

BOOK REVIEWS

Tamás Szentes

***World Economics. Comparative Theories and Methods of International
and Development Economics***

Budapest: Akadémiai Kiadó, 2002, 462 pp.

Ever since the first publication of his *Political Economy of Underdevelopment* in 1971 – which work then was translated into 11 languages and had 16 editions –, Szentes has been a formative personality of international critical thinking over economic development and underdevelopment. The current volume under review, as the subtitle “A Historical and Critical Survey” might already suggest, is, in fact, an organic continuation of a different monograph by the same author, *Theories of World Capitalist Economy* (Akadémiai Kiadó, 1985).

This volume is a reference volume and also a textbook, where Szentes, adhering with remarkable integrity to his earlier convictions, gives the reader a new account on the evolution of theories of development and underdevelopment integrating the experiences of the collapse of the Soviet system and following industrialisation attempts. Certainly, the past dozen years of experience of many unsuccessful and less successful attempts at transforming economic systems has left less room for free market triumphalism than a decade ago. The move from the Washington Consensus to the post-Washington consensus (Kolodko 2000; Williamson 2001; Campos and Corricelli 2002) as “constructive eclecticism”, aiming at getting rid of ideological prejudices of pure theories has made the audience more receptive, than they would have been a decade ago (pp. 12–13). Also, as already the first major part, Chapter two explains, development can only be interpreted in terms of comparative economic systems, rather than a convergence towards a single model of the market economy.

Chapter three offers a broad overview of economic schools of thought having dominated the debate in the pre-World-War-II period. Here such theories as mercantilism, the classical school, Marxian political economy, neoclassical economics, the historical school, classical institutionalism and Keynesianism are presented.

Chapter four, accounting for about two-thirds of the present volume, is devoted to a critical assessment of the theories developed in the post-war period. Here the unifying theme is the focus on national (independent, structure-deter-

mining) state-led growth promotion, whose focal role was part and parcel of the contemporary policy consensus. In this chapter the author addresses conventional theories of backwardness that explain underdevelopment in terms of stages of economic growth. He addresses the ideas based on overpopulation, capital shortage, labour quality, imperfections of domestic markets, state failure (corrupt governments). Special attention is devoted to the theories of vicious circle, depicting underdevelopment as a stable steady state, finally the dualism schools, both the technological and sociological brands.

A special section is devoted to critical reformist or post-Keynesian theories. The once influential views of the *dependencia* school, most notably of Raul Prebisch, views of Singer, Myrdal, Balogh, Furtado, Perroux's view on dominance, Hirschman's critique of FDI are addressed in detail.

Section four (in Chapter 4) is devoted to various radical – neomarxian and new Leftist – views, with Frank, Emmanuel and Wallerstein, as well as Samir Amin. It is hard to believe for a young student how influential these views once were, and actually, have remained in a large part of the developing studies community.

Section five is devoted to two counterrevolutions: of orthodox Marxism, by Bill Warren, and the neoliberal one, represented by Deepak Lal. To the reviewer the author seems to have overemphasised the relevance of the former, at least in terms of policy relevance.

Section six on comparative economic systems, a discipline too often and too early buried with the demise of the Soviet empire constitutes a refreshing and unusual chapter in an international economics reference book. Works by Eckstein, Koopmans and Montias, Gregory and Stuart, Kornai and Schnitzer are critically reviewed in this part.

Finally, in section seven the attempt at “constructive eclecticism” is represented by the most influential work of Porter and Dunning, with an emphasis added on the potential for creating (rather than merely relying upon *ex ante* existing) comparative advantages (pp. 395–396). Wrapping up, Szentes approvingly cites Todaro on the need for a non-dogmatic approach, recognising the need to overcome underdevelopment as a self-interest of the advanced nations.

As both the text and the cover states, this is, in a way a preliminary, a kind of literature survey to volume two, already in print, in which Szentes will offer his independent analysis of world economic issues. The present book, as can be seen from the rudimentary survey, is a rich overview of major theories. Anybody studying these will have an impressive overview of intellectual development, as well as of critical economics, while the opinion of the author is always clear (without necessarily being overpolemic).

