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Jacqueline Best, **The Limits of Transparency: Ambiguity and the History of International Finance** (Ithaca and London: Cornell University Press, 2005. xi + 219 pp. $37.50)

In *The Limits of Transparency*, Jacqueline Best (Professor at the School of Political Studies, University of Ottawa) undertakes an ambitious, intriguing, occasionally puzzling and ultimately unconvincing attempt to reframe the history of financial governance under the Bretton Woods regime in a postmodernist fashion. This classical issue in international political economy has been approached from different theoretical perspectives. The early realist view focusing on US hegemonic leadership (as in Fred Block's classic *The Origins of International Monetary Disorder*, 1977) was challenged later by the sociologically oriented constructivist interpretation based on shared rules and norms – a stream of literature inaugurated by John G. Ruggie's seminal paper on 'embedded liberalism'. In more recent years, however, a new consensus view has emerged around a neo-institutional approach inspired by information economics and emphasising the ability (until the mid-1960s) and subsequent failure of Bretton Woods institutions to draw lessons from interwar failures, enhance coordination, solve informational asymmetries and provide incentives for cooperation (such as in Barry Eichengreen's *Globalizing Capital*, 1996). In turn, Best aims to investigate the implications of economic ideas for financial governance – namely, how theoretical developments influenced the way in which Bretton Woods institutions managed ambiguities that are endemic in international finance: technical ambiguities created by incomplete information, contested ambiguities rooted in disputes on ideas, objectives and instruments, and intersubjective ambiguities stemming from different interpretations and understandings.

Best declares herself equally unpersuaded by any realist, constructivist or institutionalist account, for all of them not only 'seek to limit the scope of ambiguity' (p. 21) but also consider the latter a source of instability and treat it as a problem to be fixed. Moving from Stephen Krasner's definition of regimes as 'implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge', she aims to develop 'a theory of political-economic ambiguity' (p. 13) based on the role of economic ideas in shaping expectations and rules of behaviour. On such ground, convergence, she argues, may prove not only unnecessary but even dangerous. Since the ultimate purpose of governance ought to be to accommodate diversity and manage conflicts, 'openness to ambiguity' can play a 'constructive role' by giving international financial governance a sufficient degree of 'institutional flexibility, political negotiability, and discursive self-reflexivity' to adjust to changing economic conditions (pp. 27–32).

The book exhibits a *crescendo* of normative ambitions which the author attempts to anchor to positive analysis and present in the form of policy lessons drawn from history. The narrative moves circularly, starting from the challenge brought home by Keynes to the pre-war blind faith in free markets, passing through the progressive

'hollowing out' of his theoretical legacy, and culminating with the return to a *laissez faire* orthodoxy dressed in neoliberal clothes. In the immediate postwar period, Best argues, the influence of Keynesian inspiration favourable to government intervention and regulation allowed the newborn multilateral institutions to manage ambiguities with a degree of flexibility and negotiability that enhanced financial stability. As was recognised by contemporary observers and soon became evident in the flourishing of opposite criticisms (a sanction of unsound finance for some, a gold standard in disguise for others), the Bretton Woods agreement was a compromise plagued by contradiction and ambiguities. The blueprint 'drew its language from at least two competing economic discourses – the minimalist, neoclassical approach and the interventionist, Keynesian strategy for financial governance' (p. 25). The two schools had clashed during the conferences on the role of capital movements – inspired by rationality, thus equilibrating according to the former, driven by the 'beauty contest' principle thus 'highly capricious' or even 'destructive' in the view of advocates of the latter (pp. 46–8). Other critical issues had been left open-ended, such as in the case of the 'fundamental disequilibrium' bound to trigger changes in par values (p. 56). After the war these ambiguities made, possibly intentionally, the agreement 'an ongoing process of interpretations and negotiations' (p. 58). Best identifies in the pre-convertibility period of Bretton Woods the heyday of Keynesian-inspired flexibility and negotiability, when, through 'trial and error', 'political-economic norms were being formed, revised, and replaced' (p. 64). The failed return to sterling convertibility in 1947 and the retaliatory chain of devaluations of 1949 undermined the credibility of orthodox, market-based, 'neoclassically inspired policies', 'legalistically unambiguous and institutionally minimalist' (p. 72), and paved the way to more complex strategies to manage international finance, epitomised by the Marshall Plan and the European Payments Union. Best regards these two initiatives as 'Keynesian' not because of their economic content but for their 'strategies of managing ambiguity' (p. 77), the use of public (versus private) funds and sources of governance, and institutional structures that 'left much to chance, negotiation, and national tradition' (p. 77). Those 'institutionally thick' agreements 'worked to institutionalize a particular set of norms while facilitating their ongoing negotiation' (pp. 81–2). Likewise, a flexible interpretation of its mandate allowed the IMF in its very early stages to maintain an open-minded attitude towards unorthodox practices such as multiple exchange rates (p. 84).

