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BOOK REVIEWS

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Edwin Green, John Lampe and Franjo Stiblar (eds.), **Crisis and Renewal in Twentieth Century Banking: Exploring the History and Archives of Banking at Times of Political and Social Stress** (Burlington: Ashgate, 2004. 285 pp. £57.50)

As a consequence of the Great War and the Russian Revolution, banks were confronted with dramatic changes. This book, which presents the proceedings of the annual conference of the European Association for Banking History, held in Ljubljana in May 2001, explores the behaviour of banks at times of war, revolution, civil war, social turmoil and reconstruction throughout the 1914–90 period. Analysing the history and archives of banks, it discovers examples of how banking is affected by political and social upheavals; how banks may influence the outcome of such events; how banking has recovered from periods of intense political and social stress; and how the archives of banks provide remarkable testimony of events in the wider world.

If this theme has been overlooked in the past, it may be that banking historians have been more preoccupied with the topics of financial crisis or banking crashes or scandals, such as the Barings crisis or the fall of the Creditanstalt. The recent history of the former Yugoslavia, which, in turn, is a kind of bequest of the Austro-Hungarian Empire in the aftermath of the First World War, was the spark for a conference on such a topic.

The first part of this book relates to Russia. It opens with John Orbell's account of the vital but neglected role of merchant banking, as shown by the history of Barings, in both the political and financial predicament of Russia during the First World War. It underlines the extraordinary magnitude of the needs of the Russian government to finance the war effort and the major role played by Barings in these circumstances.

Lebedev follows with a study of the chronology of the Russian Revolution's impact on banking and finance. This narrative, which will be new to many banking historians, could not have produced a more vivid example of banking and politics than the Russian bankers' dealings with Lenin and his associates, which ended up with the nationalisation of the banking system. On the same subject, Catherine Potier demonstrates the value, as testimony of the Revolution era, of a great variety of banking archives, particularly those of French banks, such as Société générale and Banque de Paris et des Pays-Bas (Paribas), which were jointly involved in the pre-1917 extensive development of Banque Russo-Asiatique, or in the industrialisation of the country in the fields of electricity, public transport, mining and petroleum. Crédit Lyonnais' involvement in pre-revolutionary Russia is another example. Despite some attempts to keep in touch with the Soviet authorities during the interwar period, links with the Soviet Union were practically severed until they were re-established in the 1960s with the development of export credits.

In the second part, Green introduces examples of banking 'intelligence' records as a source of data and opinion, as shown by reports of western visiting bankers, on the financial turmoil in central and eastern Europe between the two world wars. In turn, Bicanic and Ivankovic examine the response of Croatia's banking sector to the multiple strains of the worldwide depression, the Creditanstalt failure and the changing balance between private and state banking in the 'first' Yugoslavia, after the end of the First World War.

The third part addresses the Spanish and Greek civil wars. It begins with Buchanian's appraisal of the role of foreign banks in the Spanish conflict at the end of the 1930s, on both the Republican and Nationalist sides, uncovering banking archives inside Spain and the UK. Tortella and Garcia-Ruiz then tackle the issue of the measurable effects of civil war on Spanish banking, not only in the period of conflict but also in the long years of isolation and slow reconstruction which followed.

As far as the postwar Greek conflict (which started in 1945) is concerned, Kostis assesses the role of British and American intervention after the end of the civil war. Again, the impact of the conflict can be understood and measured in terms of the reconstruction of the financial system, though it remains difficult to isolate the consequences which the civil war had for the Greek banking system. In the final analysis, it appears clear that the British and American policy failed and the Greek economy could not take advantage of the significant flows of capital which it received from the Allies.

Muller assesses the transformation and reconstruction of banking in Germany following the Second World War (1945–57). He investigates the fate of the German banks in the complex process of reconstruction in a ruined economy. Their break-up was part of the American policy for Germany. The objective was to remove the banking policy which had made it possible for the Third Reich to finance militarisation and war. Though the British military government only agreed to the decentralisation of the big banks, the cohesion of the individual bank groups remained in existence beneath the surface. Faced with the lack of acceptance on the German side, the Allied policy towards big banks was doomed to fail from the beginning, according to Hostmann. As to banks located in East Germany (the GDR), the one-level banking system according to the Soviet model was adopted until its removal in 1989, after the Berlin Wall came down.

