Book Symposia

Thomas L. Freidman, *The Lexus and the Olive Tree: Understanding Globalization* (New York: Farrar, Straus and Giroux, 1999).

John Gray, *False Dawn: The Delusions of Global Capitalism* (New York: The New Press, 1998).

Deirdre McCloskey*

If John Gray's recent book *False Dawn: The Delusions of Global Capitalism (*1998) is the best case to be made against globalization, then the prosecution is in trouble. It's a fair test I think. The book is well written. Gray, a British political philosopher gone journalistic, is never clotted or obscure. The argument is always at least intelligent. Gray is no dope. He offers the best brief for an exceptionally bad case.

What makes the book tiresome, what makes one want to skip whole chapters, and read topic sentences, six a page, is its relentless editorializing. The standard of proof never rises above that required in the average *Economist* editorial. Historical nonsense, economic *non sequitur,* political special pleading crowd the page. As in the *Economist,* a salient fact or canny judgment occasionally intrudes. But imagine a decade's worth of editorials slapped between covers. The level of passion required is too great for any but the most self-satisfied ideologue happening to agree precisely with Gray. As Strunk and White put it in their classic little book on writing, "To offer gratuitous opinions is to imply that the demand for them is brisk." If you hate globalization, hate free markets, hate Milton Friedman, hate the United States, hate the Enlightenment [*sic*], then you

* Visiting Professor of Humanities, University of Illinois at Chicago; Professor of Economics and History, University of Iowa. Author of *The Rhetoric of Economics* (University of Wisconsin Press, 1985); *Knowledge and Persuasion in Economics* (Cambridge University Press, 1994); *If You're So Smart: The Narrative of Economic Expertise* (University of Chicago Press, 1990); and, most recently, *Crossing: A Memoir* (University of Chicago Press, 1999).

are going to revel in Gray's opinions, and wish to buy them in bulk.

First published in Britain in the spring of 1998, the book is reissued here with a Postscript commending itself for prescience. In his anti-free market passion Gray is not to be understood as a socialist. On the contrary, he is something older, a cameralist, a mercantilist, a conservative intent on "protection." Don't change anything. Tradition is our best guide. Thus against the Enlightenment: "The former Soviet Union embodied a rival Enlightenment Utopia," rival to the "Washington consensus" of universal Coke (the drink and cocaine, one might say). Gray is a conservative, advocating "indigenous types of capitalism that owe little to any western [and especially American] model." In line with the European conservative tradition since Burke he gives short shrift to freedom in the modern sense of autonomy. He is scornful of the modern family, for example, in which women are free to work and to divorce. Almost every traditional institution, from indissoluble marriage to the Japanese *zaibatsu* (family cartels) gets an approving nod. One is disappointed that he does not go all the way and praise the burning of widows.

"Social stability" is his heavenly city. In making a good society "human needs for security and the control of economic risk" dominate every other consideration. Can we achieve security the way we have in fact achieved it since the 18^{th} century, through the enrichment of the market, leaving us with a diverse portfolio of capitalist activities? No, no, no: anything but the market. One is put in mind of the numerous former East Germans who now vote Communist. "The natural counterpart of a free market economy is a politics of insecurity." In the name of security Gray commends monopolistic retailing in Japan, hopes for continued undemocratic governments in China, looks with nostalgia back on the Mexico of old as "an exceptionally stable Latin American country," and has a good word to say for "radical Hindu movements which contest the belief that modernization in India must mean further westernization."

Where is all this reaction coming from? From the profound hostility to free markets that has characterized Western intellectuals since 1848. It is all of a piece—Dickens in *Hard Times* viewing Northern factories with alarm, Sinclair Lewis in *Babbitt* sneering at the Midwestern bourgeoisie, and our John Gray appalled at Nike and Disneyland, all of them outraged by the novelty, the unpredictability, the sheer, horrible *instability* of it all.

Gray's main man is the Hungarian-American journalist and economic historian Karl Polanyi (1886-1964), who bulks larger in the book than the scant four citations in the index would lead one to expect. Gray is Polanyi Redux.[1] His argument is identical to Polanyi's in *The Great Transformation* (1944). Free-market capitalism is said above all to be unnatural, peculiar to modern England (Gray extends this to the "Anglo-Saxon" countries). For page after page Gray retails Polanyi's historical howlers unimproved, such as that Parliamentary enclosure created large estates and proletariarized the workers in the countryside (on the contrary, both large estates and proletarian farm workers were fully formed a century before the enclosures; M.M. Poston long ago showed that in the 13th and 14th centuries half the population of the countryside subsisted mainly on wage work, not serf land) or that the New Poor Law created the labor market (on the contrary, labor was marketed in early medieval times). "Mid-nineteenth century England," writes Gray in words redolent of his anti-capitalist master, "was the subject of a far-reaching experiment in social engineering . . . to free economic life from social and political control . . . by breaking up the more socially rooted markets." "Social rooting" is connected in Gray's mind to diversity of culture. Nowadays, Gray laments, the World Trade Organization, the IMF, and the OECD are intent on McDonaldizing the world. Gray's is a global anxiety about invisible hands, and especially the American hand. Karl Polanyi meets George Soros.

"Democracy and the free market are rivals, not allies," *contra* Milton Friedman, because people want Protection. The "protective" role is "the *raison d'etre* of governments everywhere." I'm from the government and I'm here to protect you. Like Polanyi, Gray notes the core political tension of laissez faire: "the swift waxing and waning of industries and livelihoods," he argues, "triggers political countermovements that challenge the very ground rules" that produced them in the first place. (The countermovement, by the way, is what Polanyi meant by "the great transformation"; Gray commits the usual error of thinking that the industrial revolution itself is what Polanyi meant by the phrase). It is, as Gray notes, Schumpeter's point, and Daniel Bell's, this ideological contradiction within capitalism: "Capitalism," wrote Schumpeter in justification of his passivity in the face of socialism's triumph c. 1945, "creates . . . a mentality and

1. *See* Santhi Heejebu and Deirdre McCloskey, *The Reproving of Karl Polanyi* (forthcoming).

a style of life incompatible with its own fundamental . . . institutions."[2]

Gray has notably benign view of regulation. In his imagined Well Regulated Economy of Ye Olden Times, "the markets were regulated so that their workings were less inimicable to social stability": thus the social stability of preventing free movement of labor that Adam Smith railed against; or the social stability of blockaded entry to retailing which clots the economies of Europe and Japan. Gray is an extreme Keynesian, a new mercantilist, a Patrick Buchanan of the lamp. To fend off "a late modern anarchy" (his view of free markets) he looks forward to "global regulation" (in the end this vague promise has dissolved into mere bitter preaching against American hegemony, for Gray has no world government in mind). "The reality of the late twentieth-century world market is that it is ungovernable by either sovereign states or multinational corporations." Then how is "global regulation" going to be possible? We are never told. What Gray relies on is a collapse—under his own prodding, one supposes—of the Washington consensus (namely, that the American way should become the world's way, a vision he correctly identifies with Wilsonian idealism and the United-Fruit imperialism).

What is strange is that he nowhere acknowledges what Adam Smith taught in his book inventing political economy, that "protection" and "regulation" normally mean subsidies for a few politically agile merchants. He defends the Japanese corner store as the glue of urban life, but fails to note that it constitutes a government-protected monopoly for the owner. He wants protection but does not specify how we are to be protected from the protectors. *Quis custodiet custodiem*? Louis Brandeis' Supreme Court brief in *Muller v. Oregon* (1908) "showed" statistically that women could not possibly work more than 10 hours a day, and swayed the court to revise the doctrine of *Lochner v. New York* (1905) that the market should judge. Brandeis and other Progressives "protected" women. Thanks very much, guys. But the law's protection then made supervisory positions for women impossible for decades after, and kept women in unskilled jobs long past what the market wished. Most people think that American workers have benefited from protection. Did we get the 40-hour week because richer workers demanded more leisure hours, trading off pay for hours? No, the conservative

2. JOSEPH SCHUMPETER, CAPITALISM, SOCIALISM AND DEMOCRACY 55 (1943); *see* Daniel Bell, THE CULTURAL CONTRADICTIONS OF CAPITALISM (1976).

progressives say. We got it because of the eight-hour movement and Walter Reuther. Do people have good housing because technological change has made them vastly richer than their great-great grandparents? No. We got it because of zoning and building codes introduced in the early 20^{th} century. Does the modern standard of living in rich countries come from being smarter about electricity and plastics and machine tools and steel and corporate organization and technical education? No. It comes from the government enforcing a higher standard.