If any critical remark is allowed on a Critical survey, this relates to the relative downplaying of the mainstream, both in economic theory and economic policy advice. Like it or not, these views exert considerable intellectual and material (policymaking) influence on the strongest players of the globe. Therefore the otherwise legitimate option of the author might backfire insofar as students may not be prepared to face the dominance of mainstream in the academic and analytical endeavours. But after all, a survey of the literature is also a matter of taste, and nobody familiar with the oeuvre of Professor Szentes would have expected him to give up his usual autonomy in choosing subjects and evaluations. In sum, the book is a representative product of the publisher orienting itself to the international markets.

László Csaba

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Vladimir A. Kozlov (ed. by E. McClarnand MacKinnon)
Mass Uprisings in the USSR: Protest and Rebellion in the Post-Stalin Years
New York: Armonk and London: M. E. Sharpe, 2002, 351 pp.

Apart from the information made available to Western experts by the refugees, Western observers believed that no extreme protests took place across the vast Russian territory for a long time. In fact, this credence was in line with the information delivered by official party propaganda and the communist press. However, following the reforms introduced in the Soviet system by the late 1950s and 60s – which have not prevented its collapse – Western observers became concerned with the weaknesses of the system and Soviet citizens' beliefs about the ability of a socialist society to expand well-being. Past studies were based upon rumours, secondary sources and often-unsubstantiated information. In this respect, the analyses published in the earlier years have simply focused on few peasant rebellions and the *gulag* phenomenon. The *glasnost* introduced by Gorbachev by the mid-80s helped researchers to make use of archives and new

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significant sources. Following this broad picture concerning the scope of Western experts to study the Soviet system, *Mass Uprisings in the USSR: Protest and Rebellion in the Post-Stalin Years*, written by the Russian historian Vladimir Kozlov provides a comprehensive perspective of the mass unrest activity and facilitates a broad knowledge of its socio-economic roots.

Drawing on abundant, previously inaccessible information, Kozlov supplies vivid details of a number of social protests. The rationale of protests extended from basic economic complexity of the system to social, ethnic and religious struggles. However, the dissent manifested by the populace remained low due to the brutality of repression during the Stalinist period. By contrast, the political approach adopted in the post-Stalin era no longer privileged the recourse to purges in such a manner and as a result several rebellions and protests spread across numerous USSR republics. Causes of these mass unrests were various: from social conflicts to attempts to halt the introduction of liberal principles of the 50s and 60s to the industrial system. People or groups, which got involved in these protests, were drawn from many sectors of the society, as well as the army, religious and ethnical groups.

Kozlov distinguishes among three categories of mass protests: the social conflicts of 1953–1960, the crisis of “Liberal Communism” in 1961–1964 and protests during the leadership of Leonid Brezhnev.

Because the book describes many of these conflicts incisively and accurately, the author can identify and overview the socio-economic context in which any single protest matured. He interprets these protests not as overtly anticommunist in principle, but rather conservative in nature, signalling the people’s resistance to the process of reforms and destalinisation started by Nikita Khrushchev at the time of the Twentieth Communist Party Congress in 1956. These reforms continued at a slow pace and met the disapproval of certain groups (e.g., pro-Stalin Georgians protested against the degree of victimisation of Stalin).

Some other characteristics of these protests are also worth noting. First, they increased over time as socio-economic problems became more pronounced. For instance, by the time Gorbachev came to power in 1985, socio-economic problems became so complex to tackle that an increasing part of the population felt unhappy with the communist society. Second, the localised nature of protests and uselessness of adopting Western sociological and political models to comprehend this phenomenon of mass protest. Third, the decline of mass unrest during the regime of Leonid Brezhnev as an expression of the ideological collapse of the system.