In the fourth part, in the only chapter offering a perspective beyond Europe, King retraces the return of bankers in the East at the end of the Pacific War in 1945. This chapter looks at the role of banking in the postwar recovery of the social and economic framework of Hong Kong and in the reconstruction of business throughout the East – even in the face of war and revolution in China – and the rise of nationalism and confrontation elsewhere in the East, within the context of the Cold War or the newly acquired independence of some countries such as Indonesia or Burma.

In the fifth part, concerning eastern Europe, a regional framework is adopted, with special emphasis on the experience of Slovenia, the host country for the EABH conference. Stiblar compares the crises that confronted Slovene banks in the 1930s and the 1990s. The comparison evokes the bequests of the Austro-Hungarian Empire and Tito's Yugoslavia, which bear obvious similarities, in the two periods of crisis. He also approaches the 1990s in terms of the 'transition' process which was required in all economies emerging from formerly Communist structures in central and eastern Europe.

On the same topic, Lampe identifies five periods of crisis in the relationship between the banks of southeastern Europe and the western world between the 1920s and the 1990s. He mentions particularly the cases of Bulgaria, Romania, Serbia and Greece in the early 1920s and the presence in the region of French banks, such as Paribas or BUP, as underlined by Alain Plessis and Olivier Feiertag. In the late 1920s, France's net export of capital totalled $1.3 billion, but western European banks steadily reduced their activities in the area following the collapse of Creditanstalt in 1931 and the world crisis, overall. They show also that the French connection served other purposes, e.g. countering British or German influence, diplomatic as well as economic.

Finally, Unwinn and Hewitt present the initial results of their study of the design and issue of banknotes for the transition economies of the region in the 1990s. As in the preceding chapters, the realities of banking history are shown to be closely intertwined with political and social considerations. The study also reveals a new and interesting example of banking, in the aftermath of crisis, turning to cultural and artistic inspiration to reconstruct national identities.

In conclusion, as pointed out in the introduction, this book clearly paves the way for further research on the relationship between banking and external political and social factors. For instance, topics such as banks and nationalisation, banking and diplomacy, or banking and the rise of international non-governmental organisations and pressure groups would be worth being addressed in the future by historians and archivists.

Association pour l'Histoire de BNP PARIBAS PIERRE de LONGUEMAR

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Ross E. Catterall and Derek Aldcroft (eds.), **Exchange Rates and Economic Policy in the Twentieth Century** (Aldershot: Ashgate, 2004. 340 pp, £57.50)

The decision taken by an increasing number of countries in the nineteenth century to adhere to the gold standard was largely a response to the rapid expansion of international trade and the importance of that trade to economic development. Having suspended the gold standard in order to meet the financial demands of the First World War, many governments, in the changed political environment of the postwar world, were either unable or unwilling to restore the convertibility of the currency at its prewar value. Setting the exchange rate had become a political issue, and maintaining a stable rate could no longer take priority automatically over other policy objectives. On two occasions, at Genoa in 1922 and at Bretton Woods in 1944, international agreement was reached on a set of rules governing exchange rates and international monetary relations. However, such agreements proved to be temporary, with both the gold exchange standard and the Bretton Woods system giving way to national or regional arrangements governing exchange rates.

Exchange Rates and Economic Policy in the Twentieth Century is an eclectic set of essays which attempt to explain why particular exchange rates or exchange rate regimes were adopted at particular periods in the twentieth century and what the effects of those rates were on economic policy and performance. Many of the chapters originated as papers presented at the Twelfth International Economic History Conference held in Madrid in 1998, at a time when interest in exchange rate regimes was heightened by preparations for the completion of economic and monetary union in Europe.

In the opening chapter, Derek Aldcroft compares the performance of a range of European economies under three different exchange rate regimes operating in the interwar period. Drawing on recent research, he concludes that the fixed exchange regime of the gold exchange standard, by depriving countries of the room to manoeuvre in domestic policy, was no more successful than the free floating of the early 1920s. It was the managed float in the regional currency blocs set up in the 1930s which, he ventures to argue, was 'far from being an utter disaster'. He is somewhat more confident in concluding that, whatever the exchange rate regime in place, it was those countries with depreciated or undervalued currencies that had the best economic performance.

