

Review of The Global Economy – Myths and Realities by Jonathan Perraton. In *Cambridge Journal of Economics* 2001, 25: 669-684.

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Abstract:

Perraton (2001) provides a critical review of the book *Globalization in Question* by Hirst and Grahame. He argues that the increase in international trade and capital flows, the growing mobility of multinational corporations, the extensive influences between countries, and the heightening costs and difficulties of national policy implementations all suggest that globalization is ascending and its impacts should not be underestimated. Perraton's arguments are well reasoned but I would still argue that sovereign nations are not deprived of policy tools and that regionalization based on common interests may provide a viable alternative to over-arching globalization.

Keywords: Globalization; Inter-nationalization

In his review of the book *Globalization in Question: The International Economy and the Possibilities of Governance (GiQ)* authored by Paul Hirst and Grahame Thompson, Jonathan Perraton launches a debate between the inter-nationalization approach (adopted by the *GiQ*) and the globalization approach to the current economic integration at the international level.

GiQ argues that the extent of globalization and its impacts on limiting national policy autonomy is largely exaggerated. It puts forward five cogent arguments, namely, contemporary levels of economic integration are not unprecedented and in some aspects even fall short of levels during the Gold Standard era; transnational corporations (TNCs) maintain significant national bases in their business activities; capital mobility is limited and concentrates within developed countries; international activities lopsidedly concentrates in a Triad of the EU, NAFTA and Japan with leading East Asian economies; and finally, major economies retain the control of international markets and firms. Given all this, *GiQ* claims that economic integration is still nation-based and a result of deliberate policy choices. This means that nation states are not powerless; nor is the economic integration process irreversible.

Perraton is sympathetic to *GiQ*'s policy stance but finds its arguments based on a shaky empirical foundation. He first challenges *GiQ*'s methodology, which equalizes globalization with "hyper-globalization", where markets are perfectly integrated and capital is imperfectly mobile. This end-point conceptualization of globalization fails to understand the nature of globalization, which is the "process of emergence of global product markets and global organization of production" with "multiple possible

outcomes" (672). Next, Perraton debunks the central arguments in the GiQ one at a time. First, he argues that trade-to-GDP ratio and gross capital flows relative to GDP are not lower today than in the Gold Standard era. The tendency for interest rates to converge further demonstrates the closer integration of economies than before. Second, although multinational corporations (MNCs) maintain a strong national base, their activities are increasingly mobile and disintegrated around the world. As a result, there is some dissociation between the technological development and performance of a country, and between the performance of a country and that of its MNCs. Third, the marginalization of the South in the global economy does not nullify the existence of a global economy, because globalization is an uneven process. Moreover, the absence of strong evidence of a "race to the bottom" does not root out the impacts of the integration of developing countries into the world economy on developed countries. Perraton argues that trade may affect the elasticity of demand for labor, increase competitive pressure and foster skill-biased technological changes; all have implications on wages, welfare provisions and environmental standards in different countries. Finally, Perraton contends that although globalization does not strip countries of their policy capacities and hence policies remain a political, not technical issue, one should not underestimate the heightened costs and difficulties of implementing certain policies due to globalization. In addition, liberalization creates constituencies that support its continuance, which explains why there is a lack of political will to reverse the process.

Perraton's criticisms are well taken. TNCs, the main agent of globalization, only answer to their stockholders regardless of their nationalities. National governments, pressured by corporate interests and driven by neoliberal ideologies, may implement policies to their own disempowerment. In this sense, globalization does possess supra-national power and dynamics. That said; it is important to note that the costs and difficulties of policy actions (and inactions) are self-imposed; states do not need to enter certain arrangements or take on binding rules that constrain themselves unless they so *choose*. Furthermore, the lack of political will is largely attributable to the collusion between the elite and corporate interests. But globalization and liberalization should not end the democratization process or the possibilities of public-interests driven states.

Perraton is also skeptical of cooperation between governments. Indeed, GiQ's example of the EU as a successful inter-government cooperation is a poor one. Because this kind of cooperation involves sacrificing some countries' interests (usually small, inflation-prone countries) to enhance others' interests (usually large, powerful ones). However, this does not eliminate the possibility or benefits of cooperation between nations. This is especially the case for the Southern states that share common interests and are too weak to act alone. The argument that regionalism is a better alternative to globalization does seem to have a grain of truth.

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globalization and development. She has published a number of articles in *Journal of Economic Issues*, *China & World Economy*, and *The Chinese Economy*. Her book reviews have appeared in *Review of Radical Political Economy*, *Review of Political Economy*, *Journal of Socio-Economics* and *the Heterodox Economics Newsletter*.