Gray thinks what anti-marketeers have thought these two centuries past, that technological advance does not depend on free markets. So we can protect local tradition and have our technological cake, too. "Technology-driven modernization of the world's economic life will go ahead regardless of the fate of a worldwide free market." On the same grounds Soviet Communism insisted that technology could detach from the free-market environment which spawned it. In Marxist theory and in John Gray the fruits of the bourgeoisie can be plucked with no loss to the tree. One doubts it.

The notion of "social markets" touted in Gray is based again on Polanyi: under *laissez faire*, Polanyi claimed, "instead of economy being embedded in social relations, social relations are embedded in the economic system."[3] The claim is mistaken. Markets *everywhere* depend on society. Free-market capitalism is no exception. Contrary to the Adam Smith tie ideologues on the one side and Gray and his anti-capitalist friends on the other, markets are nothing like amoral. They work through structures of ethical integrity.[4]

"America is no longer a bourgeois society," Gray writes. "It has become a divided society, in which an anxious majority is wedged between an underclass that has no hope and an overclass that denies any civic obligations. In the United States today the political economy of the free market and the moral economy of bourgeois civilization have diverged—in all likelihood permanently." What is true in this is that the ideology of Country Club Republicanism ("Hey, I've got mine") has got mixed up in people's minds with the ethical requirements of a market society. The men in the Adam Smith ties have not read a page of Adam Smith, and so believe that we can get along with

3. KARL POLANYI, THE GREAT TRANSFORMATION 12 (1944).

4. *See* JOHN MUELLER, CAPITALISM, DEMOCRACY, AND RALPH'S PRETTY GOOD GROCERY (1999). *See also* D.N. McCloskey, *Bourgeois Virtue* 63 Amer. Scholar 177-191 (Spring 1994).

Prudence Only. But Smith was a realist as well as a professor of moral philosophy. He saw that society actually does work through a set of virtues, regardless what single virtue its politics may celebrate for the moment—Courage in 1917, Love in 1936, Prudence in 1990. It still does. Markets still encourage the virtues Adam Smith admired, as the philosopher Samuel Fleischhakker has recently reminded us.[5] The productivity of office or factory or market deal still depends on trust.

Gray believes there are "new types of capitalism, most of which differ sharply from the free market." He argues that "when new technologies enter . . . they will interact with indigenous cultures to generate types of capitalism that have not hitherto existed anywhere." In one way he is surely correct—in the way that world music, for example, has caused local music from Nigeria to Chicago to flourish. The mistake in the belief, though, is characteristic of non-economists such as Polanyi viewing the economy. Nigerian music may differ from Chicago blues, but both respond to CD sales. For purposes of many sorts of economic behavior—not all—capitalism is capitalism is capitalism, whether dressed in striped shirt and suspenders or a sari and sandals. The question is whether the difference between, say, German-style participation of workers in corporate decisions and American-style dominance of shareholders' equity matters much. Can Krupp ignore expected future profits? Well, no. So much for the notion that worker participation radically alters a policy of a healthy bottom-line. Can General Motors ignore disaffected workers? Well, no. So much for the notion that shareholder equity makes considerations of worker morale irrelevant. One wishes that Gray had an inkling that his beloved institutional differences might not make much difference.

One turns with relief to Thomas Friedman's *The Lexus and the Olive Tree: Understanding Globalization (*1999). Friedman is a reporter for *The New York Times*, with stints in the Holy Land for UPI, now assigned to cover just what he's reporting in the book. That's the key: reporting. Instead of the opining loosely based on fact that we get in Gray, Friedman tells us facts we didn't know, or knew but didn't appreciate. Instead of dubious editorials based on erroneous history Friedman provides columns of news. It's the difference between a philosophical method and a scientific one. Lawrence Summers, the crown prince of modern economics (he has *two* uncles with Nobel prizes

5. *See* SAMUEL FLEISCHHAKKER, A THIRD CONCEPT OF LIBERTY: JUDGMENT AND FREEDOM IN KANT AND ADAM SMITH (1999).

in the field) and the new Secretary of the Treasury, is Friedman's guru. The contrast with Gray and his guru Polanyi could hardly be sharper. Polanyi's was the world of 1944, in which democracy and capitalism looked both to be failing; Summers' is the world after 1989 in which both have prospered.

You can get an impression of Friedman's book from his reportorial coinages. The "Lexus" of the title is the Japanese luxury automobile of that name, made by robots, and the "olive tree" of the Middle East is the old forms of politics, quarreling about who owns which scrap of land: "half the world—sometimes half the same country, sometimes half the same person—[is] still caught up in the fight over who owns which olive tree." Friedman's purpose is to bring more of the world into the Lexus-making mentality, the positive-sum game that globalization stimulates.

The stampeding of his "Electronic Herd" forces the game faster and faster. The Herd is composed of investors who can punish instantly a stupid piece of government policy. Friedman notes that when in 1999 the French government required hours of work to fall to 35 hours with no loss in pay the companies cried foul, on international grounds: how are we to face the Herd? "Though the Electronic Herd was born and nursed in the Cold War era, its members could never gather the critical mass, speed or reach in that overly regulated, walled-up system." In 1950 a French government imposing higher costs on its capitalists by lowering working hours would merely transfer income from French capitalists to French workers, and thereby garner more votes (this was one of the contradictions of modern democracy which globalization has solved). Now the same move instantly transfers investment and markets from French citizens to foreigners. France comes down with a bad case of "Microchip Immune Deficiency," arising from "Cold War corporate models."

The result is the "Fast World," a creation of electronics (which Gray by contrast characteristically ignores), "super empowering" individuals and markets (that is collections of individuals). Friedman notes repeatedly that it is not really corporations that govern the world, and less and less is it governments: it is individual investors, wise or foolish. The outcome is similar to that in the late 19th century, though immensely quickened. In 1900 people could move without passports and invest wherever they pleased. The internet has made people virtually as mobile, and more: computer programming is now done in India. "Joining the global economy and plugging into the Electronic Herd is the equivalent of taking your country public . . . [The 'stockholders'] vote every hour, every day through their mutual funds." Friedman argues what seems more and more to be correct, that few governments can stand up to such pressure. It's not revolution, it's "globulation," revolution from beyond. Thus: "China's going to have freedom of the press. Globulation will drive it. Oh, China's leaders don't know it yet, but they are being pushed straight in that direction."

The leading image in the book is of "falling walls," "the demise of this walled-off world," the Berlin Wall being merely the most literal. Equally important to his story as the end of the Cold War is the breaking of the "walls" of capital controls and informational monopolies (one thinks of the doomed government monopolies of communication, as in Belarus or China, evadable with a cheap uplink to satellites or an internet connection by telephone). The "three democratizations" (of finance, of technology, and of information) have created a "Golden Straitjacket," that is, a suit of clothes for modern global capitalism, one size fits all. As Lee Hong Koo, former prime minister of Korea, put it, "The big decisions today are whether you have a democracy or not and whether you have an open economy or not . . . But once you've made those big choices, politics becomes just political engineering to implement decisions in the narrow space allowed you within this system." "The Cold War," writes Friedman, "had the Mao suit, the Nehru jacket, the Russian fur. Globalization has only the Golden Straitjacket." You can complain about it, in the style of John Gray, "but if you think that you can resist . . . without paying an increasingly steep price, or without building an increasingly high wall, you are deluding yourself."

"To begin with," Friedman says when he comes to policy, "we need to proceed slowly and humbly." A refreshing attitude. "As for those who have proposed that we put a little 'sand in the gears' of this global economy to slow it down a bit, my response would be that I don't think it is ever very wise to put sand in the gears of a machine when you barely know where the gears are," and quotes Alan Greenspan as telling him in 1998 that he, Greenspan, had "learned more about how this new international system works in the last twelve months than in the previous twenty years." If forced to policy Friedman would call himself an "Integrationist Social Safety Netter," that is, in favor of world market integration (as Dick Gephart and Ross Perot are not) but also in favor of using the government (that capable and honest and transparent institution) to help the victims, using the gains from integration (as Newt Gingrich, and let it be said, Deirdre McCloskey, are not).