Best considers the subsequent abandonment of such flexibility and negotiability as the ultimate determinant of the collapse of the pegged-exchange rate regime. Increasing narrowness and rigidity dominated the IMF approach to liquidity, adjustment and capital mobility. By 'hollowing out Keynesianism', both the neoclassical synthesis and the monetarist revolution, in spite of their apparent divergences, conjured to ignore 'the existence of contested and intersubjective forms of economic ambiguity' (p. 93). The diffusion of 'a particular hybrid of Keynesian neoclassical synthesis and monetarist approaches to payments imbalances' (p. 96) among US and IMF policy makers, and their increasing inclination in favour of econometric and

statistical methods, produced increasing confidence in technical solutions and a growing inability and unwillingness to manage political-economic ambiguities. In support of this interpretation, Best mentions the application of conditionality to adjustment financing, the 'common tendency to downplay the destabilizing potential of capital movements' and the inclination in favour of 'temporary and limited strategies' such as the introduction of drawing rights, Roosa-style international liquidity schemes and the use of monetary sterilisation (p. 108). 'The hollowing out of the Keynesian-inspired norms', Best contends, 'fostered the collapse of the Bretton Woods regime... When one set of technical solutions failed and another could not be agreed upon, [international leaders] were lost' (p. 116).

The new financial order that emerged in the 1970s and 1980s, based on floating exchange rates, privatisation of international credit, increasing financial liberalisation and a new centrality of the IMF as international watchman and lender, is presented in the book as a definite departure from the founding fathers' legacy of an international system based on exchange rate stability and regulated capital flows. The main culprits of such final betrayal were neoliberal theories based on efficient markets and rational expectations, which completed the subordination of politics to economics and again put governments at the mercy of volatile speculative forces (pp. 127–30). The IMF played a role of conscious and active accomplice initially by advocating capital liberalisation against its mandate, as set out in Article VI (pp. 133–4), and, more recently, by contributing to the discursive demolition of the Asian development model in the aftermath of the 1997 crisis (pp. 138–40). In very much the same vein, the recent emphasis on transparency as a means of preventing or limiting financial crises is indicted as 'an extension of the logic of neoliberalism and an intensification of its interventionist tactics' (p. 152). Recent changes of attitude by the IMF itself, such as a critical reconsideration of the Washington consensus and conditionality policy, a more flexible approach to liberalisation, an increasing attention to the role of institutions and the move towards increased self-reflexivity in its normative mission of norm-building, are dismissed by Best as tactical departures from what remains 'a monolithic vision of financial governance' (p. 164). The emergence of a new, more stable regime would require 'a more ambiguous form of financial governance', more leeway for government discretion, a curb of the 'excesses of financial speculation', and 'much looser guideposts' to recover the flexibility and negotiability characteristic of the early period of Bretton Woods institutions.

Altogether Best provides only a limited original contribution to the understanding of how economic ideas and theories shaped international financial governance. The author barely scratches the surface of mainstream economic theories, and sometimes seems to privilege rhetoric over analysis. For instance, the switch in favour of floating exchange rates is explained as motivated by the 'goal of eliminating the role of government in determining exchange rates', grounded in the belief that 'markets are efficient and welfare maximizing' (p. 130) – whereas, in fact, advocates of floating aimed at fostering monetary independence while enhancing governments' flexible responses to exogenous shocks. In turn, some concepts bound to

prove critical from a governance perspective, such as moral hazard in relation to IMF conditionality, are simply neglected. Likewise, when strongly arguing in favour of capital controls, no mention is made of key issues that have been extensively debated, such as their enforceability, effectiveness and distorting consequences. Surprisingly, given the postmodernist motivation of the book, Best espouses a rather cavalier attitude also when it comes to analysing in depth how economic ideas entered the discourse of financial governance and its rhetoric. Readers are given little insight into how theoretical developments were received, adapted and used in dealing with specific cases of adjustment and financial crises. In the case of the IMF, for instance, the systematic reliance on secondary sources (such as Horsefield and De Vries's accounts) and the absence of analysis based on official documents is obviously a suboptimal choice. A quick glance at the series of IMF Staff Papers or the use of archival records (such as Per Jacobsson Papers) could have provided valuable hints and suggestions. At the same time, Best seems to miss out some interesting implications of her own analysis – for instance, the fact that the postwar success stories of flexibility and adaptability (such as the EPU) were based on regional and transitional arrangements, which suggests that ambiguities might be more effectively managed when the scale, scope and time-horizon of governance institutions are limited. In spite of its interesting premises, the book too often inclines to an ideological fervour that does little good to the postmodernist cause.

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