Kozlov makes a strong case that protesters were in fact struggling against liberal reforms in the Soviet Union. In doing so, the author goes well beyond the mere historical description to illustrate that self-generated protests were in fact

stunning signals towards supporting the cause of Communism during the post-Stalin era. The book conveys the impression that fears of changes had permeated many levels of the society. The uprising of the years 1961–1962 to protest against new work norms and wage policies, as well as the increase in the prices of butter and milk are examples. Simply, certain strata of the population were at that time not aware that the system required changes and further development. Apart from the recourse to violence, Stalin could build support for a communist system through violence, nevertheless, Stalin's choices brought about systematic failures into the following decades. In fact, Stalin strived to carry out main radical changes at the end of the 40s but shortcomings showed over time. However, while Kozlov is precise when articulating some fanatical hysteria surrounding Stalin, he fails to capture the protesters' rationale that emerged after Khrushchev took power into a long-term strategy.

Kozlov's book is one that experts in the Russian and the USSR social history should read. The author explains social developments under the perspective of mass protests over the decades after Stalin's death to the early 80s. Readers will find the book useful as they might arrive at a proper understanding of the attitudes of social classes towards the political choices made in the USSR, and to broaden the cognisance of the system, which was definitively thrown into disorder. A "must" in the library of all socio-economic researchers on Russia and transition countries.

Bruno S. Sergi

Robert Gilpin

Global Political Economy: Understanding the International Economic Order

Princeton: Princeton University Press, 2001, 423 pp.

The book, rich in terms of theoretical alternatives and empirical examples presented and excellent as a guide to the development of economic thought and current processes of world economy, deserves a step-by-step review. I will conclude it with some general remarks.

Gilpin refers to his previous book (1987) serving as a justification for the present work. A number of fundamental changes in international economics have occurred since the previous publication: the end of the Cold War, spread of neoliberalism, impact of rapidly developing IT, and the growth of economic regionalism as opposed to economic globalisation. These changes have also caused new theoretical debates in the field of International Economic Order (IPE).

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Chapter 1 sets the methodological stage for the book. Departing from an observation that the post-Cold War IPE has been increasingly characterised by the term “globalisation”, Gilpin confronts this trend and claims that to the present day states with their national policies remain the principal actors of the world economy. The book is built on what Gilpin coins “realist or state-centric” approach, giving state the central role in both domestic and international economics. Another methodological argument is Gilpin’s claim that purely economic and financial analysis is limited in explaining real world developments; political component and analysis is just as important for understanding the current functioning of IPE. The chapter introduces important developments since the end of the Cold War: replacement of security concerns by economic activity, growing competition among former Cold War allies, growth of market-oriented world, increase in international trade, coincidental development in IT and its impact on international trade and finance, the growing regionalism. Outlining basic intellectual approaches to IPE, Gilpin justifies his own preferred perspective of state-centrism. Thus from the outset the goal of the book is threefold: to give due recognition to the role of states, to pay attention to political, not only economic analysis of world economics, and to be critical towards the assumption that economy is driven only by individual welfare maximisation goals.

The theme of *politics* and *state* as “rivals” to *economics* and *markets* on both methodological and empirical levels underlines *Chapter 2*, where Gilpin shows the limits of purely economic analysis and justifies the reference to social and political factors guiding national policies and decision-making that, in turn, is responsible for many international economic developments. In a nutshell, in order to get a full picture of the IPE, one needs to understand both the functioning of markets and their impact on state performance and the activities of powerful polities that try to shape these impacts in their own favour.