Aldcroft draws his examples from the experience of European economies in the interwar period. While Scott Sumner focuses on the United States in the 1930s, he is not concerned with analysing the impact of exchange rates on American economic policy and performance, but on the response of financial markets to the exchange rate crisis. Drawing heavily on contemporary press reports, Sumner notes that both the British devaluation of 1931 and the gold bloc devaluations of 1936 turned the terms of trade against the dollar. But, whereas the former led to a hoarding of gold in the USA and a fall in commodity and stock prices, the latter had the opposite effect.

Whatever advantage national economies derived from having an undervalued currency, the consensus underpinning the Bretton Woods agreement was that the competitive devaluations of the interwar period undermined international trade and economic performance. Both Michael Oliver and George Zis focus on the operation of the Bretton Woods system and its aftermath, although from very different perspectives. For George Zis the postwar international monetary system which was in place until it collapsed in 1971–3 was a product of the Cold War and of American hegemony, and differed in many important respects from what had been agreed in 1944. Most importantly, it became a reserve currency international system rather than one based on equality of status for all currencies. Within the context of the Cold War, western countries' domestic objectives played a secondary role to containing Soviet 'expansionist' ambitions.

Oliver's analysis differs fundamentally from that of Zis in that he argues that, despite the rules of the international monetary system, governments gave a higher priority to adhering to their domestic objectives than to stabilising the exchange rate. Not only did the United States, which was the anchor of the Bretton Woods system, refuse to see fixed exchange rates as a constraint on monetary policy, especially from the mid-1960s onwards, but as long as exchange controls and limited capital mobility were in place, the same was true for other countries as well. With the objective of macroeconomic policy being full employment, most central banks operated their monetary policy by adjusting interest rates primarily to fund the government's borrowing requirement as cheaply as possible. When the system collapsed under the inflationary impact of such measures, governments experimented with a variety of targets in an attempt to bring inflation under control. European governments, with the negative experience of floating exchange rates in the interwar period, tried a range of measures to stabilise exchange rates, from the Werner Plan through to the Exchange Rate Mechanism. It was the collapse of the ERM in 1992 which, according to Oliver, made monetary union in Europe inevitable.

Costas Karfakis analyses the preparations made by the Greek government to join the European Monetary Union (EMU) while Angelos Kotios speculates on the potential advantages to the Balkan countries of shadowing the euro. Not all member countries of the European Union considered monetary union to be inevitable, though. In considering the potential costs to the British economy of staying outside the EMU, Allan Webster concludes that the damage to trade stemming from movements in the exchange rate are much less than the distortions arising from different rates of taxation or from the Common Agricultural Policy (CAP).

If Oliver is inconclusive when assessing the experience of exchange rate regimes in a range of countries since the early 1970s, Kieron Toner argues that the experiment in floating exchange rates coupled with the liberalisation of macroeconomic policy in Australia under the Hawke and Keating governments (1983–96) was misguided and a failure. On coming to power, Hawke abandoned the 'crawling peg' system of exchange rate management, devalued the Australian dollar and allowed it to float. The policy failed, Toner argues, because international speculators chose to buy the Australian dollar, forcing it to be revalued. Indeed, Ross Catterall makes the more general point that in recent years it is capital flows, and particularly speculative capital flows, which play a much more important role than trade in determining exchange rates. This could perhaps be taken as the book's conclusion.

University of Westminster FRANCES M. B. LYNCH

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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.

University Carlos III (Madrid) STEFANO BATTILOSSI

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Youssef Cassis and Eric Bussière (eds.), **London and Paris as International Financial Centres in the Twentieth Century** (Oxford: Oxford University Press, 2005, xii + 367 pp; £60).

This book, edited by Youssef Cassis (Geneva) and Eric Bussière (Paris-Sorbonne), is the product of an Anglo-French business history conference, which was held at the London School of Economics in April 2001. After a brilliant introduction by Cassis, it contains fifteen chapters by British and French (including one Canadian) experts in banking and financial history. They are arranged in five parts. The first one has two overall surveys of the history of London and Paris as international financial centres from 1890 to 2000. The four other parts follow a chronological order. Part II deals with 'the Golden Age', from 1890 to World War 1; part III is concerned with 'the Dark Ages' (this reviewer's expression) of disasters and regional withdrawal, from 1914 to 1958; part IV analyses the revival which followed and 'the road to globalization' (1958–1980). Finally, the last two decades of the twentieth century are considered in part V, under the heading 'Internationalization and globalization'. Most chapters are based on printed sources and the literature, but three of the French papers have used records of Paris banks and some private papers (one of them, moreover, by Flandreau and Gallice, is methodologically innovative in its use of microeconomics). They are not comparative studies, as each of them is devoted either to London or to Paris, but readers can easily make comparisons as chapters are both scholarly and clearly written.

