

Global Capital, Political Institutions, and Policy Change in Developed Welfare States by Duane Swank. New York, Cambridge University Press, 2002. 334 pp. Cloth, \$60.00; paper, \$23.00.

Many scholarly and casual observers contend that the dramatic post-1970s rise in international capital mobility and steadily upward postwar trend in trade integration, by sharpening capital's threat against domestic governments to flee purportedly excessive and inefficient welfare systems, has forced and will continue to force welfare-state retrenchment. Several important recent studies of the comparative and international political economy of policy change over this period, now including Duane Swank's impressive theoretical and empirical study, challenge these claims.

Recent challenges to this globalization-induces-welfare-state-retrenchment argument have four distinct bases. Geoffrey Garrett, *Partisan Politics in the Global Economy* (Cambridge University Press 1998), argues that certain combinations of left government with social-welfare, active-labor-market, coordinated-bargaining, and related policies can be as or more efficient than neoliberal state-minimalism and conservative government and, therefore, that capital will not flee such efficient combinations. Carles Boix, *Political Parties, Growth, and Equality* (Cambridge University Press 1998), argues that public human- and physical-capital-investment strategies comprise an alternative to neoliberal minimalism that is sufficiently efficient macroeconomically to attract and retain capital and politically effective enough to maintain left electoral-competitiveness. Peter A. Hall, David Soskice, and colleagues, *Varieties of Capitalism* (Oxford University Press 2001), argue that complex national networks of political-economic institutions confer comparative advantages in differing productive activities, which, as James M. Mosher and Robert J. Franzese, Jr. elaborate in "Comparative Institutional and Policy Advantage" (*European Union Politics* 3(2):177-203, 2002), implies capital mobility and trade integration will (if international tax-competition remains sufficiently muted) further institutional and policy specialization—here, cross-national variation in welfare states—rather than convergence or global retrenchment. Duane Swank's argument, that the institutional structure of the polity and of the welfare system itself shape the domestic policy response to capital (and trade) integration, represents a fourth basis for challenging the globalization-induces-retrenchment argument.

Unlike these others, Professor Swank's argument does not fundamentally challenge claims of the exclusive or superior macroeconomic efficiency of neoliberal minimalism but, rather, stresses the primacy of domestic political conditions—the policymaking access, cohesion and organization, and relative power of contending pro- and anti-welfare interests—in determining the direction and magnitude of welfare-policy reactions to international economic integration. Specifically, he argues and finds—in cross-national, cross-temporal statistical analysis supplemented by thorough qualitative case explorations of generous welfare states and briefer explorations of less-generous systems (respectively, the universal and conservative, and the liberal, systems of Gosta Esping-Andersen's *The Three Worlds of Welfare Capitalism*, Princeton University Press 1990)—that inclusive electoral institutions, social-corporatist interest-representation and policymaking, centralized political authority, and universal welfare systems relatively favor the political access and capacity for pro-welfare interests and bolster supportive social norms in the domestic political struggle over the response to integration. The opposite conditions favor anti-welfare interests and norms in this struggle. Globalization thus induces increased welfare largesse in generous states and retrenchment in tight ones, i.e., divergence not convergence.

This book, thus, offers the most directly and thoroughly political approach of its genre. It is also the most thoroughly explored empirically, offering comparative-historical statistical analyses

of the argument against six alternative interpretations of the globalization-induces-retrenchment thesis: the simple version (a regression including one of five capital-openness measures), and five others he terms the run-to-the-bottom (capital openness times lagged welfare-policy), convergence (capital openness times gap from own to cross-country mean welfare-policy), nonlinear (capital openness and its square), trade-and-capital-openness(their product), capital-openness-times-fiscal-stress(deficits times capital openness), and capital-flight (net foreign direct investment) versions. He finds little support for any globalization-induces-retrenchment argument, and, indeed, some indications that capital mobility tends on average to enhance welfare effort (perhaps supporting those emphasizing its effect in increasing popular demand for social insurance against global risks).

While the reader might wish...

- (a) further theoretical development of why inclusive institutions necessarily favor pro- over anti-welfare interests' access (perhaps because electoral inclusiveness tends to expand from wealthier to poorer?) but, contrarily, decentralization favors anti- over pro-welfare forces (perhaps because decentralized authority implies more-homogenous constituencies, which either do not wish or cannot fund redistribution?);
- (b) separate theoretical elaboration and empirical evaluation of the individual components of the amalgamated concepts electoral inclusiveness—proportionality and fractionalization—and authority dispersion—presidentialism, federalism, bicameralism, referendum-usage (e.g., does the former enter through participation or representation channels, suggesting proportionality is key, through representation or government-composition channels, suggesting fractionalization is key, or both? do the latter truly form a coherent complex and do any of its elements figure more prominently than others?);
- (c) theoretical and empirical comparison of the argument to alternatives from the political-economy literature (as mentioned above) rather than or in addition to the comparison with the six conventional-wisdom hypotheses; and
- (d) more-thorough exposition of the exact empirical models estimated and their results and/or simpler structures of those models (as examples: complicated tables of regression results appear without previous mathematical statement of the estimated equation(s); the models contain dummies for unspecified series breaks and for unnamed subsets of countries—those with t-statistics over one—which severely complicate interpretation especially for near-time-invariant indices like authority dispersion and for time-trended measures; and interactive effects are discussed without tables, graphs, or information on the value-ranges of the component variables, which would greatly aid their interpretation)...

...Swank's central argument that domestic political conditions—electoral inclusiveness, social corporatism, authority centralization, and existing welfare-system structure—shape democratic governments' responses to economic integration, spurring divergence more than convergence, is logically persuasive, theoretically satisfying, and empirically supported.

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