

remoteness is important. The editors use this idea in an attempt to link the papers discussed here already to the remaining three contributions, which are based on analysis of the value-chain from domestic producer to final consumer. Raphael Kaplinsky's thoughtful piece on 'Globalisation and domestic producer' goes far beyond the volume's initial interest in how to encourage exports from 'marginalized' economies. He argues that globalization sometimes creates damage not only by excluding countries but also by including them! He notes that export expansions by India and (particularly) China have had the effect of driving down the net barter terms of trade for developing countries' manufacturing exports. He raises the possibility of export growth being accompanied by countervailing falls in price or by falls in real wages in the exporting sector. Within exporting countries, the requirements of overseas markets, though beneficial to those domestic producers receiving help from foreign buyers to upgrade, also serve to marginalize those domestic producers who cannot improve performance. Catherine Dolan and John Humphrey's carefully researched chapter documents this process in the African horticulture industry, where British supermarkets have encouraged the development of large, efficient producers, to the detriment of smallholders. The buying firms in international value chains. Their interviews allow them to rank major exporting countries in the world footwear industry by various characteristics such as quality and reliability of supply, presented in standard 'World Bank-style' star diagrams. However, the buyers have less information to contribute about the sources of competitive strength in the exporting countries.

All in all, though, the research reported in this book takes us considerably further in understanding the obstacles firms in low-income countries must overcome if they wish to enter global markets. It also highlights the importance of governments helping them in such areas as infrastructure provision. Less clear is what policies national governments and international organizations should pursue in order to cushion vulnerable individuals and firms in developing countries against globalization's backwash effects, and how such vulnerability is affected by the speed of trade liberalization.

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Global Economy, Global Justice—Theoretical Objections and Policy Alternatives to Neoliberalism, by GEORGE DEMARTINO. (London and New York: Routledge, 2000, pp. xiv + 279, £19.99 p/bk).

George DeMartino's fine book provides and applies normative and other methodological tools to discuss policy options concerning economic globalization. DeMartino, an economist at the Graduate School of International Studies at the University of Denver, has reflected deeply on the debates around the creation and operation of the World Trade Organization, the North American Free Trade Area, and the presently aborted Multilateral Agreement on Investment. His introduction records the enormous growth in the second half of the 20th century of 'the global market', 'the global workshop', and 'the global casino' where over a trillion dollars of currency speculation now occurs per day. The book then does four major things. First, elucidation of neoclassical economics (NCE) analytical claims concerning free markets and, going further, neoliberal economics (NLE) policy doctrine that free markets worldwide will bring efficiency, liberty and peace while respecting cultural difference. Second, a comparison of NCE's normative premises—which 'beyond

economics, most specialists in the field of normative theory have little use for' (p. x)—with various alternatives more sensitive to equity. Third, the application of these ideas, both critical and constructive, to major current issues in international economic relations, including fourthly a working sketch of a possible normatively better grounded international economic system for us to work towards. This wide yet fully integrated span of concerns, excellently surveyed in the introduction, makes the book stand out.

Chapters 1 and 2 provide a non-technical but sophisticated exposition and critique of the NCE case for free markets. Many have essayed this before but DeMartino lucidly exposes neoclassicism's reductionist style and 'welfarist' normative premises; I recommend these chapters for courses in general economics or policy analysis. Reductionism involves building models of the interaction of a small set of posited universal core factors or essences, then explaining and prescribing for real cases from the simple models, while imposing high barriers to intellectual trade that would question them. Such barriers include extreme standards for anyone to disprove the presumptions that other factors are insignificant, ephemeral, or (in policy choice) apply equally for all options, plus ignoring when they do so. The core factors in NCE and NLE, presumed central always and everywhere, include individual preferences taken as exogenously given, heavily selfish (in NLE) and beyond moral critique ('interpersonal relativism'); and external scarcity relative to these wants, which endorses the need for ever more production. Reductionist, essentialist reasoning from a narrow set of simplistic yet fixed assumptions to a series of definite and emphatic prescriptions appeals to those who crave the simple and definite as well as those whose interests the assumptions promote. It is a form of fundamentalism. DeMartino persuasively presents non-reductionist alternatives from institutional economics. He could seek a more explicit and consistent differentiation of 'neoclassical' and 'neoliberal' (the usage in this review is an attempted clarification). Initially, he distinguishes formal neoclassical economics from the sweeping policy claims produced by 'the neoclassical vision' (pp. 35-37), but the latter interpretation of 'neoclassical' seems to take over in later chapters.