Chapter 3 deals with the history of economic thought and the development of the neoclassical concept of economy and economics as a science in general. The chapter is devoted to the main features (rigidity, limited real-life applicability, the considerable amount of different models) and assumptions (rational-choice model of human behaviour, nature and functioning of market, its ability for self-regulation, homogeneity of individuals across time and space) of economics and economists’ own claim for the universality of their science. Gilpin is critical with regard to this claim and its argumentative basis. The main limitations identified are (1) the unrealistic nature of certain underlying assumptions; (2) neglecting of the role of state in economic affairs, even more – in international economic developments; (3) frequently witnessed redefinition of the terms of a theory by economists to make them consistent with empirical evidence; (4) relatively poor

performance in predicting economic developments; (5) the presence of certain subfields of analysis that are nonempirical and thus not testable. Characterising the neoclassical concept of economy as rather normative, Gilpin addresses the role economists play in public policy and questions its relevance. Next, he compares economics and political economy. Notwithstanding the role of economics, Gilpin uses empirical evidence to show that limitations of economic methods can be overcome only by applying political economy that pays attention to the social and political dynamics and such exogenous variables as culture, technology, and institutions that affect economic outcomes.

Due to the above reasons, *Chapter 4* deals specifically with the study of IPE. Apart from considering the insights of neoclassical economics that constitute an important part of IPE, the approach is interested in a broader range of issues: in the impact world economy leaves on the power, values and political autonomy of states and the ways in which the states, in turn, try to manipulate economic forces to their own favour. IPE is concerned with international economic institutions and regimes, differences in wealth and economic activity distributions, absolute vs. relative gains, markets' impact on national autonomy. The chapter has an important theoretical component in analysing international organisations and regimes, the hegemonic stability theory, possibilities of governing the global economy etc.

Since the concern of the IPE is broader than that of neoclassical economics and considers a wider scope of issues as important, *Chapters 5 and 6* introduce new economic theories and their political impact. Gilpin reviews the neoclassical economics and its limitations. The new theories have addressed these limitations and include in their analysis such aspects as institutions, scale economies, imperfect competition, technological innovation, historical and geographical developments. They challenge some of the main assumptions of neoclassical economics and introduce new ones, leading to entirely different conclusions and policy implications. *Theory of Endogenous Growth* questions neoclassical neglect of several issues and shows their importance. It considers technologies, human capital and knowledge as endogenous factors of growth. By challenging the neoclassical assumption of perfect competition, it views market as oligopolistic. In addition, political and economic institutions influence growth by means of their policies. Finally, the approach questions the convergence theory and claims that uneven growth is inherent to global economy.

The New Economic Geography asks why economic activity tends to be concentrated in several geographic locations over a long period of time. It claims that historical development leads to the phenomenon of *path dependence*, namely, historical background and cumulative processes influence the choices available

in a particular context. Even small historical events can lead to large economic consequences; as a result, modern economic systems are characterised by relatively stable core (periphery geographic structures).

Strategic Trade Theory challenges the long-persistent commitment of economic analysis to free trade and justifies protectionist measures rationally used by governments. Since the global markets are imperfect and oligopolistic, governments and firms can behave strategically to make market forces and their own measures and countermeasures serve their interests. Despite being the most criticised and controversial among the new theories, STT has an important impact on governmental policies. Altogether, the new economic theories, through their challenge of neoclassical assumptions and attention paid to formerly neglected factors, reach entirely different conclusions about the functioning of world economy and national governments' role in shaping it. For the new theories the world economy is marked by *both convergent and divergent economic growth* and non-economic factors can cause important changes in the existing picture as states attempt to pursue their interests.

Chapter 7 claims that economists pay insufficient attention to the ways in which differently organised domestic economies influence the world economy. Due to the growing globalisation and economic interdependence, the existing differences have become increasingly important and are relevant for the study of economics. Three main factors characterise domestic economies: the primary purposes of the economic activity of the state, the role of the state in economy and the structure of corporate and private business practices. Gilpin analyses the leading world economies: the US, Japan and Germany, and the significant differences between them. As economies become further integrated, each of them is increasingly concerned with these differences inviting three further questions.

Is one economic system superior to others? Each era has praised some economic system as the best; nevertheless, these claims are hard to assess due to different standards of judgement. Individual national values leave a strong impact on the preferred functioning of an economic system; different global developments place certain economies as superior in particular time span. No general conclusion is possible as to what type of economy is the most rewarding across time and space.