There is no need to stress the importance of the problem to which this book is devoted: early, but also late in the twentieth century, London was the world's leading international financial centre. Before 1914, Paris was its only rival, but with a serious lag. After a long and severe eclipse, it revived, but remained in the second division. The history of the two *places* is therefore significant for the study of the twentieth century; it is also interesting, because it is characterised by both parallelism and divergence.

In view of their position in Western Europe, both centres were bound to be affected by the same exogenous shocks: World War I (followed by a brief renaissance); the 1931 crisis (which has had more serious consequences than the war for the City of London; Cottrell sees it as a major divide); World War II; later the breakdown of the Bretton Woods system. London and Paris shared 'the long winter' (Cottrell), which started in 1931 for the City and soon afterwards for Paris, when the franc stumbled and fell. It went on for a long time after 1945: the global dominance of New York, of which there had been forewarnings in the 1920s, was clearly established, while *dirigiste* policies crippled international financial activities, not only in Paris, but also in London. Since the 1960s, there has been both parallelism – as London, then Paris revived as international centres – and divergence, because revival was far stronger in London than in Paris.

However, even in the 'Golden Age', there had been a difference in size between the two centres, and London was the biggest by a considerable margin. This superiority is easily explained: Britain had a dominating position within the world economy, and the British Empire (as Fergusson argues) was a less risky place for investment than independent countries, so that the City favoured imperialism. Still, the financial power of France was bigger than one could have expected from the size of its economy. The powerful alliances, which were concluded between banks on the occasion of international issues, are a good example, which Samir Saul presents. The paradox, which Cassis stresses (p. 5), is that by 2000 the two countries' GDPs (both aggregate and per capita) were quite close, while the two financial markets were much further apart than in 1914. And Michie rightly observes (p. 16) that the British economy was overtaken by that of Germany, while neither Berlin nor later Frankfurt were serious financial rivals for London. Cassis also points out that none of the contributors to the volume has resorted to the worn-out clichés about the consubstantial backwardness of the French, or the failure of their entrepreneurs. Actually, the dynamism and resilience of bankers and financiers on both sides of the Channel are repeatedly stressed (for instance, by Bonin on Paris).

The differential impact of the world wars must not be overlooked, as Paris certainly suffered more as a financial centre than London (despite destruction in the City during World War II). However, the major factor lies in governments' policies. 'European governments hampered potential rivals for London such as Paris, Zurich, and Frankfurt, through the policies to discourage international capital flows in and out of their markets' (Schenk, p. 209).

The straitjacket of controls and *dirigisme* which had been imposed during World War II (by the Vichy government, as far as France was concerned) was maintained up to the late 1950s, and it was dismantled much more slowly in France than in Britain (still, Feiertag suggests that its impact on the Bourse must not be overestimated). The contrast was blatant in the 1980s, at the time of the 'Big Bang', when Mrs Thatcher reigned north of the Channel and the 'socialist' Mitterrand to the south (not to mention the more recent antics of the Jospin government). The anti-market culture of the *enarques* bureaucrats, who rule the French treasury and its annexes, might have been, in this respect, emphasised.

The renaissance of the City started in the 1960s thanks to the emergence of the eurodollar market, of which London was the principal beneficiary. Still Paribas and Crédit Lyonnais managed to build up a considerable activity in euro-issues, despite the hostility of the French authorities (see Bussière's chapter). Later on, London went from strength to strength and the City even generated the offspring of Canary wharf. Michie has given a splendid title to his chapter on the City in the twentieth century: 'A Financial Phoenix'. Still, Paris has also risen from its ashes, though as a much smaller bird.

The last two chapters are concerned with the future. Roberts discusses and rejects the view that the City has become 'Wimbledon EC2', where, like in the tennis tournament, Britain provides the venue and some amenities, but where most of the players and winners are foreigners (almost all merchant banks have been taken over by foreign banks). But he wonders whether the attacks of 9/11 and the new technologies in information and trading have not condemned concentrated financial centres. As for Paris, Straus gives a balanced view of its recovery, but admits that it suffers from the poor image of France which prevails abroad.

