

between a country's openness to foreign capital and its commitment to redistribution policy.

I like the policy approach taken in the volume, but it comes at a cost. The absence of theory makes it extremely hard to connect the microeconomic policy analysis with the financial crisis and its macroeconomic ramifications. For a more successful attempt at a balance between theory, evidence and policy the reader can consult another recent volume on financial crises (for example, *Currency Crises*.)

The burgeoning analytical literature on financial crises has highlighted several mechanisms that can generate such an outcome: inconsistency between deteriorating fundamentals and the maintenance of a fixed exchange rate, self-fulfilling crises based on the policy maker's trade-off between inflation and unemployment in the presence of exchange-rate rigidity, self-fulfilling expectations crises associated with maturity and currency mismatch in the balance sheets of the financial intermediaries, and self-fulfilling expectations crises associated with credit constraint and balance-sheet valuations. Most of these mechanisms, however, point to overlapping sets of macro variables, such as short term credit booms prior to crises. Therefore, the reduced-form regressions of the crisis-probabilities can give rise to various "structural" interpretations. This is a real problem for crisis-management policies. As we know, policy implications across the various crisis mechanisms are rather conflicting: expansionary monetary policies in a liquidity-type crisis and tight monetary policy in a fundamentals-based crisis. An intellectual challenge still remains for those of us who are concerned about policies that could minimize the risk of future financial crises.

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*Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprises.* By Edward M. Graham. Washington, D.C: Institute for International Economics, 2000. Pp. xvi, 234. \$18.95. ISBN 0-88132-272-5. JEL 2001-0593

As an economics professor at the University of Oregon, I feel I have had a good seat

(unfortunately) at the recent antiglobalization show. First were the protests at the Seattle WTO Ministerial Meetings in December of 1999 which, according to the media, had anarchists from Eugene, Oregon, to blame for some of the more troubling violence. Next I witnessed my university officially ally itself with the Workers Rights Consortium (a labor rights watchdog group) after protests by students over apparel production by university licensees, such as Nike, in third-world countries. This led Phil Knight, CEO of Nike, an alumnus and major benefactor of the University of Oregon, to publicly withdraw tens of millions of dollars of planned donations to the university. Troubles in my own neighborhood aside, the anti-globalization train has left the station and may very well visit your town soon.

What has happened? For decades governments came together under GATT/WTO and successfully worked toward liberalizing world markets. While these events attracted little attention from the general public, economists could celebrate the GATT/WTO progress as an example where policymakers followed the advice of the economics profession with demonstrable benefits. The high profile protests of the Seattle WTO Ministerial Meetings in December 1999 alerted many of us to a surprising reversal of this pattern. Regardless of whether you think that these protests are being instigated by a few extreme groups or reflect a truly general shift in public opinion, antiglobalization forces have gained enough strength to stop progress on important multilateral issues. As a profession, we need to come up with better and more understandable responses than we have to this point.

A recent Institute for International Economics book, *Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprises*, by Edward M. Graham, is an excellent first step in helping us understand the rise of antiglobalization forces and their apparent issues with greater economic integration. Importantly, it also gives some thoughtful responses to antiglobalization forces' apparent concerns using understandable economic intuition and evidence. The book accomplishes this by focusing on an event that pre-dated the Seattle WTO protests, but which gives

important insights into the rise of antiglobal sentiments: The failed negotiations of the OECD Multilateral Agreement on Investment (MAI). As the author admits in the introduction, this was supposed to be a book evaluating a completed MAI negotiation. Instead, we get a close-up account of how fragile multilateral negotiations can be even for a group of relatively similar OECD countries. This fragility can then allow a variety of factors, including anti-globalization activists, to lead to failure.

The book accomplishes three tasks. First, it details the MAI negotiations that began in 1995 amongst OECD countries and which were discontinued in 1998 when France pulled out, citing lack of public support in its country. We find out which provisions were in the MAI and which were not. Surprisingly, the proposed agreement would have changed little and mainly codified existing laws and practices of OECD countries.

This leads to the second task of the book: Investigating potential reasons for the failure of an MAI agreement that was noncontroversial on paper. Graham makes a good case that the non-controversial nature of the agreement was likely its Achilles' heel. With little at stake, governments never involved higher-level officials with necessary power to push the agreement through. Likewise, potential supporters of the agreement, largely the business community, had little incentive to push for the agreement either. This left the door open for a newly-forming coalition of antiglobal activists to apply modest pressure (mainly through protests rather than actual dialogue) and doom the negotiations.

While Graham does not see the antiglobal activists as the primary cause of the MAI's failure, the incident gives an early view of the development of activists' main objections to international economic integration. Thus, the third task of the book is Graham's analysis in separate chapters of the evidence on the impact of multinational enterprises on the labor and environmental issues, respectively, that most concern antiglobal activists. This discussion is something every economist should have in their hip pocket the next time they need to respond to antiglobalization attitudes that are often misinformed!

Using the available evidence and the most recent economic studies, Graham dispels the obvious myths and points out where legitimate concerns may lie. For example, the view that multinational investment is purely about firms replacing developed country workers with low-paid developing country workers is easily dispelled by realizing that the vast majority of foreign direct investment is between developed countries. However, to what extent workers lose rents from reduced bargaining position in a more global world is an issue that is less clear. Though sometimes a bit long-winded, these self-contained chapters on labor and environmental issues connected with globalization are reason enough to purchase the book and would serve as excellent reading materials for international economics classes.

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*Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries.* By Geoffrey Jones. Oxford: Oxford University Press, 2000. Pp. ix, 377. \$48.00. ISBN 0-19-829450-6. JEL 2001-0128

When it comes to talking about trading companies, Japanese companies are considered modern, yet all other trading companies are archaic artifacts of an earlier period. In this book, Professor Jones seeks to elucidate the evolution of British multinational trading companies and in so doing, he provides some counterpoint to this preconception. Professor Jones examines a class of multinationals, British companies which engage in trade intermediation between countries and own assets in more than one country. With the growth in service trade, this is a very timely volume. Professor Jones's discussion also forces us to rethink what we mean when we use the term multinational and to think beyond the functionally structured manufacturing firm.

The book is structured around a large set of case studies covering from fifteen to twenty British trading multinationals in continuous existence from the nineteenth century to the end of the twentieth. The basic theme is to show just how these companies were able to reinvent themselves when faced

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