Boekbespreking van: The Currency of Ideas: Monetary Politics in the European Union

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Book Reviews

Kathleen R. McNamara, *The Currency of Ideas. Monetary Politics in the European Union*, Cornell University Press, Ithaca & London 1998, ISBN 0801434327.

Most recent studies of European monetary cooperation primarily focus on two matters only: on the one hand, French attempts to control the transnational effects of the domestically motivated policies of the German *Bundesbank*; on the other hand, neo-functionalist spillover effects from the 1985 Single European Act which launched the common market project of the European Community. Kathleen McNamara focuses on two explanations that, until now, have remained hidden beneath the surface: a government's need to deal with global financial integration and the slow conversion of West European policy elites to monetarist ideas. Her main claim is that the present level of capital mobility forces policy-makers to relinquish freedom of manoeuvre either in the area of exchange rates or in monetary policy. This claim is fairly broadly accepted in the literature on financial globalization. McNamara, however, argues that this structural feature of the international economic system may be a necessary, but not a sufficient condition of European monetary cooperation. According to her, actual policy choices in this context are rooted in policy-makers' ideas about macroeconomic policy. Her study is thus an example of the interest scholars of international relations have recently started to take in the impact of ideas, which, in the subdiscipline of International Political Economy, seems especially related to Peter Hall's concept of policy learning.

McNamara's focus on how politicians' macro-economic beliefs operate under conditions of increased capital mobility is a valuable approach. First, she is thus capable of explaining the early collapse of the Snake arrangement in the 1970s and the relative success of the Exchange Rate Mechanism of the European Monetary System between 1979 and the early 1990s. Second, she brings home the point that financial globalization does not leave politicians helpless, but rather provides them with a restricted set of options. Third, by introducing policy ideas as the crucial mediating variable between these options and actual choices, she identifies an important mechanism between international relations and domestic politics. She shows such a mechanism to be clearly absent from alternative explanations of European monetary cooperation, like structural realism, hegemonic stability theory, business cycle theory, and interest group theory.

Yet, the strength of her analysis also contains its major weakness.

McNamara's emphasis on ideas rests on the argument that interests in monetary policy cannot be deduced from an actor's position in the economy, because of the high degree of uncertainty that is inherent to international monetary relations (p. 57). This is clearly a relevant observation, but should not be taken to mean that ideas exist without interests. Unfortunately, it often remains unclear in her analysis precisely how policy ideas affect policy choices. Too often, McNamara presents her empirical material as policy changes that followed new policy ideas. Little discussion is devoted to the domestic battles that accompanied this shift in policy paradigms in most member states of the European Community. McNamara's defence seems to be that monetary policy-making was confined to a small number of high level technocratic policy-makers (p. 41), who had learned from the failures of Keynesianism and happily embraced a readily-available, alternative monetary paradigm, monetarism (pp. 65-71). Yet, she does not show how this elite subsequently was able to impose its ideas on their national citizens. Thus, her main omittance is an analysis of how policy ideas coincide or conflict with various interests, including those of the politicians themselves. At several instances in her book these domestic battles surface: she mentions, for example, how national elections in major countries can sometimes cause postponement of monetary cooperation (p. 115) and how the Italian government struggled to forge a domestic alliance in 1978, which included the communist party, in order to buy off domestic resistance against monetary cooperation (p. 134). These domestic battles have been, and still are being fought throughout the European Union. They suggest that it may be too soon to dismiss interest group theory in explaining the exact nature and timing of European monetary cooperation.

Apart from this major shortcoming, the study, unfortunately, pays only little attention to two important matters. First of all, the element of standing up to the United States. From the beginning, a major motive of European monetary cooperation has been the opportunity it would give to compete with the US dollar as a reserve currency and thus strengthen the external economic policies of the European Community (now European Union). This explanation, which would not be far from a structural realist's position, is per definition excluded from an explanatory framework that disconnects policy ideas from interests, but warrants fair attention. Second, why consider the ERM mechanism a success given the major crises in 1992 and 1993, leading to the (sometimes temporary) expulsion of Spain, Italy, Ireland and Great Britain? Indeed, some would claim that the "ERM was lucky to last as long as it did." (S. Strange [1998], *Mad Money.* Manchester: Manchester University Press, p. 68.)

Through her relative neglect of the end of the ERM, McNamara misses another opportunity to drive home the impact of beliefs: part of the explanation lies in speculation of money traders based on what they believed governments' monetary policy was likely to be. The impact of these short-term expectations, however, operates in a different fashion from the policy ideas that are central to McNamara's argument. The study of the impact of international finance on domestic politics and international cooperation, however, will have to develop theories that take into account both strongly held, deeper policy beliefs and more short-term expectations. At no point, however, should they ignore the relationship between ideas and interests.