Altogether, this is an important, even outstanding book, which anybody with an interest in international finance will keep close at hand. It brings useful data on many problems. It is also perfectly produced, with a large number of figures and tables, and a most detailed index. Browsers will discover many gems, like the anti-Semitic remarks of left-wing writers J. A. Hobson (1902) and H. N. Brailsford (1914) (pp. 57–58); to the latter, behind every war, there were 'the shrewd features of some Hebrew financier'. On the other hand, Cottrell writes that by 1914 '"Germanophobia" within British business had long roots' (p. 156); but there is no mention of the Francophobia which was pervasive in the City during the 1920s.

University of Paris IV FRANÇOIS CROUZET

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F. Tristram, **Une fiscalité pour la croissance: La Direction Générale des Impôts et la politique fiscale en France de 1948 à la fin des années 1960** (Paris, C.H.E.F.F., 2005, pp. 740 €30)

Une fiscalité pour la croissance is a classic work of French institutional economic history. In it Frederic Tristram takes the reader inside one of the two hubs of the

French Ministry of Finance, the other being the Treasury recently studied by Laure Quennouëlle. Tristram works out a history of the French tax system and its administration from the reform of the latter in 1948 to the cycle of tax reforms which characterised the first years of the Fifth Republic. Tristram's core idea is that the merger of the two major old tax *régies* into a Direction Générale des Impôts (DGI) (General Management of Taxes) gave birth to a strong administration headed by a group of civil servants of considerable calibre (the *Inspecteurs des Finances*) able to manage the maze of French taxes, to counsel and guide the politicians in charge of the ministry, while being able – due to their qualifications, stature and prestige – to resist what they saw as excessive, improper or demagogic political choices in an age of inflation, budget and balance of payments deficits. These men, confronted with the decision makers' instability and frequent inability to resist private interest lobbies, were trying to erect a reliable dyke of rational choices. His portraits of some of the outstanding members of the DGI oppose their consistency and lucidity, their knowledge and recollection of French fiscal history, their vision of the mechanisms of growth to the politicians' limited skill and the merry-go-round of ministers, even those Tristram considers the best, like Paul Ramadier, René Mayer, Pierre Mendès France, Edgar Faure and Antoine Pinay. At least until the post-1958 stabilisation that saw a temporary twilight of the DGI influence.

Tristram offers an analysis of the relations between two sources of fiscal power: the Government and Parliament on one side, the DGI on the other; trying to tailor, in a setting often characterised by conflict, a common objective: economic growth and stability within a system of social regulation.

The systematic development of the responsibilities of the French central fiscal administration – the DGI, its authority and ability to influence and, sometimes, command the tax decisions of the state – is the fulcrum of Frederic Tristram's thesis. Sequentially, the chapters concentrate on the 1950s and 1960s and, thus, on the origins and maturation of the glorious 1930s and the climax of the national plan. Unfortunately, since it is not thematically organised, the main questions must be reconstructed by the reader into as many puzzles as questions come to pass.

Chronologically, after a short overview of the 1940s, the book concentrates on the DGI's activities. After that it is unfortunately divided into four phases of two years, each comprising two chapters of which only the first part offers a global survey of the period exposed. Such a structure is a chronological straitjacket and, whatever the explanations of M. Tristram, it limits our understanding of the main aspects of French tax policy. This is worse when applied to the crucial central debates about VAT, the taxation of physical stocks, the presentation of balance sheets, income tax and the farmers' taxation problem. History is not just one thing after another; it is the creation of its producers, but the concern of its receivers.

Getting back to the central questions, this book gives us a precise description of the successive budget crises. After discussing the 1948 restructuring of the upper tax administration., the second period extends from the brief stabilisation of 1949 to the end of the French phase of the war in Indochina, with successive governments trying to sort out the dilemma between modernisation and inflation, until Pinay's costly stabilisation. From 1954 to 1959, Tristram exposes the financial problems of governments confronted with the Algerian insurrection, and the growing international deficits, despite the vigorous economy. The descriptions of DGI participation in the working of mostly partial solutions during the years of the ultimate crisis of the Fourth Republic are frequently interrupted by descriptions of too many unaccomplished single tax reforms. The last part of the book, relating the first decade of the Fifth Republic (following the 1958 reforms), condenses half the chronological span into one-sixth of the book. But this can be justified by the pause in the succession of governments and the DGI's withdrawal into its administrative, but still influential, role in the new power structure. These pages are precise and readable. But if we see the shift in decision-making power, the narrative is disappointing, given the current course of strict implementation of the new taxes and Common Market trade rules. One example will suffice: the problem of indirect taxation for intra-Common Market trade. This is too briefly explained. To understand the importance of the problem for either France or Germany, a quantitative approach is necessary in order to measure the nature of the relations between the two main actors. But the rare data offered by Tristram (even with annex 3) are limited to lists of statistics totally devoid of any quantitative treatment.