Protectionism comes in a lot of forms. The most popular nowadays is what the Pope said a while ago in St. Louis, that globalization is a threat to worker welfare. You hear it a lot—witness Gray—often tied to that Son of Socialism, environmentalism. What's supposed to be bad is that Nike doesn't pay American wages in Thailand or International Paper doesn't follow the American EPA's rules in Indonesia or G.M. doesn't have United-Autoworkers-style labor relations in Mexico. Well, excuse *me*, but modern economic growth in its global form has done more for workers and the environment than any army of government inspectors, regulators, customs officers, or IRS accountants. We Americans are rich not because of unions or antitrust or the Occupational Health and Safety Administration but because on the whole we have let capitalism work. Until 1945 we were externally a protectionist country, but with a tiny share of foreign trade in national expenditure. In our enormous internal market we allowed little "protection."

The same enrichment will be the story of the globe in the next fifty years. In fact is has been the story now for 200 years, as the Harvard economist Jeffrey Williamson and his associates have argued. The big rise in global income per head since 1800—yes, *global* income—despite a fivefold increase in population (so much for Malthus) is not attributable to protection in any of its forms, domestic or international. Hurrah for free trade. Hurrah for economic orthodoxy. Hurrah for the Lexus.

Even in the short run a policy of letting capitalism work in Thailand or Indonesia or Mexico is not so obviously evil as the Pope and John Gray and Barry Commoner would have you believe. Nike pays top Thai wages, International Paper assaults the environment at the express invitation of the Indonesian, and G.M. accepts local working conditions in order to give Mexican workers a better deal than the one they have now. What's the beef? But the main point is that in the long run the Thais and Indonesians and Mexicans are brought into a world economy with incomes per head that permit adequate nutrition, small families, expanded education, and all the other increases in human scope that modern economic growth has brought to, say, South Korea. It's hardly "exploitation," hardly grounds for papal viewing with alarm. I know it's a terrible thing that in the meantime the stockholders earn profits. But there you have it: in exchange for the nasty profits the whole world becomes rich.

The capitalist deal is: Let me make profits and I'll make you rich.

Globalization encourages the capitalist engine of growth. If people understood how generous the engine has been they would have less enthusiasm for protectionism or socialism or environmentalist or economic nationalism in any of their varied forms. Most educated people believe that the gains to income from capitalism's triumph have been modest, that the poor have been left behind, that the Third World (should we start calling it the Second?) has been immiserized in aid of the enrichment of the First, that population growth *must* be controlled, that diminishing returns on the whole has been the main force in world economic history since 1800. All these notions are factually erroneous. But you will find all of them in the mind of the average professor of political philosophy.

Angus Maddison is an economic historian born in Britain, who just left a professorship in northern Holland, who lives in Southern France, and whose main work has been sponsored by the Organization for Economic Cooperation and Development in Paris. His astonishing compilation of national income statistics worldwide, *Monitoring the World Economy, 1820-1992* (1995) gives a way of measuring the generosity of the capitalist engine. The central fact is well illustrated by the United States. From 1820 to 1994 the real per capita income of the United States increased by. . .

Well, go ahead, take a guess. What would you say? What is the rough magnitude of modern economic growth, 1820-1994, from Monroe to Clinton? What are we really talking about when we claim that globalization offers the world's a poor a chance to be better off? Take a guess, testing how close you come to the educated person's misunderstanding of the capitalist engine.

Fifty percent? A hundred percent, a doubling since the days of the Federalists? All right, 200 percent, a tripling?

No. *Sixteen hundred* percent. An increase by a factor of 17. In 1820 the average American, slave and free, produced $1290, expressed in 1900 dollars, a little below the present average for Africa. In 1995 she earned . . . $22,500. You can say all you wish about the sick hurry of modern life, and how we can't see the sunset in Los Angeles (in fact the environment has markedly *improved* in the past century: air is cleaner; more people can get to the countryside). But the factor of 17 represents an enormous freeing of people from drudgery and fear and, yes, insecurity.

Maddison's tables can be arranged this way:

From 1820-1992 The World Has Moved
From a Bangladeshi Living to a Mexican One

Year	World GDP/capita In 1990 $s (p. 228)	Comparable country now (pp. 194-206)	World population in billions of people (p. 226)
1820	$650	Bangladesh	1.1 billion
1870	900	(below Africa)	1.3
1913	1500	Pakistan	1.8
1950	2100	Philippines	2.5
1992	5100	Mexico	5.4

Source: A. Maddison, *Monitoring the World Economy, 1820-1992 (1995).*

That's a very good thing, to go from the level of desperation to the level of hope. Notice the acceleration (which has ramped up higher in the past ten years)—except for 1913-1950, that era of deglobalization, of protection, of foreign policy governed by notions of economic nationalism now recommended by Gray, and of the wars that come from the mercantilism of *Lebensraum* and the East Asian Co-Prosperity Sphere, the politics of the olive tree instead of the Lexus.

As the first industrial nation and the champion of free trade Britain went from $1800 in 1820 to $3300 in 1870, nearly doubling in the face of exploding population—during precisely the half century in which the European avant garde turned against free markets. British income per head was above all others until the New Worlds exceeded it (New Zealand in 1903, the US in 1905, Australia in 1906: later the Antipodes slipped back into protectionist comfort). The rest of Europe did not catch up until after World War II—all the while the avant garde complaining that Britain was "failing" economically. Now Britain wobbles upward with the other advanced industrial countries in a band plus or minus a few percentage points from the average—excepting the big, rich nation of the Washington consensus on external and internal free trade, which persists at 30 percent above the rest. So much for economic "failure" among the "Anglo-Saxon" leaders of industrialization.

Japan in 1870 was roughly at the present-day Bangladeshi level of income per head, the same as Brazil's in 1870. By 1930 it had attained the level of US income per head 60 years before (and was double Brazil's). In 1994 it had attained the US income 10 years before (four times Brazil's). It was a convergence through imitation, saving, education, work. Which then its former colony South Korea repeated. Korea's income in 1952 was a desperate $860 in 1990 prices. Now it is $10,000.

If we can hold off the protectionism of Gray and company the whole world can be rich. Recently some economists have become fascinated by a sandbox game called models of "endogenous growth." The idea is that countries are like trees, growing from within, constrained by their pasts. It's an old idea, a descendant of the stage theories that have entranced European intellectuals since the 18th century. By contrast, economic historians have long realized that a country-by-country analysis of growth is wrong and that the stages of economic growth make no sense. The reason stages make no sense is that the "trees" can borrow mature foliage from each other: they do not have to grow their own. If India can restrain its Gandhian impulse to throttle the market it can adopt American ways of retailing and Japanese ways of manufacturing and German ways of chemical brewing and enter the modern world of human scope. India does *not* need to repeat the stages through which Britain and France have traveled. Countries are *not* "like trees" or "like people growing up."

There is no racial or cultural reason why India cannot in five or ten decades have an American standard of living. And there are a billion reasons why it should, and can, if it will don the Golden Straitjacket. John Gray's protectionist vision is pessimistic, foreseeing a world in which political elites have chosen an Indian Way or an African Way and left their populations impoverished. Thomas Friedman's vision by contrast is optimistic, as is mine. He and I see the 21st century as a grand alternative to the Century of Protection (and Slaughter) just concluded. We see people voting with their feet to escape from some village elder's idea of how to live, or some London School of Economics graduate's idea of protecting Indian folkways. We think it unlikely that governments can stop globalization. For which great thanks onto the Lord.

Alfred E. Eckes*

Globalization has replaced the Cold War as the unifying theme of our era. Absent another great war or some type of eco-

* Ohio Eminent Research Scholar in Contemporary History, Ohio University. Commissioner (Chairman 1982-84) of the U.S. International Trade Commission (1981-1990). Author of *A Search for Solvency: Bretton Woods and the International Monetary System, 1941-1971* (University of Texas Press, 1975); *The U.S. and the Global Struggle for Minerals* (University of Texas

nomic catastrophe, it has the potential to define the next century and even the next millennium. Not surprisingly, it is hard to read the news without finding a politician, business leader, or pundit commenting on this trend.

For those seeking an introduction to this controversial subject, the books by Thomas L. Friedman and John Gray offer divergent interpretations and fascinating reading. Friedman, a *New York Times* foreign affairs correspondent, is an unapologetic globalist. For him globalization "means the spread of free-market capitalism to virtually every country in the world." The rules of the new system, he says, involve market opening, deregulation, and privatization. He views the cultural consequence of globalization as "the spread of Americanization—from Big Macs to iMacs to Mickey Mouse—on a global scale." While acknowledging that the new trend poses a threat to many, Friedman generally adheres to the position that globalization is our "main hope for salvation."