Do nations compete with each other? Economic competition cannot be seen as a zero-sum game but as benefiting everyone, though some more than others. Competition in general cannot be said to be a permanent feature, rather different economies and national governments compete in their ability to manage economic affairs in the most effective manner, to transform themselves to meet the frequent economic, political and technological challenges. Again it brings to the

fore the argument that markets alone cannot be sufficient to account for global economic developments; government activity matters.

Convergence, harmonisation and mutual recognition are the alternative solutions for the concern with differing domestic economic structures. *Convergence* – the most complex and controversial of the strategies implies gradual modification of domestic structures resulting in disappearance of differences. Neither the arguments in favour nor those against this theory can be proven because domestic economies still differ considerably. *Harmonisation* implies the elimination of national differences as a result of interstate negotiations and the role played by international organisations. However, there are realms in which the national interests will always be of primary concern. *Mutual recognition* argues for domestic systems to remain different and seek toleration of these differences in external economic relations.

Chapter 8 reviews the development of world trading system, presents the main controversies of free trade, their historical development, the impacts on different national economies, and recent challenges in world affairs and in the theoretical research. Gilpin shows the development of GATT rounds towards the establishment of WTO and that of international trading system. The new agenda is confronted with the growing political sensitivity of several issues due to the expanding world trade: labour standards, intellectual property, environmental problems, human rights, national sovereignty. There is a growing awareness that several leading economies benefit most from the international trade, sometimes at the expense of the less advanced. WTO is confronted with solving issues that ask for more attention paid to peculiarities, values, and cultures of national economic systems, the above-mentioned problems of global scope, and the fact that, despite economists' advocacy of free trade, trade protection seems unlikely to disappear completely since domestic political objectives often take precedence over trade liberalisation.

Chapter 9 deals with the international monetary system and its controversies since the breakdown of fixed exchange rates in the early 1970s. Gilpin presents the development of monetary affairs on a global scale and their main institutional cornerstone – the International Monetary Fund (IMF). He analyses the success of fixed exchange rates and their later failures that resulted in the current debate as to which of the ways world economy should follow in the future. Contributing to the complexity of debate are both technical and political issues. Main political problems lie within different national interests and high variations as to winners and losers from a particular system, and in several alternatives that exist for solving possible crisis situations. Gilpin investigates the so-called *trilemma* or *irreconcilable trinity*, the existence of three equally desirable but irreconcil-

able goals: fixed exchange rates, national independence in monetary policy, and capital mobility. Pros and cons of fixed and flexible exchange rates and possible political concerns are analysed. Gilpin addresses the possible monetary, financial and political consequences of the euro and its relationship with the dollar and the yen. While international monetary system involves highly complex technical issues, establishment of any functioning “system” requires, above all, *political* cooperation.

Chapter 10 focuses on the international financial system – probably the weakest link in international economy and the one that is most in need of some regulation. The freedom of capital movement is among the main reasons for ever closer integration of national capital markets and creation of a system that can be truly called “global”. It has facilitated an efficient use of the world’s capital resources. Unfortunately, it has also largely increased the overall vulnerability of world economy and particular national and regional economies. Analysis of the development of international capital flows leads Gilpin to argue that world’s financial system remains largely nationally based and important national differences in capital costs and financial policies remain. Gilpin emphasises the frequency of financial crises in international economy, describes the most striking ones, and investigates their nature, as well as analytical and scholarly debates and disagreements as to their causes and best solutions. The main empirical and analytical problem is the costs and benefits of three alternatives. *Reliance on market* argument rests on rationality-of-actors assumption and belief that only market can bring stability; any centralised regulation is morally hazardous. Belief in the need to *strengthen the role of IMF*, while leaving the general process up to the market involves three reforms that, nevertheless, have inherent flaws. First, greater transparency and improved information gathering, though helpful in preventing crises, disregards governments’ wish to keep secret their financial data. Second, codes of conduct and better surveillance, though beneficiary, cannot be imposed, yet the information on non-compliance is crucial for investors but not proper for the IMF to provide. Third, lender of last resort is a complicated advice due to IMF’s limitations in performing this function. *Regulation of international finance* is the third possibility, but it lacks political support. Gilpin concludes that reasons for the ambiguity of international financial system are at least partly political and due to national interests and economic and political power of the US, Western Europe, and Japan.