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Michael Bratton and Nicolas van de Walle, *Democratic Experiments in Africa: Regime Transitions in Comparative Perspective.* Cambridge University Press, New York 1997, ISBN 0521554292, $59.95 (hardback), ISBN 0521556120, $19.95 (paperback).

Since the early 1990s, a wave of democratization has swept across the African continent. In many countries significant political reforms were undertaken, and some authoritarian regimes even completed a democratic transition. Michael Bratton and Nicolas van de Walle wonder whether the accepted theories on the emergence and consolidation of democratic regimes are useful in interpreting political trends in Africa, especially between 1988 and 1994.

The first chapter summarizes the different established approaches that have been used to explain the success and failure of democratization efforts. The theoretical literature offers a large variety of competing explanations. Some approaches emphasize the impact on political change of structural factors (class structure and economic wealth), other approaches focus on the influence of individual actors (choices of leaders, strength of the opposition). Another controversy involves the importance of national versus international forces. Finally, some theories focus on economic factors while others emphasize political influences. On the basis of a discussion of the strengths and weaknesses of the existing approaches, the authors develop their own politico-institutional approach, which emphasizes the institutional characteristics of preceding political regimes. They argue for "an approach based on domestic political factors, with attention given to both structural and contingent dimensions." (p. 20.) The second chapter gives an overall description of the neopatrimonial regimes typical in Africa. The hallmark of such regimes is a form of authority based on vertical dependency relationships between the ruler (patron) and his subordinates (clients). Personal patronage holds the system together and weakens civil society. Broadly based associational ties are virtually non-existent which is not conducive to a transition to democracy. Recent political transitions across the continent are described in the third chapter. It appears that the existence of continent-wide political trends did not mean that every African country was destined to march in lock step. On the contrary, each country is characterized by its own path of political change. Some arrived at a democratic regime while others failed to do so.

The book then shifts from description to explanation. The authors break the process of transition into three phases. They seek to explain: the level of protest on the onset of a transition (chapter 4); the extent of political liberalization (chapter 5); and finally the move to a democratic transition (chapter 6). They have collected an enormous amount of data in order to explore the influence of several independent variables that have been raised by democratization approaches, such as socio-economic status, international donor pressure, and initiatives of elites such as organizing a national conference. In addition, they give special attention to the influence of the institutional heritage of the postcolonial African regime. This heritage is measured by how much political competition and participation were actually allowed by regimes in post-colonial Africa up to 1989.

Having compared more than 40 African countries in a quantitative study, the authors find that economic conditions do not convincingly explain protest, liberalization and democratic transitions. International factors are more helpful, but the most compelling explanation – according to the authors – centres on institutional characteristics of preceding regimes. If political participation and competition were allowed in previous regimes, then one could be optimistic about the likelihood that a regime will adopt democratic rule.

Will those new democratic regimes sustain? The seventh chapter is quite pessimistic about the prospects for democracy in Africa. It is argued that the socio-economic "prerequisites of stable democratic rule are missing in Africa. Most countries are poor, with capita incomes well below the levels commonly posited as the minimum necessary to sustain democratic rule." (p. 237.) In addition, they do not believe that international pressure will have a determinant effect on the survival of most new democracies. They foresee an endurance of neopatrionalism: Africa's democracies will be dominated by executive presidents and their networks of personal loyalty. In conclusion, "the prospects for the deepening of democracy will hinge on the strength of the permanent state apparatus relative to the ability of nongovernmental actors to exert countervailing powers." (p. 260.) According to the authors, there are no optimistic circumstances for the survival of democratic regimes in Africa.

However, I am not convinced by this conclusion. In earlier chapters the authors found through empirical research that economics has no influence on transitions to democracy, and yet now they simply *assume* that limited economic prosperity should have a negative impact on the endurance of democracies. Why? No persuasive theoretical arguments have been given and no empirical research have been conducted to test these expectations. In this way this chapter remains highly suggestive, and the authors should be a lot more careful in making such strongly pessimistic conclusions.

Additionally, the application of the concept of democratic transitions is rather puzzling. It is true that the authors define this concept very clearly:

> Democracy is defined in this study as a form of political regime in which citizens choose, in competitive elections, the occupants of the top political offices of the state. According to this definition, a transition to democracy occurs with the installation of a government chosen on the basis of one competitive election, as long as that