Integrated global financial markets—"the global herd"—are disciplining nations and bringing a revolution from beyond, something Friedman calls "globalution." The markets, he says, value "stability, predictability, transparency and the ability to transfer and protect private property from arbitrary or criminal confiscation." To achieve those objectives, the markets demand that developing countries become more transparent and democratic. In accepting the constraints of the global market—the "golden straitjacket"— Friedman says nations reduce their capacity for war-making. Using the spread of McDonald's as a proxy for the power of globalization, he says that "no two countries that both had McDonald's had fought a war against each other since each got McDonald's." Of course, the war in Kosovo quickly demolished that theory, but Friedman cites this one exception to prove the strength of his rule.

In British historian John Gray's account readers will find a powerful antidote to Friedman's bullishness. Gray rejects the "Washington consensus" that the world will soon accept the global free market and democratic capitalism. Paradoxically, he thinks that the spread of economic globalization works to undermine the global laissez-faire regime. Without buffers against so-

---

Press, 1979); *Opening America's Market: U.S. Foreign Trade Policy since 1776* (University of North Carolina Press, 1995); and with William Lovett and Richard Brinkman, *U.S. Trade Policy: History, Theory and the WTO* (M. E. Sharpe, 1990). His book *Revisiting U.S. Trade Policy: Decisions in Perspective* will be published by the Ohio University Press in spring 2000. In the year 2000 he will be President of the International Trade and Finance Association.

cial tensions resulting from uneven development, he foresees virulent reactions. "The swift waxing and waning of industries and livelihoods, the sudden shifts of production and capital, the casino of currency speculation—these conditions trigger political counter movements that challenge the very ground rules of the global free market." While acknowledging that the reactionaries can achieve few of their goals, he thinks they can still "rattle to pieces the brittle structures that support global laissez-faire." His catastrophic interpretation leads to the conclusion that the spread of the Anglo-American-style free market will create a Soviet-style disaster: "Even America, the supposed flagship of the new civilization, is doomed to moral and social disintegration as it loses ground to other cultures that have never forgotten that the market works best when it is embedded in society."

While both accounts make stimulating reading, both have significant flaws. Friedman does what journalists do well. He leaves the office, travels, observes, and interviews people in the real world. Unfortunately, he seems to have spent disproportionate time obtaining the views of the wealthy and powerful, especially hedge fund managers and financial pundits. He concedes that many of his quotations come from the free-trade driven London *Economist* and the advertising slogans of Madison Avenue copywriters. Rather than subtitling his book "Understanding Globalization," Friedman more accurately might have called it: "The Spin on Globalization—from Wall Street to Madison Avenue."

Friedman loves to demonize critics of globalization. They are erratic cyber terrorists, or banana-cream pie-throwing fundamentalists, or demagogic politicians like Pat Buchanan, Jean Marie Le-Pen, or Mohamed Mahathir. He gives no serious attention to the views they offer. Nor does he examine the perspectives of Naderites like Lori Wallach, or agricultural and environmental critics. A native of Minneapolis, Friedman might have returned to the city of his roots and interviewed Mark Ritchie, the president of the Institute of Agriculture and Trade Policy and one of the most articulate opponents of globalization.

Fundamentally, Friedman is an economic internationalist who believes that the United States must continue to assume a "disproportionate burden" for sustaining globalization. "America truly is the ultimate benign hegemon and reluctant enforcer," he asserts.

Gray embraces a different kind of internationalism—one that is more tolerant of cultural diversity and national sovereignty. He is especially critical of the World Trade Organization, which he interprets as a vehicle for transnational corporations and free marketers to escape the regulatory pressures of democratic legislatures.

Insightful as it is, John Gray's interpretation suffers from some distortions. His pessimistic, uni-dimensional view of the world is reminiscent of Thomas Hobbes and Karl Marx, who spent life viewing the world through scholarly lenses. As a result, he lectures about abstractions like laissez-faire capitalism and Marxism-Leninism, but displays limited knowledge of the ways that economic growth and new technologies are transforming markets and creating new opportunities for millions of people around the world. Gray is long on history and ideas but thin on his understanding of the real world and its capacity to adapt.

In a postscript Gray interprets the Asian financial crisis as a "sign that global free markets have become ungovernable." He predicts that the "Asian depression will spread throughout much of the world before the economic philosophy that supports the global free market is finally abandoned." While he may have exaggerated the consequences of the Asian economic crisis, I think Gray has done the discussion of globalization a considerable service.

He challenges the unthinking euphoria of those politicians and business leaders who associate globalization with Utopia and effuse about the prospect for a market-driven, stateless world. While there may be a disposition in mainstream publications to marginalize Gray and to ignore his warnings, it is noteworthy that Pope John Paul II and U.N. Secretary General Kofi Annan have voiced similar concerns. During a trip to Mexico the Pope denounced the "perils of globalization." Annan has warned about the "fragility" of globalization and said that "the spread of markets far outpaces the ability of societies and their political system to adjust to them, let alone to guide the course they take."

My own perspective is more skeptical than Friedman but less pessimistic than Gray. If one looks at the history of this subject over the last 150 years, three distinct phases stand out. First, there was a long period of globalization and market deregulation following repeal of the British corn laws in the 1840's. This era of freer trade and commercial expansion coincided with vast improvements in the technologies of communications and transportation—the submarine cable and the steamship. This period of economic liberalism and internationalism ended in World War I.

Then came a turbulent period of de-globalization, lasting approximately 60 years. It saw two world wars, a great depression, and the decolonization of vast European empires. The period was defined by rising economic nationalism and active government intervention in all aspects of economic life. To some extent it represented a reaction to the excesses and asymmetries of the first period. Leaders of this period concluded that while economic interdependence and free-markets enhanced efficiency gains in peacetime, they heightened dislocations during periods of war and cyclical decline. Interestingly, during the Great Depression prominent economists like John Maynard Keynes, who once waxed about the benefits of international exchange, turned cool to economic internationalism. In 1933 Keynes criticized speculators "who buy their interest today and sell it tomorrow and lack altogether both knowledge and responsibility towards what they momentarily own."[1] The Keynes of 1933 sounds like Malaysian Prime Minister Mahathir Mohamed in 1997.

The second period of economic disintegration and regulatory nationalism also proved transitory. Its excesses led in the 1970's to calls for market-opening, de-regulation and global economic expansion. While some commentators seem to think the renewal of globalization means a new economic era and a long boom in which the new ethos of openness transforms our world into a global civilization, I believe that this interpretation will prove short-sighted. As previous swings in the public pendulum may suggest, actions produce reactions in politics as well as physics.

One of the ironies is that the zealous proponents of globalization are probably some of its worst enemies. Fearful of a return to 1930's style protectionism and nationalism, doctrinaire free-traders insist the world must pedal the economic bicycle faster with additional rounds of market-opening trade negotiations. Financial globalists press developing countries to open their capital markets before they have laws and institutions to sustain open financial markets. As a result, the Utopian economic internationalists may awaken one day to meet the enemy, and discover, as the cartoon character Pogo did, that "they is us."

---

1. ARNOLD MOGGRIDGE, THE COLLECTED WRITINGS OF JOHN MAYNARD KEYNES: ACTIVITIES 1931-1939 (1982).

So, where is globalization going? Obviously, the technological advances will continue. What could significantly change our lives would be the availability of large capacity supersonic airliners that can transport large numbers of people cheaply from continent to continent in half the time now allotted. This together with wider public use of internet communications has the potential for expanding global awareness and developing a global outlook similar to the Euro-centric outlook which has emerged in Western Europe.

Nonetheless, if the history of the last century is any guide, the path forward is likely to be a bumpy ride. Rather than a linear future, suggested in the notion of a 25 year boom, I envisage a zig-zag future, two steps forward, one or two back, with actions producing reactions. Present excesses of globalization may invite a new era of regulation, perhaps at regional or international levels.

My own suspicion is that recent adventures in developing Asian markets will fuel renewed interest in regional solutions, particularly in South and East Asia. The break-down of the Bretton Woods system in the early 1970's inspired European efforts to create a regional currency. After 25 years, the Euro became a reality. In the aftermath of the devastating financial crisis, it would not be surprising to see similar regional initiatives flower in Asia. It may be premature for an Asian currency, but there is considerable discussion of an Asian monetary fund to help maintain the stability of the region's currencies and economies.