Chapter 11 is devoted to another phenomenon of globalisation – the multinational corporations with the above-mentioned cross-border flows of capital contributing to their development. The phenomenon has left most mainstream economists indifferent, while it is of high interest for the business economists. Gilpin introduces three analytical perspectives that are the result of this interest in MNCs:

Product Cycle Theory, Eclectic Theory, Strategic Theory. Political economists also show interest in MNCs; they form two groups, the first advocating Marxist or Radical Theories, the other – State-centric Interpretation. Gilpin analyses the main factors that fuel the functioning of MNCs and the most frequent reactions to this process. Two general beliefs can be identified; the first argues that MNCs have become so influential that they are about to make state boundaries irrelevant in a near future. Gilpin himself is, nevertheless, an adherent to the second view that claims the still crucial role of MNCs' home countries and their governmental policies and legal systems as guiding cross-border activity. Whatever the belief, the question of establishing some international regime to monitor MNCs and flows of FDI, is crucial. As to the date, efforts to create such a regime have failed. States are reluctant to undermine their national values and interests by creating yet another institution. The very nature of MNCs – functioning across national boundaries – makes such a regime difficult to set up. Multinationals bring about many benefits as well as dangers for national economies. Gilpin concludes that nation-states remain the main actors and are not about to be replaced by MNCs. However, the existence of these corporations broadens the scope for national policy concerns.

Chapter 12 discusses economic development with its “Herculean task of raising the great mass of humanity from poverty”. The issue is marked by the rivalry of neoclassical reliance on market forces vs. advocacy of state intervention. Gilpin presents the development of economic thought with regard to the topic: rise of development economics, assumption that developing countries may be importantly different from the developed ones in terms of their social, political, and economic structures and traditions, the “trade pessimism” and cry for an external push to break the vicious circle of poverty. The initial success of development economics was brought to an end by the triumph of neoliberalism in the late 1970s that argued for letting market forces do the job and limiting state intervention. Economies across the world, it was believed, were guided by common laws and forces, thus the less developed ones needed no special treatment. Nevertheless, the late 1980s and early 1990s experienced return to the state role in economy by birth of the theory of “developmental state” that challenged the neoliberal assumptions and attempted to justify state intervention in particular circumstances to ensure that the less developed economies could benefit from market forces. Gilpin analyses specific mechanisms of state intervention. He also addresses the “East Asian Miracle Project” and the later financial and economic crisis in the region. Gilpin shows that the controversy over the causes of both the miracle and the crisis (market vs. state) remains unsolved, leaving the future of the developmental state unclear. There is some hope, however, that the less developed countries will not be left on their own: the World Bank’s *World Devel-*

opment Report 1997 has stressed the role of politics in solving the problems of LDCs. The argument that neither state domination nor complete lack of state intervention can bring long term success seems to become more widely accepted. Economic development is not possible without a transformation of society, establishment of the necessary institutions and infrastructures and some state guidance. Gilpin reviews the problems of post-Cold War transition societies and analyses three recent transition theories: the first is based on neoliberal assumptions, the second on cultural legacy explanation and the third emphasises the governance crisis, that Gilpin himself considers the most feasible one. He discusses the main challenges of transitional societies, their efforts in establishing market economies, the necessary social and institutional basis, and also their drawbacks. Gilpin is rather pessimistic as to the final results of this transition.

