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Book Reviews

Globalization's losers

Jeffry A. Frieden

Global Capitalism Its Fall and Rise in the Twentieth Century

W.W. Norton, New York, 2006, 448 pp., \$29.95 (cloth).

Jeffry Frieden has written a lucid and fast-flowing account of what is now almost the standard orthodoxy about globalization over the past hundred years. He describes a movement, resembling the letter U, in which substantial integration in labor, goods, and capital markets occurred in the late 19th century and was subsequently reversed as a result of the Great War and the Great Depression. After the Second World War, globalization slowly began to revive but has picked up more quickly since the 1970s, bringing a rapid diffusion of technological innovation and substantial improvement in well-being.

As a political scientist, Frieden is also profoundly interested in the politics of globalization. In any process of change, there are winners and losers,

and the sustainability of the system depends—in his eyes—on how the losers are handled. Before the First World War, the losers were the old landed elites of Europe and perhaps workers, who had to bear the costs of adjustment under the monetary regime of the gold standard.

Frieden, like Karl Polanyi, sees gold standard adjustment as difficult or even impossible in an environment of political responsibility or democratization. The interwar years thus saw both a collapse of democracy and an attempt to restore the gold standard. In the years immediately after 1945, however, Frieden said that democracy was rescued in many states (primarily in Western Europe, he means) by their adoption of Keynesian-inspired welfare policies. Such policies were viable in a national setting but became less so as the costs of adjustment rose with the real wave of globalization that occurred after the 1970s.

Frieden ends with a survey not only of the failures of globalization—especially for very poor states that remain outside the framework of open goods, labor, and capital markets—but also of the increasing challenges to the world posed by globalization that emanate from rich countries whose citizens believe that trade and immigration have adversely affected their income. Frieden's story of the political response to globalization is a tour de force. His surveys of the explanations offered by such theorists as Eli Heckscher, Bertil Ohlin, Wolfgang Stolper, and Paul Samuelson for the effects of trade on incomes are easy to understand.

But Frieden's account raises puzzles that are never really solved. At some points, he seems to adopt a quite rigid form of economic determinism, although the effects of economic structures on political outcomes sometimes run in different directions: he insists on page 196 that, in the 1920s and 1930s, "every debtor country

went the way of fascist or nationalist autarky; every creditor country remained democratic and committed to international economic integration." It is easier to see this mechanism, in which populist hostility to an externally imposed debt burden turned voters and politicians away from internationalism, than it is to follow the logic of the claim that, in other circumstances, debt crises promoted democracy (for example, in the Latin American crunches of the 1980s). In that case, the logic that links debt to democratization is not fully spelled out. But in each case, economics pushes politics.

At other moments, however, Frieden gives a great deal of autonomy to policy choices: countries are poor above all because their elites have made the wrong political choices; or (perhaps more astonishing in the light of the debt and dictatorship thesis for the 1930s) he tells us that in Germany—the most important and destructive collapse of interwar democracy—"even modest measures to stimulate the economy, subsequent analysis has shown, would have been enough to stop the Nazis' electoral advances" (p. 177). He does not really address the central question, at least of the 20th century, of what room politicians had for maneuver. Consequently, it is hard to see how the general worry about the uncertainties and discontents of globalization should be mapped into concrete policy proposals.

In addition, the reader should be warned that this book is much more a history of globalization than it is of global capitalism. Little time is spent discussing national differences in capitalism or debating whether there are separate regional models. The book assumes rather than demonstrates that one form of capitalism is in accordance with the logic of history—namely, the form that is dominated by large, management-run, and diversely owned multinational corporations that operate on much

the same principles of corporate governance in any country. At a time when the chief executive of IBM has proclaimed that the age of the multinational corporation is over, it might be worth questioning the usual narrative of the existence of only one form of capitalism.

Harold James
Princeton University

No time for sleep

Guillermo A. Calvo

Emerging Capital Markets in Turmoil Bad Luck or Bad Policy?

MIT Press, Cambridge, Massachusetts, 2006, 547 pp., \$45.00 (cloth).

At the beginning of the 1990s, the Brady Plan, under which nonperforming commercial bank loans were restructured into tradable bonds, inaugurated the most recent wave of capital flows to emerging markets. This year, as one Latin American country after another retires its Brady bonds, there is a sense that an era is drawing to a close. Throughout this period, Guillermo Calvo has been at the center of the debate over the character and efficacy of those capital flows, at the IMF, at the Inter-American Development Bank, and in academia. Timing is everything in comedy and scholarship. One cannot imagine better timing for this book's publication.

Collected in this book are all of Calvo's important articles on capital flows and crises, starting with his prescient work with Leiderman and Reinhart that, as early as 1993, questioned the sustainability of the new wave of capital flows. These articles observed that capital tended to flow equally to emerging markets that had