Undoubtedly technology will continue to beat down barriers to time and space and to improve the opportunities for business, but I think that we should be cautious about celebrating the death of nationalism, or trumpeting another American century. The Washington consensus about the advantages of globalism has not yet converted large numbers of opinion-leaders, activists, and ordinary citizens around the world—particularly in developing countries. Many of them still question whether communities, cultures, and nations should be subordinated to the logic of an unregulated, market-drive system, or to a system regulated by international authorities. Nor are the American people ready to assume the global peacekeeping role implicit in Friedman's paradigm. Much has been written about the potential disruption of the Y2K millennium bug. I would not be surprised if real millennium bug proves to be globalization, and reactions to it.

Thomas W. Zeiler*

Newspaper columnist Thomas Friedman and British Professor John Gray join many commentators focused on the definition, causes, effects, and possible consequences of globalization, now a banal buzzword of our age. Although their observations (in the case of Friedman) and deep analysis (in Gray's work) converge at points, both differ about the forces shaping the world economy. Friedman — due to his marketable position at *The New York Times*, his spritely but often gratingly jargonistic style, and his remarkable contacts with high-level figures — will likely be read by more people. That is unfortunate, for Gray's work is more original, learned, and above all, contains realistic things to say.

Friedman spends over two hundred pages explaining in his own words, those of others, and by anecdotes that globalization is a complex system integrating capital, technology, and nations into a single market. His cute terminology detracts from his accurate observation that the "market" — a nation-less "herd" of investors who broker billions of dollars a day by electronic means — is the engine of global economic interaction. People and nations can do little more than take part (as long as their governments play by fiscally conservative rules and adapt to constantly changing circumstances) or watch the world (and wealth) go by. This is, supposedly, pure democracy. All can participate because of the transparency of politics and economics created by objective market forces which work on behalf of those with the knack for survival.

Gray sees similar requirements but no system of long-term rewards. He argues that globalization has been around since the sixteenth century and that the free market is democracy's foe. Today we are experiencing the temporary ascendancy of laissez-faire ideology; the West championing yet another brand of Enlightenment universalism — this time the free market as the utopian purveyor of rationality. But Gray predicts defeat for this current crusade, like others such as communism before it, because of the increasing divergence of forms of capitalism (U.S. market, Asian directed, European social) that are leading to the

* Associate Professor of History, University of Colorado at Boulder. Author of *American Trade and Power in the 1960's* (Columbia University Press, 1992); *Free Trade Free World: The Advent of the GATT* (University of North Carolina Press, 1999); and *Dean Rusk: Defending the American Mission Abroad* (Scholarly Resources, 1999).

collapse of the global economy. Free-market volatility strikes at the very heart of democracy by undermining the social contract between people and governments and also by allowing non-elected bureaucrats in the Federal Reserve, International Monetary Fund, and elsewhere to make policy. Where Friedman sees possible good from the natural instability of free markets, Gray criticizes laissez-faire as an end in itself.

That Friedman is generally optimistic and Gray a pessimist is a reflection of their research methodologies, but it is the journalist rather than the professor who sounds as if he hails from an ivory tower. From his perch as a media elite, Friedman learned about globalization from national and transnational institution officials, privileged environmental experimenters, and luminaries in the business world. Even the most elite of pro basketball teams — the Chicago Bulls — are included. His idea of globalization derives from those who share an entrepreneurial spirit, and gain from it. Survival depends on adhering to the dictates of the Darwinian market system in which we live. Freidman concludes that many of us will survive and thrive in this system.

His intellectual foray into the historical roots of global capitalism reveals Gray's elite methodology, too, but hopeful he is not. Whereas Friedman describes policy through the eyes of those who benefit from globalization, flippantly advising that he would "bet on China" but not "wager" on Malaysia, Gray is more subtle and sensitive. His long view explains the distinct nature of American, European, Russian, Chinese, and Japanese brands of capitalism, denying a new dawn (hence his title) in the global economic order. Rather, we now witness a perverse triumph of one type of capitalism at a particular moment in history. He applauds differences, especially those that defy U.S. laissez-faire dogma. Gray worries not just about the losers but about the winners, even Americans, who delude themselves that history is irrelevant and that salvation lies in unfettered competition.

That seems abundantly logical. Friedman, either arrogantly or fatalistically, believes that a brave new world is inevitable. He is a lousy historian, wooed by dizzying technology and the absence of political discourse in America. In reality, globalization is another form of Americanization. Multinationals have been around a long time; McDonalds, Taco Bell, and Hollywood have threatened foreign cultures for decades. He has fallen into the globalizer's trap: trampling history in the name of the most recent fad of utopia. Gray historicizes laissez-faire, sending us back to Victorian England's unsuccessful attempt at deregulating markets and then bringing us past Thatcherism to the Reagan-Bush-Clinton agenda of market ideology. He stresses that no nation has ever entirely imposed laissez-faire, for people will not stomach the societal ruin that comes with it.

Indeed, historians have emphasized this point. For its part, the United States never came close to practicing laissez-faire, regardless of professions of the faith by business leaders and politicians. Long a highly protectionist nation, America was a latecomer to freer trade. From the mid 1930's onward when Washington finally demanded that national commercial barriers fall, its trade partners balked and refused to open their economies to free competition. Wracked by economic downturns, industrial turmoil, and protest over income inequality, the United States turned to bigger government during the Progressive Era. In the Great Depression, the state became responsible for managing the economy. Even a conservative like Dwight Eisenhower relied on government for such domestic successes as the enormous federal highway network and the burgeoning university system. Washington would even launch a war on poverty, as well as legislate away legal segregation among the races. It can be argued that Reaganomics, although based on tax relief, was spurred by defense spending. For that matter, so-called "military Keynesianism" boosted the U.S. economy during the Cold War.

Thus, politics has always tempered economics, which is one of Gray's key arguments that is even implied in Friedman's title. The drive for riches, symbolized by the luxurious Lexus automobile, clashes with community and identity, the olive tree's roots. Protectionism, nationalism, and family ultimately moderate self-interest. Friedman sees the olive tree as a problem to overcome, yet despite bold prognostications, ad nauseum, about the future, harmonization of the world's economies under a free-market (globalization) will not prevail. Not only does history show that divergence rules but the United States lacks both the hegemonic power and political will to pry open markets abroad. Russia's anarcho-capitalism, China's family networks, and Germany's welfare liberalism will remain embedded in those nations. Meanwhile, America treads a dangerous path toward universal laissez-faire that might bring universal chaos.

It might even be argued that the drive toward worldwide laissez-faire capitalism brings so few perceived benefits to such a large portion of the world's population that it will die on the vine or simply be replaced by national variants. I have spent the past half year in Argentina, a nation whose president is a globalized soulmate of President Clinton. Many pundits consider Argentina a model of proper free market development. But the average Argentine—those who attend the state universities, for instance—fear rising job insecurity and underemployment, jeer at privatization, and wonder when they will be able to afford the monthly cost of surfing the Internet. They know all about the global village. But for most of them, as I imagine for all but Friedman's privileged elite, the olive tree will not be permitted to wither. Defense of core values will prolong conflict with globalization.

Both authors worry about uncertainty wrought by the current economic order. Friedman is determined that with reforms here and there, the dangers can be overcome, for there is no other choice but the market. His solutions are offered within the context of laissez-faire; that is, not as a "handout" but as a "hand-up". Some are novel, such as tax breaks to encourage venture capital in poor areas; some are feeble, such as federal resume counseling; others are proven losers, like trade adjustment assistance; some are politically correct, like loans targeted to foreign women entrepreneurs. None will occur as long as market neo-conservatism predominates in Congress and the White House. Nothing will happen if we seek liberalism on the cheap; that is, pursue cultural liberalism (multiculturalism) as Friedman does while embracing orthodox economic liberalism at the same time. Gray, meanwhile, believes that the chronic insecurity of American-style "bad capitalism" will sow the seeds of destruction for the entire economic order.

The reality is somewhere between euphoria and misery. Variation will be forced on the globalizers by global pluralism, as history has always confirmed and as the future will bear out. McDonaldization will progress only to a point. Globalization is not as omnipotent as Friedman thinks. But neither should Gray's gloom pervade our minds. He has a chip on his shoulder, as a former New Rightist now deadset on destroying the beast of Thatcherism that he helped create. Lashing out contemptuously in all directions, for instance, he asserts that laissez faire ideology has prompted a policy of mass incarceration as a form of population control in the United States. Such alarmism downplays the impact of racism, broken families, and structural poverty on crime.