Increasing economic regionalism is the concern of *Chapter 13*. Regional economic and political integration since the mid-1980s has become increasingly influential, the successful integration of Western Europe has triggered new integration efforts in other regions of the world. Although there is an agreement that both economic and political factors matter in fostering regional integration, the prevalence of either the one or the other, as well as different forms and institutional arrangements from case to case has prevented the development of a satisfactory theory of regional integration. Gilpin addresses the existing analytical perspectives in the field. First, there are *economic theories* (new institutionalism, new political economy, the Marxist theory of economic and political integration, and a narrower theory of an "optimum currency area"), whose focus remains largely empirical rather than theoretical. Second, *political theories* offer a broader range of insights. Federalism believes that peace can be achieved by institutions of global scope and states surrendering voluntarily their political autonomy. Functionalism and Neofunctionalism emphasises the issues that can be more successfully handled by international cooperation rather than national means, their success leading to ever closer economic and political integration. Neoinstitutionalism, Domestic Politics approach, and Liberal Intergovernmentalism stress the importance of institutions, domestic preferences and the role of governments in building and maintaining regional cooperation. Realism stresses the importance of national interests, power relationships and interstate rivalries. Gilpin, however, concludes that none of the perspectives is sufficient in explaining the regional integration. He argues for an *Eclectic Approach* that would take into consideration a number of factors: the presence of political motive in all regional integration cases; the stimulating role of the lack of strong leadership; emergence of new economic powers, intensification of international competition and rapid technological developments; dynamics of economic security dilemma, growing importance of oligopolistic competition, and the theory of strategic trade.

Chapter 14 questions the claim that globalisation eliminates nation-states and argues that the state is still the major actor of domestic and international politics. Gilpin admits that at the beginning of the 21st century the nation-state is facing increasing challenges both from above and below, but none of these challenges is likely to lead to the disappearance of the state. First, due to the globalizing nature of economic processes, the role of the state in these processes declines in some areas but increases in others. Second, the impact of the global economy on particular states is highly uneven and differs from one issue area to another. Third, ideological, technological, and international political changes have been more important than global economic forces in shaping the current situation. Several recent developments, Gilpin argues, have been assigned to globalisation but are not. Among these are technological developments, most notably, IT and the Internet – phenomena *not caused* by economic globalisation, and environmental problems that are most often due to bad performance of national governments. There is a common confusion of globalisation processes with those of regionalization and a tendency to blame globalisation for anything that goes wrong. To underline his argument that the nation-state is not likely to perish any time soon, Gilpin gives an example of how states manage the two most important macroeconomic policy tools – fiscal policies and monetary policies. He refers to the *irreconcilable trinity* or *trilemma* discussed above and claims that the decisions on which of the goals to pursue are still within the capacity and responsibility of national governments and central banks, although constrained by both global economic processes and domestic economic preferences, and problems. Awareness of historical developments in the sphere of economics shows that these processes are neither new nor as radical as some may claim.

The *concluding chapter* addresses the global economic governance issue and the growing tension of economic globalisation vs. political fragmentation. Gilpin refers to R. Cooper (1968), claiming that the clash between the two forces invites the need for international governing of the global economy, but that nation-states are unlikely to sacrifice their political and economic autonomy and interests for such a goal. The problem has increased since the publication of Cooper's work: the diagnosis has become more relevant and the offered solution – more difficult to attain due to expansion of economic processes in the last 30 years. The rapid globalisation of world economy has put the governance issue at the top of agenda. "Neither domestic economies, nor the increasingly integrated world economy can rely on markets alone to police themselves." The aims of global governance would be to solve market failures and provide certain public goods. Gilpin analyses three schools of thought in the field of global governance. *Neoliberal Institutionalism* believes in interstate cooperation and puts emphasis on international institutions to govern the world affairs. The examples of success

