiller recognized the U.S. equity and housing bubbles in the late 1990s and mid-2000s. Among other "disturbingly prescient" figures, Michael Lewis introduced *Boomerang's* readers to Aliber in Reykjavik, discussing the collapse of Iceland's reckless and crooked banks. Aliber's 7th edition of *Manias...* in 2015 included an epilogue on the Chinese housing bubble, six years before Chinese property developer, Evergrande, defaulted in 2021.

He learned about Iceland from a student at the London Business School and decided to visit the country in the spring of 2007, looking for bubbles, where he met one of us, Gylfi Zoega, a former student of his Yale classmate, Edmund Phelps, from Columbia University. He told Gylfi that there was a large stock market bubble in Iceland and advised selling assets and selling the currency. Nearly a year later, when cracks appeared in Iceland's currency and stock markets, Gylfi wrote to Aliber and invited him to visit again. He arrived well prepared and told Gylfi that they would "have fun." The night before the lecture, Gylfi took him and other friends to a local restaurant, where Aliber was served a dish with fragrant steam rising from it. He immediately identified this as a "bubble restaurant", meaning it owed its existence to the cheap money coursing through the economy and the momentarily wealthy bankers, and that it would disappear when the bubble burst.

On the 5th of May, 2008, he delivered an unforgettable lecture at the University of Iceland, entitled "Monetary turbulence and the Icelandic economy". He began by quoting Alan Greenspan's book, *The Age of Turbulence*, then explained the effects of capital inflows, and finally predicted a collapse. He told an audience packed with bankers that the bankers must be on planes, planning to sell their assets abroad. Lawyers, he quipped, would enjoy two good years. As it turned out, what became known as the "Aliber restaurant" survived the crash. Events proved Aliber wrong on this occasion because, first, lawyers replaced bankers among its customers, and then tourists packed it during the subsequent recovery.

After the collapse that toppled the banking system in October 2008, Aliber visited again. In a lecture that thoroughly captivated the audience of 300 people, he explained the causes and nature of the crisis. He said that events had reached the point of no return, using an analogy from flying, in 2005 when foreign liabilities became insurmountable. Aliber, an avid flyer, always argued that the best way to understand global capital flows is to look down on the world from 2,000 feet.

Aliber's tone was informal. He studied Iceland not only by analyzing the data but also by counting the construction cranes and looking at prices in restaurants. He was, by nature, a storyteller, and Iceland became a story he often told in his later years. He enjoyed conferences less for the panels than for the dinner debates. He distrusted models filled with Greek letters. He once told central bankers that they were "brilliantly measuring the speed of the car while forgetting to look out the windscreen." On another occasion, he explained that financial crises were "like hangovers—you always know why you feel awful, just a little too late."

Beyond economics, Aliber embraced life fully. He skied, played squash, biked, and, most notably, flew. He was a founding member of the Williams College flying club and remained an enthusiastic pilot for many years, flying planes and gliders. Not many economists can quote Nurkse, fly a Cessna, and explain the balance of payments, all before lunch. Robert Aliber was one of them.

He traveled extensively even after retiring. He retired from Booth in 2004 and spoke to alumni groups, central bankers, professors, and policy institutes across Europe, Asia, and the U.S. He especially enjoyed alumni events in Tokyo, Brussels, and London, which he saw as opportunities to reconnect with old friends and explore new ideas. He would fly on his own nickel to speak at events of the Ronald Coase Institute.

He remained prolific, irreverent, and curious until the end. One of us, Gylfi, visited him at his London hospital in June with a friend who had just published a book. Bob was as curious as ever and asked what the book's message was. He uttered one of his favorite words, "marvelous," repeatedly, and smiled when we said goodbye.

A mentor, friend, and co-author is sorely missed.

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