Business has done its job, as profits and markets expand. Technological progress in transportation and communications show that engineers, too, have succeeded. Bill Gates is a marvel. It is the politicians, the Bill Clintons, who have fled the field. Economics now trumps politics. Perhaps we will rue the end of the Cold War, when national superpowers controlled the destiny of the world. In those years, the state extended itself into the private realm with positive (civil rights, European integration) and negative (totalitarianism, McCarthyism) results. But the fact that citizens could rely on some form of regulation led to compromises between the Lexus and the olive tree. Regulation is the product of society's political debates. Politics must subjugate economics.

We would never allow zoo animals to roam outside their cages, for the strong would eat the weak and ruin the entire zoo system. We monitor drivers with stop lights to prevent harm and traffic. These are necessary regulations, as necessary as the "active management," in Gray's words, of the global economy. What we need is political will, dialogue, and action. Technology will march on, but free market practice can be reformed, even halted if we so choose. After all, politicians created free market conditions, so they can also alter or end them, too.

This is not idealism, it is a call for politicians to mobilize and for voters to help them. We need somebody or some group to take a stand, even to demonstrate a new type of global heroism in the face of economic threats.

It is fruitful to read Friedman as a primer for the nature of globalization and best to listen to Gray so we err on the side of caution. But above all, we must exercise our political power in this post-Cold War world. We need to wake up to the problem of global and national economic instability and engage in a dialogue. In so doing, we can begin to slow our drift in the face of seemingly uncontrollable forces and try to master our economic fate.

Thomas Zeiler, *Free Trade Free World: The Advent of GATT* (Chapel Hill: University of North Carolina Press, 1999).

Ellis W. Hawley*

The foundations of today's global trading system, it is now widely agreed, were laid by the experiences of the Great Depression and World War II and especially by a series of contested and negotiated policy choices made in the years immediately following the war. Of particular importance during the period was the advent of the General Agreement on Tariffs and Trade (GATT). And on this we have long needed the kind of detailed policy history that Thomas Zeiler provides in *Free Trade Free World*. In it he not only reconstructs and sheds much new light on the changing policy environment and continuing policy struggles and compromises that produced and gained grudging acceptance for GATT, but also offers a persuasive interpretation of these, challenging several of the readings they are sometimes given. As he sees it, the story was neither a full-fledged triumph for trade liberalization nor a "selling out" of U.S. producers and workers to foreign interests nor a series of unfortunate surrenders to national protectionism; it was rather one in which liberal-minded political realists eventually triumphed, after much conflict, over free trade idealists and statist controllers alike and in so doing successfully forged instruments for "managing" protectionism so as to allow extensive trade growth and facilitate the attainment of American diplomatic objectives. In addition, he finds little evidence to support the view that the advent of GATT amounted to the creation of a new instrument through which a "hegemonic" America could impose its imperial will on the non-communist world. "American trade partners," he argues, "were at least as dominant in policy-making as the United States," and "at the level of tariff bargaining, Americans usually gave more than they received."

In his introduction Zeiler characterizes New Deal trade policy, but his story begins in earnest with the outbreak of World War II and devotes its first three chapters to policy decisions, negotiations, and planning during the years from 1940 through

* Emeritus Professor of History, University of Iowa. Author of *The New Deal and the Problem of Monopoly: A Study in Economic Ambivalence* (Princeton University Press, 1966); *The Great War and the Search for a Modern Order* (St. Martin's Press, 1992).

1945. In these he reconstructs and analyzes the debates accompanying further extensions of the Reciprocal Trade Agreements Act, the failure of U.S. efforts to trade lower American tariffs in exchange for an end to British Commonwealth preferences, and the British success in securing Lend-Lease aid and a postwar loan despite their role in blocking much of the American attack on trade restrictions. The period's major initiatives for commercial reform, as Zeiler tells it, came from idealists in the American State Department and business and intellectual communities, epitomized by such men as the bureaucratic administrator Harry Hawkins, the businessman-turned-official William Clayton, and the economist Clair Wilcox. These people saw the American commitment to restoring world order, with its accompanying critiques of isolationism and economic nationalism, as an opportunity to implement the free trade vision that Secretary of State Cordell Hull had preached throughout the 1930s. Yet, as it turned out, the continuing strength of protectionism in Congress and industry, the lack of full support from the President, and a general reluctance to push America's closest ally any nearer to collapse severely limited what could be achieved. Seen in retrospect, the reformers' successes helped to make GATT possible, particularly by preserving the executive branch's role in tariff-making, committing the British to further efforts to achieve freer trade, and devising a "bilateral-multilateral process" through which item-by-item bargaining among pairs of nations could be generalized to a designated negotiating group. But by 1946 free-trade visionaries had failed to attain their major objectives and were already beating "a slow but inexorable retreat."

In his next four chapters, Zeiler turns to a detailed reconstruction and analysis of what he sees as the second stage of his story, namely the period in which GATT begins but the larger effort to secure freer trade becomes subsumed in Cold War diplomacy rather than in projects for restoring global order. By late 1946, he notes, "the specter of the Cold War" hung heavily over the new trade deliberations in London, talks at which delegates from some eighteen nations sought agreement on a suggested charter for an International Trade Organization and added to it an appendix under which GATT would become operative. The Soviet Union did not participate, and Cold War considerations now became major factors both in keeping the London efforts alive and in inducing the American delegation to accept charter amendments at odds with its profession of free trade principles. The most important of these made room for cases justifying continued use of intergovernmental commodity agreements, import quotas, cartel arrangements, and employment stimulants. Subsequently, moreover, appeals to Cold War necessity helped both to blunt and contain counterattacks by Republican protectionists and to strengthen political realists in the Truman administration, who were ready now to compromise free trade ideals when this was called for by national security imperatives.

One result, as GATT bargaining proceeded at Geneva in 1947, was a series of major concessions to a financially strained Britain and British Commonwealth nations, which, when accepted by President Truman, "dealt a fatal blow to free trade dogma and dreams" and put greater emphasis on aid rather than trade as the route to European economic recovery and political stabilization. Significantly, Will Clayton found himself "reined in" and decided to resign as assistant secretary of state, and as the first round of GATT negotiations ended it was clear that even as trade was being made freer America's trade partners would be allowed "to protect their markets as part of a national security agenda to prosecute the Cold War."

In essence, Zeiler maintains, GATT had been able to produce its first 106 bilateral accords, covering seventy percent of world trade, by finding ways to incorporate protectionism "under the banner of trade liberalism" and by so doing to retain both domestic and international support for continued negotiation. At times, particularly when the Republican Eightieth Congress pushed through amendments limiting what could be done under the Reciprocal Trade Agreements Act and when American wool interests secured congressional passage of a bill aimed at Australian wool, it seemed that the necessary balance could not be struck and maintained. But Truman's willingness to deal, his surprise electoral victory in 1948, and his coupling of a veto of the wool bill with new wool subsidies took care of these threats, and after 1948 U.S. trade policy took on a managerial outlook concerned with perpetuating the proper balance and seeing that both the increased freedom and the retained protectionism furthered the attainment of Cold War objectives. As for GATT, its shaping forces had clearly become politics, pragmatism, management mindedness, and the quest for security rather than free trade ideals; and, to the surprise of some, this would eventually give it sufficient flexibility and adaptability to become a central player in future struggles for greater trade liberalization.

GATT's growing importance as an orderer of international commerce was also due to the difficulties encountered by those who had hoped to establish an International Trade Organization, and to these difficulties and their outcome Zeiler devotes chapters 8 and 9. The first deals with the ITO charter as it emerged from the London deliberations and was further amended in negotiations at Geneva in 1947 and at Havana from November 1947 to March 1948. In all, these negotiations produced over eight hundred amendments, which in general reflected further retreats by the United States in its attempted defense of free trade principles. This was particularly true in regard to investment protection, permissive trade barriers, justifiable discrimination, regional preferences, and national planning in developing countries. On these matters, fear of a breakdown in negotiations, which might be used by the Soviet Union, led the United States to make one concession after another. And the eventual outcome, as finally signed by some fifty-three nations, was a charter that its critics in the United States denounced as an "economic Munich," a debacle that all true believers in the American way must repudiate. As Zeiler details the story in chapter 9, a powerful coalition of business, congressional, and journalistic opponents were successful in discrediting what could have been a workable framework for profitable trade expansion. They depicted it instead as a malevolent melange of State Department "give-aways," dangerous enhancements of executive power, retreats from free enterprise, erosions of national sovereignty, and "globaloney" nonsense. And in the face of such opposition, the Truman administration made some half-hearted attempts to get the ITO charter through Congress but soon decided that GATT was sufficient and in 1950 abandoned the charter and left ITO stillborn.

