*Governing Globalization: Issues and Institutions.* Edited by Deepak Nayyar. Oxford and New York: Oxford University Press, 2002. Pp. xiv, 393. ISBN 0-19-025403-6, cloth; 0-19-925404-4, pbk. *JEL 2002-1364.*

"Do we really need another book on globalization?" one might reasonably inquire. In this case, the answer might just be, "Yes."

One of the qualities that makes this volume unusual and useful is that it focuses on the issue of *governance*—a topic typically covered by political scientists—but here the chapters are mostly written by prominent economists, including the editor, Deepak Nayyar, Sanjaya Lall, and G.K. Helleiner.

The thirteen authors of these fourteen chapters discuss a number of key themes of globalization and governance, but they keep coming back to three. First, globalization has created powerful global externalities and global public bads such as international financial contagion and international financial crises, while creating the need for global public goods, such as global economic growth and stability. But, according to the authors, the current institutions of global governance in the areas of trade and finance are doing a poor job of providing these goods and reducing these bads.

Second, the authors see *national governance* as just as important in this age of *globalization*, as it was in the so-called *golden* age of the post-war world, especially in developing countries. Strong national governance is important to manage the economic development process at home, and also to adequately represent nations in the global governance institutions themselves. But, and here is the rub, globalization has eroded the power of nation states especially in the developing world, not simply through the power of international markets, but also through rules created at the international level, such as conditionality imposed by the IMF and the rules of "deep integration" imposed by the WTO (p. 374).

Running through the book is a third important theme, the problem of *exclusion*, referring to the billions of people who make up the poorest residents of the planet, who are excluded from the positive aspects of globalization, while being affected by many of its negative aspects. How, the authors ask, can global governance be restructured to include the world's poorest? Unfortunately, the authors do not have many specific suggestions to address this burning issue.

The editor of the volume is himself faced with an important issue of exclusion: in this vast and complicated set of issues, which topics can be included in one book? While there may be too many chapters on international finance, Nayyar's choice of topics seems reasonable: these include international financial architecture, trade and the WTO, the Bretton Woods Institutions (the IMF and World Bank), migration and transnational corporations.

Joseph Stiglitz, Lance Taylor, Yilmaz Akyuz, Andrew Cornford and Jose Antonio Ocampo have written excellent chapters on international monetary and financial policy and related governance issues. They confront a common answer to these conundrums that can be paraphrased as: "the global economy needs little or no governance because markets govern themselves." These authors argue that, at least in the realm of international finance, unregulated markets do a very poor job indeed of allocating resources, as the Russian meltdown and Asian financial crisis of 1997 illustrate. Lance Taylor provides an underlying economic basis for the economy's susceptibility to crisis. He shows that, contrary to decades of economists' claims, in macroeconomic-based models of the exchange rate, fundamentals do not determine the exchange rate. Only expectations of future exchange rates pin down the exchange rate. In such a world, capital flows and exchange rates will allocate resources efficiently only by accident (p. 60).

Given this, one might wonder why the IMF pushes developing countries to liberalize their capital accounts. Joseph Stiglitz has an answer to this question: " ...the IMF's governance structure makes it accountable to finance ministries and central banks, with close connections to the financial community...In this interpretation, the IMF has pursued the *collective interests* of a subset of the international community, rather than serving the broader collective interests for which it was originally created" (p. 243).

Several chapters build on this political economy theme, arguing that the problem of representation is compounded by a problem of monopoly: The IMF and to some extent the World Bank exercise a quasi-monopoly over research and policy advice to developing countries. Many of the chapters recommend mechanisms to decentralize this advice—for example, to create regional analysts groups to conduct some of the research now conducted by IMF and World bank economists; to create panels of outside experts to review the research and advice given by the IMF and World Bank; and to broaden the set of academic institutions and even disciplines providing researchers to the Bretton Woods Institutions, beyond the mainstream economics departments in the United States and United Kingdom that seem to dominate.

While the authors of this volume have different perspectives and even disagree on important issues, they mostly seem to agree that creating more competition among governance institutions, decentralizing the mechanisms of governance and giving more space to developing countries to re-constitute their nation states to pursue developmental objectives by reducing global "one size fits all" rules would be important steps forward to improve governance of the global economy.

*Governing Globalization* is a fine book to include in undergraduate and graduate courses on globalization to make sure that students are exposed to a balanced view of the processes of globalization and the institutions, such as the IMF, World Bank, and the WTO, that are trying to govern it.

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