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BOOK REVIEWS

Money Orders: Ambiguous Economics, and Ubiquitous Politics

Jonathan Kirshner (ed.)

Ithaca and London, Cornell University Press, 2003, 319 pp.
ISBN: 0801488400 (Paperback), $25.95

This collection of works on international monetary and financial affairs starts and ends with the assertion that 'where there is money, there is money politics' (p. 280). The volume is not, however, talking about corrupt politicians and their money politics. Instead, it covers a variety of issues such as Central Bank Independence (CBI), choice of exchange regime, and international use of currency, all of which are often considered relatively *apolitical*. The fundamental theme of the book runs consistently across chapters: sharp politics, as opposed to the ambiguous economics, drives macroeconomic policy (p. 19). In explaining how such politics work, Kirshner, in the introduction chapter, groups those political factors into three major categories: ideas, conflict, and power. Beliefs, ideologies, and norms lead to the world where ideas shape policies. Political conflict focuses on differences among political forces within society, and power puts emphasis on the relations between states (p. 23).

The collection written by experts on international and comparative political economy from different regions of the world ties together very nicely under this theme. Central to the politic of money is the discussion over the myth of CBI as the major and *apolitical* source of credibility

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and low inflation (Grabel); the choice foreign exchange rate regime (Stasavage, Abdelal, Schamis, and Wang); politics of currency use (Grimes, Gavin, and Chang); and international influence of macroeconomic policy (Helleiner). Blyth then summarizes the political power of financial ideas in his chapter. In each and every chapter, respective contributor, often through case study, describes the choice of monetary institution or currency use, and he/she reaches a conclusion that it was actually *politics* at the level of both (either) domestic and (or) international that determine the policy of the country's monetary authority.

Orthodox monetary and financial policies are chosen not because of superiority of the economic theory that endorses such policy choices but because of tangible gains to important political agents including political leaders, investors, and creditor governments. In support of this contention, Helleiner examines the politics of postwar monetary policy among newly independent countries and concludes that 'the divergent of monetary choices of Southern governments were strongly influenced by the political objectives of U.S., British, and French policymakers in their respective spheres of influence' (p. 56). Supporting the similar claim, Schamis finds that distributional considerations have overwhelmingly influenced Argentina's choice of monetary policy in general, and adoption of currency board in the 1990s in particular. On the other hand, nationalism and political calculations of leaders have weighed heavily on the monetary choice among small states. Analyzing the diverging decisions among small states either to stay in or exit from major currency zones, Stasavage (CFA zone in Africa) and Abdal (Ruble zone in post-Soviet states) both attest to the fact that nature of nationalism and political use of nationalism by countries' leaders have heavily influenced states' decision on those monetary matters.

Among the larger states, international systemic considerations both in economic and security spheres loom large in their choices. China decided not to devalue its currency during the Asian Financial Crisis in the late 1990s, because the country's leaders wanted to project the image of China being a 'responsible great power' (Wang, p. 162). For Japan and the major European powers, the choice of monetary policy is derived from their respective positions in the global economy and global finance. Grimes argues that the strong push toward internationalization of the yen in the post-Asian Crisis came from Japan's desperate desire to reduce its susceptibility to currency volatility, thus gain some level of insulation (pp. 193–194). Similarly, European monetary integration came about, according to Chang, because of Franco-German political interests. That is, 'France continually advocating a bigger role for political actors in order to pursue greater economic growth and social stability, and Germany defending the independence of economic institutions in order to achieve price stability' (p. 234). Along the same line, the US security interests in Western Europe were inexorably linked to its monetary policy in the 1960s. Garvin argues that such link led the US government to opt to float its currency rather than to keep incurring high balance-of-payment costs of maintaining fixed exchange rate under a large security expenses overseas.

This volume is music to the ears of many international political economists who have sought a legitimate place in the world of finance dominated by rational choice economics. By accumulating numerous examples of how politics actually determined what were apparently (or claimed to be) *apolitical* economic policy decisions, the volume underwrites macroeconomic decisions have, though often technical in nature, explicitly political foundations. Furthermore, the volume does a successful job in qualitatively incorporating issue areas beyond money. Nevertheless, I would raise two sets of critiques to this very worthwhile research project. First, I would like to have seen at least one chapter with certain counter-arguments to the main theme of the volume; a chapter that advances the claim that most of macroeconomic policies and choice of economic institutions are derived from economic considerations. The chapter could provide the view points of policymakers and/or technocrats who decide and implement policies in accordance with economic imperatives. Without such a chapter, the straw man that all the contributors are ganging up on here is too flimsy to stand the attack.

The second issue is on a more philosophical note. Talking with economists in those major policy-making institutions such Federal Reserve or the IMF, it is hard not to notice that many of them truly believe in their cause and blessing of rational market economy although they do acknowledge that market failures do exist. This project would characterize those economists' beliefs as a part of ideology, which is closely tied to their material interests. However, I cannot help but wonder how those individuals, who often times do not have much pecuniary gain from their policy choices, come to collectively believe in the world view of the financially powerful and become the foot soldiers in the war of ideas. I could not find an answer to this question in otherwise an intriguing book.

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The Political Economy of Regionalism in East Asia. Integrative Explanation for Dynamics and Challenges

Hidetaka Yoshimatsu,
New York: Palgrave Macmillan, 2008, 213 pp.
ISBN: 13 978-0230516342, $80.00

Challenge and opportunity – as Hidetaka Yoshimatsu reminds us in this fine book – define this momentous period in the history of East Asian regionalism. Adjustment to the forces of globalization (spearheaded now by the explosive growth of free trade agreements), to China's meteoric rise, and to income disparities in Indochina is a tall order for countries in the region. On the other hand, regional cooperation has made unprecedented progress with initiatives that go beyond inter-governmental negotiations in trade and finance, to cover Track II schemes on a multitude of areas such as the environment, product standard harmonization, and energy. And so, the unavoidable question is: will East Asia seize this historic opportunity to deepen regional solidarity or will it miss the boat?

In order to answer this question, Yoshimatsu grounds his analysis in the three central paradigms of international relations – Realism, Liberalism, and Constructivism (Chapter 1). He proposes an integrative