As Zeiler sees it, the "idealism" apparent in 1945 had come to an end. "Free trade, universalist dreams" had been supplanted by GATT's "pragmatic liberalization program, moderated by protectionism"; free traders had adapted themselves to political realities and become Cold Warriors; and "containment" had become the rationale for the "trade liberalization" over which GATT would preside, a "liberalization" that was supposed to undergird a "free world."

Zeiler then turns to the final stage of his story, exploring in his last two chapters the fortunes of "trade liberalism" during the Annecy (France) Round of GATT negotiations in 1949, the Torquay (England) Round in 1950, and the legislative battles growing out of a resurgent U.S. protectionism in the early 1950s. Its greatest successes, he finds, came at Annecy, where the negotiation of 147 bilateral accords by some thirty-four nations further legitimated the GATT forum, and where the United States advanced the "freer trade" position on such issues as consumption taxes, customs unions, German and Japanese participation, and ways to narrow the dollar gap. Torquay produced much less and was by some considered a failure, particularly in view of the continued impasse on Commonwealth preferences, the meagerness or meaninglessness of many of the concessions that were made, and the loss of momentum that left the next ten years barren of further negotiating rounds. After Torquay, moreover, came a period during which trade liberalism in the United States found itself on the defensive and was hard put to block or mitigate the damage done by a new host of protectionist proposals and trade law amendments, envisioning in particular new quotas and tariffs on agricultural imports found to be imperiling American producers. Yet, even as protectionism rebounded, it continued to be constrained and "managed," and "the inexorable pull of containment" prevented any substantial retreat from a liberal trade agenda considered essential to the maintenance of Western military and economic strength. GATT not only endured as an agency capable of keeping alive the quest for a multilateral system of freer trade; it had by the mid-1950s acquired a new administrative arm (the Organization for Trade Cooperation) and integrated several of the provisions of the failed ITO charter into its trade rules. Although still without formal status, it was not without the continuing support of international trade's political realists and not without a significant impact on future developments.

In addition to filling a major gap in the literature and bringing greater sophistication to our understanding of the complexities involved in the advent of GATT, Zeiler's book has other excellencies. It deserves high marks, in particular, for the clarity and economy of its organization and presentation, for its thoughtful and penetrating conceptualization of the policy-making process, for its graceful and engaging prose, for its mastery and critical use of previous scholarship bearing on the topic, and for its firm grasp of the history informing its findings of historical pattern. It rests, moreover, on a truly massive research base yielding impressive documentation for the story told and the conclusions reached. Zeiler's spadework has taken him not only to the relevant record groups in the National Archives of the United States but also to relevant collections in the U.S. presidential libraries and the Library of Congress, documents held at the British Public Records Office and the national archives of

Australia, Canada, and New Zealand, and private papers held in six foreign libraries and twenty-eight American ones. For this work, multi-archival research has indeed been carried out.

On the more negative side, I have only two significant quibbles, both about omissions that, in my judgment, would have added to the value of the book had they been included. One is the failure to say much about American efforts, especially those of Clair Wilcox, to export American antitrust law and policy and make them part of a freer trade system brought into being by constraining and reducing various kinds of private as well as governmental regulation. These efforts involved not only new litigation and the hitching of antitrust to occupation policy and foreign aid programs but also, from 1948 to 1955, a series of plans for an international antitrust organization, initially conceived of as a partner or subsidiary of the projected International Trade Organization and later as a separately established body. American support for these plans, like its support for ITO, was finally withdrawn. But the story of what they envisioned and why the vision could not be implemented seems to me part of Zeiler's larger story about trade liberalization and how its proponents reached the point of making do with GATT. Something more on it would help to round out the account that he provides.

The other omission is Zeiler's tendency to accept economic globalization and GATT's push toward it as being beneficial and praiseworthy without doing much to address current critiques about globalism's "biting back," particularly in its punishment of nations trying to maintain desirable social benefits and decent social, commercial, and developmental standards. One thinks, for example, of the arguments in such works as Judith Stein's *Running Steel, Running America*, William Greider's *One World, Ready or Not*, and Robert Kuttner's *Everything for Sale,* arguments that go beyond the conventional cases for protectionism to stress the limits of freer and wider markets as devices for securing social well-being, lasting prosperity, democratic self-rule, and the general good. With this depiction of global capitalism Zeiler clearly disagrees, but one would like to see more on why he does so and can therefore arrive at a much more positive evaluation of GATT's advent and legitimization than the crediting of such a depiction would allow.

Let me stress again, however, that these are minor reservations about an imaginatively conceived, well executed, highly enlightening, and exceptionally solid and reliable piece of scholarship. It should become the standard work on GATT's origins and early years and is deserving of careful reading and study by anyone interested in the history of U.S. trade policy, the evolution of the international trading system, the politics of the trade issue, and the making and implementation of trade law. It is a book, moreover, that can make a sizable contribution to the understanding that current policy makers have of the problems and choices confronting them. By them, too, it is deserves a careful reading.

Robert C. Hilderbrand*

The end of the Second World War represented the high tide of internationalist idealism. One-worlders, pacifists, free-traders and advocates of a forceful peacekeeping organization emerged from the chaos of war determined to erect a structure of peace that would prevent a future conflagration. The horrors of modern warfare had strengthened their position among both publics and governments, resulting in widespread acceptance of the visionary notion that the creation of an ordered world could eliminate the causes of war. Out of this idealistic ferment came plans for the United Nations, the International Monetary Fund and the International Trade Organization (ITO).

As Thomas W. Zeiler has demonstrated, however, the idealists' influence, which was never as great as it had appeared, had begun to wane just when it seemed to be strongest. For free-trade idealists, as for proponents of a strong world peacekeeping body, the postwar period presented serious obstacles to the creation of the kind of world they envisioned. The post-1945 quest for economic well-being, like the desire for military security, came to be focused more on nationalist than on internationalist objectives, with the result that self-interest replaced idealism as the motive driving policy. Although the most visionary plans of the idealists fell quickly out of favor, their more practical features survived as the basis for the new postwar organizations. Thus the idea of a strong world peacekeeping body became the United Nations and the goal of a world without trade barriers became the General Agreement on Tariffs and Trade (GATT). If

* Professor of History, University of South Dakota. Author of *Dumbarton Oaks: The Origins of the United Nations and the Search for Postwar Security* (University of North Carolina Press, 1990); *The Papers of Woodrow Wilson: The Complete Press Conferences, 1913-1919* (Princeton University Press 1985); *Power and the People: Executive Management of Public Opinion in Foreign Affairs, 1897-1921* (Princeton University Press, 1980).

neither quite lived up to the ambitions of the idealists, they at least embodied some of their principles.

Zeiler does not sympathize with the idealists. Unimpressed by their assumption that free trade would balance the global economy and end war and poverty, he refers to the charter of the ITO as a "grand fantasy" that "had no logic in the unstable circumstances of the 1940's." Still, Zeiler argues that trade was important to nations in the postwar world and especially to the United States, on which this study is primarily focused. Three large considerations drove U.S. commercial policy: the importance of fewer trade limitations to the long-term vitality of capitalism, protectionism, and the contributions that trade could make to diplomacy.

As is usually the case in the making of broad policy within the political arena, the main goals of trade regulation came into direct conflict with one another. While many business leaders supported moving in the direction of free trade, others continued to lobby for high tariffs to protect their own industries. Insofar as this debate was a matter of ideology versus self-interest, free-trade idealism never had a chance. All senators and congressmen, including those attracted to the idea of free trade, had key constituents whose interests required protection; not many were willing to risk the political consequences of voting to reduce the tariff on products grown or manufactured in their own states. As Zeiler makes clear, what tariff reduction took place was the result of a compromise among interests, as Congress attempted to balance the desires of businessmen who stood to benefit from lower international barriers with those who would be damaged by foreign competition. Hence the halting, stop-and-start approach of the GATT, which Zeiler presents as a practical alternative to the idealistic and politically naïve ITO.

