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Globalization in Question: The International Economy and The Possibilities of Governance, by Paul Hirst and Grahame Thompson

Jeffery A. Hart
Indiana University

Book Review

Globalization in Question: The International Economy and the Possibilities of Governance By Paul Hirst and Grahame Thompson Polity Press, 1996, pp. 227.

REVIEWED BY JEFFERY A. HART*

This is a book about globalization that has a simple and well-defended thesis: the debate about the extent of globalization in the world economy is polarized between those who say it is already globalized and those who say globalization is nonexistent or irrelevant. Hirst and Thompson argue that the truth, as usual, lies somewhere in between.

> [T]here is a vast difference between a strictly global economy and a highly internationalized economy in which most companies trade from their bases in distinct national economies. In the former national policies are futile, since economic outcomes are determined wholly by world market forces and by the internal decisions of transnational companies. In the latter national policies remain viable, indeed they are essential in order to preserve the distinct styles and strengths of the national economic base and the companies that trade from it.[1]

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* Professor, Political Science Department, Indiana University, Bloomington; B.A., Political Science, Swarthmore College; Ph.D. Political Science, University of California at Berkeley. He is a specialist in international relations and international political economy.

1. PAUL HIRST & GRAHAME THOMPSON, GLOBALIZATION IN QUESTION: THE INTERNATIONAL ECONOMY AND THE POSSIBILITIES OF GOVERNANCE 185 (1996).

Because the academic debate is between polarized positions, it has been less than helpful as a guide to political actors. The myth of extreme globalization, in the authors' view, "exaggerates the degree of our helplessness in the face of contemporary economic forces,"[2] while the denial of globalization makes it difficult to address the very real problems of governance posed by an "internationalized" world economy.

Governance is defined here, somewhat vaguely, as the "control of an activity by some means such that a range of desired outcomes is attained. . . ."[3] It is meant to represent activities carried out not just by governments of nation-states, but also by supranational organizations like the European Union, transnational actors like the multinational corporations, and subnational actors like the regional and provincial governments of federal national systems. While internationalization of the world economy creates incentives and opportunities for international governance that bypasses or transcends national governments, national governments will still have a role, say the authors, in assuring that the new governance structures are coherent, and if coherent, democratic.

The book contains some interesting arguments about the changing nature of governance in Europe, especially since the formation of the European Union. In Chapter 7, the authors assert that responsibility for governance in Europe has shifted to some extent toward the Union level, but also to some extent toward the local and regional (provincial) level, in order to compensate for the inability of national governments to address certain problems. According to the authors, "[r]egions are small enough to possess 'intimate knowledge' and yet sufficiently large to aid and regulate local economies through a significant revenue base."[4] However, the authors also assert that the national level will remain significant because the "Union could not conceivably create central institutions fast enough and with enough legitimacy to achieve an effective federal-regional division of labor, marginalizing national governments in most economic regulatory functions."[5] As a result, "Europe will be divided into successful and failing regions...."[6] While this is not a very cheerful prediction, it is a well-argued one.

2. *Id.* at 6.
3. *Id.* at 184.
4. *Id.* at 167.
5. *Id.* at 168.
6. *Id.*

In general, I found the authors' arguments about the continued relevance of national governments persuasive. I also liked their point about the increased importance of subnational and supranational regions. However, I found the discussion of the activities of multinational corporations (MNCs) in Chapter 4 to be rather dull and long-winded, despite the fact that the authors were presenting their own analysis of newly collected data. The main assertion made in that chapter was that MNCs are not very global yet, since most of their production (and other important activities) is still national, and most of their international activity is with neighboring countries. This is not a particularly novel point, and it could have been made in a crisper and more interesting manner.

Chapter 2 does a good job of placing the debate about economic globalization in historical perspective by looking at data on internationalization prior to World War I. The main point of this chapter is to show that the current upturn in internationalization is not unprecedented.

Chapter 3 provides a useful overview of data on the growth of foreign direct investment since the end of World War II. It is a little deficient in its discussion of the rapid increase in Japanese FDI since the 1980s, but it does a good job of describing the general phenomenon. Toward the end of the chapter, however, the authors attempt to speculate about whether the growth in investment activity by multinational corporations can help to reduce global economic inequalities, but only rather cursorily and inconclusively, thus weakening the impact of the earlier empirical arguments.

Chapter 5 of the book is devoted to the question of whether the developing countries of the Third World have benefited from internationalization. In this chapter, the authors argue that most of the people of the Third World have not yet benefited from internationalization, but that they must do so in the future, even if this means greater market intervention on the part of the world's governments. Hirst and Thomson are pessimistic about the ability of Third World countries to copy the policies of rapidly growing Asian countries like Singapore, Taiwan, and South Korea. They agree with Paul Krugman that the rapid growth of the Asian newly industrializing countries (NICs) will not last because of the exhaustion of the benefits from converting from agricultural to industrial pursuits. Finally, they point out that NICs depended on relatively open markets for their exports in North America and Europe, and that the growing protectionism in the industrialized countries reduces the likelihood of future success in export-led growth strategies. The main changes the authors advocate to produce "a fairer world" are more foreign aid, "ethical private capital investment," and policies to improve the terms of trade for developing countries.[7] I found this chapter to be overly pessimistic about the future prospects of developing countries and weak on prescriptions for change.

I was disappointed by the authors' avoidance of any serious attempt to define rigorously the key concepts of globalization and governance, but, on the whole, I found this book to be well written and well argued. I would recommend it as supplementary reading for upper division undergraduate and beginning graduate students. Its primary strength is that it contains a reasoned and reasonable thesis about the limits of contemporary economic globalization.

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7. *Id.* at 120.