are the World Bank, the WTO and the IMF. But there are limitations as well – the rise of new issue areas, the problem of compliance and the resulting limited effectiveness of the institutions, the strong resistance of countries to give way to market forces, the problem of democratic deficit, the gap between the existing institutions and the changing distribution of power, and the need for institutional reform in response to changes in global economy and the rise of new issue areas. *New Medievalism* claims the end of national sovereignty that will be replaced by nonstate and superstate actors. A crucial aim is to disentangle *governance* from government. However, it remains unclear, who will be the embodiment of governance as any such phenomenon rests on the emergence of common global culture that is still not in sight. *Transgovernmentalism* accepts the continued existence of nation states but assumes that they can be divided into their component parts and these parts can be dealt with separately. Component parts can deal directly with their counterparts in other governments, technical and other functional problems can be solved in isolation from larger national concerns, and there is no hierarchy among policy issues. This world of technocrats, however, is most likely to be severely limited by the political rivalries and conflicting national interests and domestic constituencies. While all insights are important for the debate, the demands for governance of global economy are too high and complicated to be solved by any of the approaches. Any governance should rest on shared beliefs, cultural values, and common identity that we have not yet achieved. Self-centrism of states still prevails and the best solution available is cooperation among the major powers to ensure not only their own interests but aspire to the establishment of more stable and human international economic order.

The nature and value of Gilpin's work can be summarised in several points:

- Gilpin presents both the classic and more recent contributions to the IPE debate and investigates how some of these contributions have become widely accepted while others have failed. He analyses many complicated economic, financial, monetary, and political processes, introduces a variety of concepts, pictures the richness of assumptions available, and investigates into a whole range of differing practical and analytical perspectives.
- By showing the abundance of assumptions that provide for different and often mutually exclusive implications about the functioning of world economic processes and the role of market forces and national governments in shaping them, Gilpin's work invites at least two broad conclusions. First, there is still a lot "out there" that we know little or nothing about but that is important if we aspire to draw a complete picture of the world economy and the best ways of handling it on different levels. Second, it tells us about the crucial role of theory in any serious attempt to explain and understand the functioning of different

forces; it once again shows us that most if not all of our knowledge is theory dependent.

- Gilpin cannot, obviously, be theory neutral himself. His work is underpinned by realist insights and state-centrist approach. This theoretical adherence, nevertheless, is favourable in terms of the two-fold aim that the work attempts to achieve. First, it is to argue for the still present importance of national governments and policies in the age that experiences a growing influence of cross-border relations and the accompanying claim for the gradual elimination of nation state – both processes fitting under the label of “globalisation”. Second, it is to show the importance of political factors, interests and power relationships along with the undeniable role of market forces and other economic factors that seem to be out of control by any particular national or international actor.
- Nevertheless, favouring a particular approach has some general inherent drawbacks. While it is necessary for an author to have a theoretical ground to stand on, it makes the arguments also easier to challenge. Gilpin uses Realism to question many important assumptions and claims of other approaches. Yet the same arguments can be turned upside down and thus reach an opposite effect. The main problem, however, is not the adoption of a particular theoretical perspective itself, but rather its application to a very broad range of issues; and Gilpin’s work, undoubtedly, is broad. Additionally, it seems to cause some repetition and circularity of argument in always leading back to the nation-states. At certain points Gilpin is easy to predict in terms of what his analysis will result in.
- Obviously competent in both economics and political science, Gilpin is a proponent of a broad and all-embracing view on International Relations in general and International Political Economy in particular. He places the challenges of IPE into a broader discussion of IR. The work, besides, uses an exciting and comprehensive language that makes it a useful guide for anyone interested in the topic in general and its contributions and problems in particular.

Gilpin is a master *par excellence* of textbooks in International Relations (his other works testify to this as well as the one considered here). In spite of the controversial nature of IR discipline and its theoretical developments, his works provide a sound and thorough analysis of both theoretical and empirical value. Without doubting Gilpin’s masterful use of Realism and its strongest arguments, one might, nevertheless, wish to encounter an even broader (or – more emancipated?) analysis in terms of theoretical perspectives used. Even more so – given the numerous criticisms of Realism in IR. While Gilpin accepts that there are still many questions out there waiting to be answered, he himself seems to be

already aware of the answers – namely, national interests. The picture is broader, though; as a textbook in International Relations it would only get some added weight by using a broader analytical framework. Nevertheless, Gilpin's awareness of theoretical (and practical) diversity of the IPE is undeniable; so is the scholarly value of his *Global Political Economy*.

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