The hopes of postwar free-traders were also dashed by the changing goals of diplomacy. The onset of the Cold War shifted U.S. trade objectives from peace to security, so that, as Zeiler puts it, "realism and national security, not idealism and economic theory, took precedence in decisions." In a way that mirrored its diminished emphasis on the United Nations, the Truman Administration turned away from free trade and geared its economic policies toward strengthening the U.S. position in its conflict with the Soviet Union.

Although Zeiler's emphasis is on the United States, his work benefits from extensive research in the archives of other nations, especially in the British Commonwealth. Here, too, he has described a pattern that is similar to the negotiations over the creation of the United Nations, with London primarily interested in preserving its special relationship with Washington while the Commonwealth governments emphasized the protection of their commercial interests against the powerful United States. The outcome was the same as in the United States, with practical objectives outweighing idealism in the final analysis.

Zeiler's view of the historical process he writes about is cautious and judicious. He rejects the views of the harshest critics of U.S. trade policy, who he depicts as attempting to impose either an elitist or a corporatist ideology on the complexity of postwar commercial negotiations. As Zeiler describes his work, "the harnessing of trade for political and diplomatic ends is the interpretive thrust of this study." This is, no doubt, as it should be; the making of trade policy was too tangled and full of contradictions to be understood in terms that are simply ideological. Thus this book displays the paramount strength of postrevisionist scholarship.

It also demonstrates its greatest weakness. Just as Zeiler is wise to eschew the passions of partisan historians, his work suffers from his lack of sympathy for the passions of the historical individuals he writes about. He is too quick to give up on the dreams of the idealists, to discredit their lofty goals in favor of a more realistic compromise. There is something illogical about presenting, as Zeiler does, the critics of free trade as ignorant and self-serving, then praising the good sense of politicians who surrendered to them. It was the postwar idealists, not those who attacked them, who were forward-looking and unselfish. Whatever progress was made toward more orderly world trade was because of them and despite their critics; if GATT failed to live up to the aspirations of the ITO, it was because politicians valued votes more than they did ideals. The fact that GATT, at least, survived was not due to the good sense of the compromisers in Congress but to the efforts of the idealists who prevented them from caving in completely to the protectionists. One of the dangers of focusing on the political process is to accept too easily the view that its outcome is always the best that can be achieved in a difficult and complicated world. The best antidote is to take seriously the idealism of those who have argued that we can do better.

David P. Kilroy*

The efforts of the United States to promote universal principles such as free trade and international cooperation after the Second World War have too often been overshadowed in the historiography of American foreign relations by the politics of the Cold War and the dynamics of U.S.-Soviet relations. With the end of the Cold War, however, historians are paying increasing attention to U.S. efforts to promote Wilsonian idealism as the basis for a new world after 1945. Before fear of Soviet expansion and global communism came to govern the course of America foreign policy, proposals for an international trade order, monetary reform at Bretton Woods, and the United Nations formed the centerpiece of Washington's post-war vision. Thomas Zeiler's *Free Trade, Free World* is an important addition to the body of work which seeks to understand these plans. Zeiler's examination of U.S. trade policy between 1945 and 1953 demonstrates that, while the politics of the Cold War certainly played an increasingly important role in shaping American foreign policy as tensions with the Soviet Union mounted, there were a multiplicity of other factors which also contributed to shaping the decisions of policymakers.

The primary focus of the book is the emergence of the General Agreement on Tariffs and Trade (GATT) as the centerpiece of U.S. trade policy in aftermath of the Second World War. As Zeiler points out, free trade idealists in the United States had hoped for a great deal more after the war ended. Instead, what Zeiler refers to as their "grand fantasy," the Charter for an International Trade Organization (ITO), foundered on the rocks of post-war realism and gave way to the much more flexible and pragmatic GATT. Zeiler contends that the idealism of the ITO had no place in the unstable environment of the late 1940's and that the GATT, initially an appendage of the larger multilateralist goals of the United States, was more suited to the practical demands of "wartime sustenance, recovery, economic restoration and . . . the Cold War."

According to Zeiler, trade policy after the Second World War was driven more by political concerns than economic considera-

* Assistant Professor of History and Co-Director if the International Studies Program at Wheeling Jesuit University. Author of *Extending the American Sphere to West Africa: Dollar Diplomacy in Liberia, 1908-1926* (Ph.D. dissertation, University of Iowa, 1995). Currently working on a biography of Colonel Charles Young.

tions. The emergence of GATT as the cornerstone of U.S. post-war trade policy reflected a compromise between support for free trade ideals in America's big business sector and the State Department on the one hand, and the reluctance of most nations, the United States included, to completely abandon protectionism after the war. While protectionists in Congress and the British Commonwealth held free-traders at bay, the pressures of post-war recovery and the increasing hostility between the United States and the Soviet Union made such universal ideals less practical as the 1940's drew to a close.

Zeiler's thesis challenges those critics who contend that the U.S. policymakers' zeal in promoting free trade and aiding Cold War allies benefited foreign competitors at the expense of domestic producers. Likewise, he challenges those who see American foreign policy after the war as a "corportatist juggernaut" dominating the world economy and contributing to global economic inequality. He points to the fact that the U.S. promoted freer, as opposed to free, trade, but was often willing to modify its multilateralist program and resort to protectionism when political or economic circumstances warranted. Nor did the U.S. enjoy complete economic hegemony after the war. Rather, America's trade partners were often successful in either forcing Washington to modify its goals or blocking those goals altogether. Political considerations, both international and domestic, shaped U.S. trade policy after 1945 and thus pragmatism won out over free trade idealism. GATT won out over the ITO.

With Cordell Hull, Roosevelt's Secretary of State, and then Will Clayton, Undersecretary of State for Economic Affairs beginning in 1944, as the standard bearers of free trade idealism, the United States began constructing a framework for a post-war order without trade barriers or restrictions long before the war came to an end. However, the British Commonwealth nations, fearful that free trade would subject domestic industries to the steamroller effect of American competition, were anxious to preserve as much as possible of the preferences they enjoyed under the Ottawa Agreement of 1932. At the same time, they called for American concessions to level the economic playing filed. The relative success of the Commonwealth countries in forcing the United States to modify its goals, as Zeiler's work clearly illustrates, bears testimony to the limits on American power after the war. Practical solutions such as post-war reconstruction, bridging the dollar-gap, and nurturing allies against the rising tide of communism ultimately carried more weight than free trade internationalism in shaping the foreign policy of Roosevelt and Truman administrations.

Domestic forces were equally effective in forcing modifications in the free trade program. Protectionists in Congress, fearing damage to domestic producers, fought doggedly against granting widespread concessions to America's trading partners. Congressional activity demonstrated the extent to which domestic producers, from wool growers in the mountain states to New England textile manufacturers, could influence the course of trade policy. Actions like the Republican modification of the Reciprocal Trade Agreements Act of 1948, which limited the ability of the Truman administration to cut tariffs, made it very difficult for the United States to persuade other nations to abandon their protective measures. It was largely because of its probable failure to meet approval on Capital Hill that the ITO was allowed to languish and eventually die. GATT, which unlike the ITO had no formal structure, did not require Congressional approval.

While free trade idealism was abandoned in favor of a more realistic approach, Zeiler does not see U.S. efforts to reform international trade as having failed. He gives high marks to the Truman administration for fending off the most extreme demands of the protectionists at home, while forgoing compromises overseas which the countries of the British Commonwealth and others could live with. GATT was the key to this "free-trade protectionist compromise," and Zeiler measures its success by the extent to which he contends it successfully "facilitated American foreign economic and diplomatic objectives." Zeiler asserts that this pragmatic approach to world trade was in the long run beneficial to both the United States and its allies, as "GATT successfully policed the world commercial system for decades after the Second World War." While GATT did not always measure up to the expectations of free trade idealists, it kept the flag of economic internationalism flying during the Cold War years, a period when realism was the order of the day in foreign policy, and laid the foundation for recent developments such as Congressional approval of the World Trade Organization in 1994.

Thomas Zeiler's book is a serious challenge to those who see the United State in the immediate post-war period as a hegemonic power imposing its philosophy of liberal capitalism on weak and dependent allies. Instead, Zeiler portrays the complex political economy of the world after 1945, in which the United

States was forced to compromise and maneuver to achieve a degree of economic success without undermining its strategic and diplomatic objectives. This is an extremely well researched book, the author having conducting extensive research in U.S. and foreign archives. It is an authoritative study which should prove valuable and stimulating to, amongst others, students and scholars in the field of U.S. foreign relations.