The interest of Tristram's book is not limited to an analysis of France's tax system history and the question of raising the revenues without holding back the two horses of French postwar growth: modernisation and planning. His analysis is accurate, relying on an impressive set of sources and publications. It adds much to our understanding of the period. Some minor quibbles relate to the lack of material and discussion – the Poujadist episode or the conception of VAT. Lauré's paternity claim is accepted as gold by Tristram, and when the causes of Piere Uri's early demise are discussed in the second part of the book, Tristram's explanation seems a bit biased. As VAT is a rare case of tax success, it fits the adage that success has many fathers.

The most original part of Tristram's book is about the consolidation of the DGI and its interaction with the political forces. Here we have the result of an exhaustive analysis of his selected sources. His investigation contributes much new material to our knowledge of the top layers of the French tax administration, its work in relation to political power and the way the DGI directors used their status and their connections to regulate, adjust, push or obstruct fiscal policies they believed to be right or wrong. Tristram provides telling details about their propensity to use their status, as well as their social and old-school contacts, against the limited capacities of unstable governments and the structural deficit of the budget, in order to prioritise their own vision of the policy of national taxation, planning and state intervention in the commercial economy, according to their view of 'national interest'.

By decoding personal careers, using ministerial and other public archives, private papers, testimonies, and direct and registered interviews, Tristram traces a vivid portrait of an homogeneous group of personalities who are very strong and full of themselves. He restates the historical personalisation of class power within the higher

French administration and the DGI in particular. While he expresses a generally uncritical admiration for the likes of Delouvrier, Lauré, Blot and de la Martinière, and dismisses rapidly the ones who are not part of the 'Corps', he doesn't hide the fact that, beginning in the early 1960s, the road to the top was definitely closed to anybody else, even the pupils of the National School of Administration who didn't make it to the top of the school list. He justly asserts that the latter always followed the Ivy League road toward the 'outside' competitive examination and were a kind of fraternity, mostly scions of the upper-middle classes. Given their social background, they were naturally conservative. One can regret that Tristram participates in the general academic reverence towards them, well illustrated by the relations between Bouvier and Bloch-Lainé. Their stability in office during the German years as well as after is overwhelmingly accepted as all of them evaded any postwar enquiry. Tristram exposes at length their defence of the neutrality of taxes as the central rule of impartial taxation, but never clarifies what it means, even if he gives some indications of the consequences. He doesn't discuss the suspicion about this 'neutrality' being a way of limiting the use of taxes as an instrument of social redistribution. Not that he is blind to the fact; he exposes the DGI's hostility to the social use of taxes, but the analysis never goes as far as it should.

To summarise, Tristram deserves great credit for offering us a rich and complex cross-study on two levels. First, a history of French taxation in a period when political instability, rapid growth, and strong national and social expectations were confronting a weak state, inadequate returns, inflation and a melting currency. Second, a chronicle of one of the rare French administrative reforms: the creation and development of the DGI and the political involvement of its hierarchy.

All this is well informed and described and all scholars interested in the global management history of the French state will benefit from reading this book. One of its virtues is its total freedom from the jargon and pseudo-English vocabulary that plague modern economic history writing. But it will be with some pain. I have doubts about the structure of the book and its lack of analytical investigation. These make reading particularly laborious if one wants to get a global opinion on any major problem. After reading such a rich enquiry, it is hard not to come to the conclusion that the system ultimately produced sclerosis. The question about the DGI being more than one of those reshuffles that are often substitutes for reform remains unanswered in spite of Tristram's work. Unquestionably, the DGI worked for better and more accurate taxes and always kept in mind the objective of an improbable equilibrium. But the concept of 'neutrality of taxation' conceals an ideological opposition to the use of taxation as a social tool. It would have helped if the author had worked this aspect more deeply. Since it was clearly not his aim, nobody can criticise him for this. But we still wait for a political history of modern French taxation.

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