Robert Gilpin, *The Challenge of Global Capitalism: The World Economy in the 21st Century,* Princeton: Princeton University Press, 2000, pp. xii, 373.

In his provocative new book, Robert Gilpin challenges the notion advanced by authors like Thomas Friedman in *The Lexus and the Olive Tree* that there is anything inevitable or irreversible about globalization. For Friedman, globalization is driven by technology, and technology marches ever forward. The Internet and the cell phone have connected even remote Guatemalan villages to the outside world. Declining costs of communication and control are enabling fashion-conscious U.S. apparel producers to outsource production to Saipan and Shanghai, and U.S. software firms attempting to produce seamlessly-integrated applications to hive off programming problems to Haifa and Bangalore. The declining cost of information acquisition is boosting the volume of international capital flows now that even small savers can get S&P country ratings and investment bank newsletters online. And borders are growing ever more permeable to immigration, legal and illegal, with the declining relative cost of transportation services.

For Gilpin, a leading political scientist and long-time professor of public and international affairs at Princeton, this technological determinism has gone too far. The foundations of globalization, in his view, are political, not technological. Countries will open their borders to foreign influence and integrate their markets with the rest of the world only when there is political support for doing so. Technology affects this political calculus, to be sure, but the decision to embrace or reject globalization rests on much more.

Written before the demonstrations at the WTO ministerial in Seattle and against the IMF and World Bank at their April 2000 meetings in Washington, D.C., Gilpin's book is more timely and important for these events, which highlighted the breadth of disaffection with globalization. In the United States, its opponents complain that globalization is the handmaiden of large corporations that oppose labor and environmental standards. In France and Germany, there is the fear is that globalization will force the ingestion of U.S.-produced, genetically-engineered “Frankenfood” and more generally threaten Europeans’ cozy way of life. And in Asia, there is the belief that the IMF, the WTO and other institutions that regulate the global economy are pawns of the West, accountable to no one but Wall Street and the U.S. Treasury.

Under what conditions can this resistance be overcome and will it be possible to create a political consensus in favor of open international markets? Gilpin is known among political scientists as one of the fathers of the theory of hegemonic stability, according to which the provision of a global public good like free and open international markets requires leadership by a dominant power. In the half century before World War I, the last age of globalization, Britain provided this leadership, throwing open its markets and overseeing the operation an international monetary and financial framework — the gold standard — that combined financial openness with financial stability. After World War II, the requisite leadership was provided by the United States, which dominated the Free World and saw integration as in its interest on both economic and political grounds. But now the world has become more multipolar. The U.S. accounts for scarcely a quarter of global GDP and lacks the capacity to stabilize the international system. Global leadership, such as it is, has devolved to an unstable cartel of feuding partners — to a veritable OPEC of global governance.

Gilpin’s book is strongest in describing the role of U.S. leadership in the post-World War II economic order. American leadership was critical, in his view, in cultivating political support for an open international system. The U.S. pushed for the creation of market-stabilizing, transaction-cost-reducing multilateral institutions. It provided the impetus for the conclusion of successive GATT rounds. It rescued war-torn Western Europe from economic and financial chaos with the Marshall Plan. It acceded to capital controls that allowed other countries to limit inward foreign investment (from the United States in particular), to the creation of a European Economic Community which in its early years discriminated against American goods, and to other features of a postwar economic order that were inconsistent with America's short-term interests but which cemented foreign support for open markets. It accepted the vulnerabilities, admittedly along with the seigniorage, that came with allowing the dollar to be the international currency for the postwar world.

This postwar order and the role of the U.S. in shaping and sustaining it were corollaries of the Cold War. The U.S. provided a defense umbrella for Europe and Japan, in return for which the latter accepted America's vision of the international economic order. Even though initiatives like the European Economic Community raised the specter of a Fortress Europe that might exclude U.S. producers, this was a risk worth taking if regional integration promised to unify Europe in opposition to aggression from the Soviet bloc. In any case, the danger that regional integration would lead Europe to close itself off economically was limited so long as the continent remained heavily dependent on the U.S. for its security.

Gilpin makes the case that this world is no more. The singular circumstances as a result of which the United States accounted for half of global industrial production immediately after World War II have long since been dissolved by "convergence." The U.S. is still a leading economic power, but its dominance of global commodity and financial markets has been significantly reduced. No longer the world's leading creditor nation, it has become the leading debtor. And with the end of the Cold War and the collapse of the Soviet Union, the *raison d'etre* for the postwar order has disappeared, together with the compromises that U.S. and foreign governments were prepared to make to maintain it. Disputes over everything from leverage-fed hedge funds to hormone-fed beef now roil the international system. In the U.S., a peculiar coalition of critics on the Left and the Right advocates turning away from the IMF, the World Bank and the WTO. In Asia as well as Europe, governments are seeking alternatives to these institutions and to U.S.-led multilateralism. Globalization hangs in the balance.

Gilpin convinces when he argues that the development of the world economy after World War II can only be understood in light of the geopolitical order in which it was embedded. But he founders when he attempts to apply this notion to the 1990s. Uncomfortably for his argument, developing countries embraced openness precisely when the Cold War ended and the geopolitical basis for the U.S.-dominated international order fell apart. No one would argue that the policies of opening, reform and integration that have become so the rage in the last ten years were unaffected by the structures and incentives created after World War II, but one cannot help but suspect that something else is also at work. There is the role of ideology. There are the disappointing results of import substitution and financial repression. There is democratization, which limits the ability of the authorities to dictate the behavior of economic agents and of public planners to control resource allocation. There are the portfolio investors, multinational corporations, small producers, and individual consumers who benefit from open markets. There are the workers in relatively labor-abundant developing countries who benefit from the export of relatively labor-intensive goods. And, yes, there is the role of technology.

But is Gilpin right that political support for these policies is fragile, and that the progress of late-20th century globalization could be reversed as countries retreat into autarchy and regionalism? The answer, it can be asserted with confidence, is we don't know. It is too early to say whether political support for globalization is deep and abiding or shallow and transitory. Part of the problem is that the author fails to provide a framework for analyzing the prospects. He thinks in terms of international diplomacy and fundamentally takes the nation state as his unit of analysis. Mentioned only in passing are the interest groups that lobby for and against particular policies: European unions, Japanese banks, American corporations, transnational coalitions of environmentalists, and the plethora of NGOs. Also missing are the models that economists use to map from interest groups to preferences and the models political scientists use to translate preferences into policies.

If a retreat into regionalism is to be avoided, Gilpin concludes, the United States must reassert its leadership. It must expand NAFTA to the rest of the Western Hemisphere and at the same time answer the call for a new round of global trade negotiations. It must lead the campaign to reform the IMF and the World Bank, so that the Bretton Woods institutions can be more effective guarantors of financial stability and promoters of economic development. While the U.S. can no longer lead alone, only it remains capable of organizing the cooperation among like-minded nations needed to cement the progress of globalization.

Perhaps so, but only if Gilpin is right that nation states will determine policy outcomes in the 21st century. If the growth of transnational entities like the European Union and grass-roots organizations like Greenpeace indicates that policies will instead be shaped at other levels, then the nation state is the wrong place to look.

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