Normatively, reductionist and inter-personal relativism lead to 'welfarism' (Sen's perhaps unfortunate label): the principle of assessing societal suites solely on the basis of individuals' utilities, usually interpreted as the degree to which their preferences have been fulfilled. NLE goes beyond the sterility of NCE's evasion of interpersonal comparison of utilities, to make such comparisons or presume that losses from change will gain in the long run from the stream of potential Pareto improvements; and to stress a second principle: distribution according to (the market value of) contributions. From its assumption of striving selfish actors it derives an expectation of state failure, and demands extension of market allocation to 'not just what we want as independent persons, but who we are as a community and society [Yes! In this kind of case, the reasons we give for our desires should be given far more weight than our willingness to pay to secure them' (p. 80).

Chapters 3 and 4 compare the normative premises of the case for free markets, domestically and internationally, with alternatives, including from Rawls, Walzer, Marxism, institutional economists like John R. Commons and Marc Tool, and Sen. DeMartino again covers matters much written on—but in this case in philosophy and political theory, and rarely in ways oriented to economists and policy analysts—yet synthesizes them with unusual clarity, incisiveness and accessibility. He offers not a shrivelled ethics-for-economists that only lists alternative algorithms for prioritization, but a genuinely philosophical treatment, sensitive to issues about the nature of reasoning, of personhood and of human preference.

In discussing international economic orders, DeMartino faces the issues of multi-culturalism, cultural relativism and the moral status of national boundaries. Many who criticize neoliberalism in the name of equality and fraternity ignore the claims of those outside their national borders. Neoliberalism in contrast can be genuinely globalist: its calculations are worldwide. DeMartino thus contrasts three broad sets of positions: neoliberalism, which has a global frame of reference but no concern for equality; those concerned with equality but only 'at home'; and international egalitarianism which seeks global-scale fairness. Global NLE adds (inter-)cultural relativism to its interpersonal relativism; it holds for example that the differing labour standards and environmental standards in different countries must be accepted, as expressions of local priorities. It somehow combines an ethical objectivism—that policy judgements *must* be based on a summation of personal preferences—and a cultural relativism, that we *must* simply accept the content of ruling group preferences, culture area by culture area. Both ethical objectivism (DeMartino means insistence that an ethical position is absolutely true) and relativism derive from the fallacy that normative reasoning requires certainty; the former avows that we can attain it, the latter that we never

can. A highlight of the book is exposition and refutation of intercultural relativism as influentially expounded by Michael Walzer (pp. 94–96, 133–143). Walzer adopts an excessive and rigid binary contrast between outsiders to and members of a culture, indeed a simplistic unitary notion of membership, and in contrast an excessively lax interpretation of what constitutes choice by members of a culture who are deprived of information and real alternatives.

DeMartino seeks an alternative that offers a better combination of reason, universal concern and local specification. He presents his own criterion, inspired by Amartya Sen, initially as equalization of internationality of people's capabilities. Sen himself takes capability as a major, even the primary, 'space' for normative comparison but not the only one, and so is not committed to equalization. Further, capability can often be hard to measure, making precise equalization problematic. Acknowledging such points, DeMartino's refined criterion becomes 'a [economic policy] regime will be deemed just if and to the degree that it promotes harmonization of capabilities to achieve functioning at a level that is sufficient, universally attainable and sustainable' (p. 144). Given capability theory's central role, the book needs a fuller, more precise and up-to-date exposition; and at some points Sen's position seems mis-specified.

Chapters 5 and 6 apply in depth the methodological and normative tools developed to examine different stances on international competitiveness policy and free trade. Compared with the sketchy treatment of capability theory, the very long Chapter 5 bestows perhaps disproportionate attention on 'industrial policy' and several approaches to competitiveness promotion (respectively emphasizing corporate governance, human capital, or other factors). But the use of a systematic framework again does add richness and insight. Finally, in Chapter 7 DeMartino faces the challenge to not merely use his normative criterion to criticize existing policies but to help suggest an eventually feasible and superior regime for international economic relations. He explores possibilities around a global corporate code of conduct, a harmonized global corporate tax and subsidy system, international labour mobility, and especially a tariff system that would penalize countries which pay low wages relative to their financial capacity and would use the proceeds for capabilities promotion in poor countries. Compared with the broader attention to human capability expansion found in the UNDP's Human Development Reports, the chapter bears the marks of the debates over NAFTA. Inevitably DeMartino writes primarily for a North American readership (p. 2 for example badly mistakes colonial history). Development studies readers could fruitfully complement his study with, say, Amit Bhaduri and Deepak Nayyar's *Liberalization* (Penguin, 1996) and C. T. Kurten's *Rethinking Economics* (Sage, 1996).

Overall DeMartino's combination of explanatory theory and policy debate, of critique and construction, and of the nuts and bolts of economics and politics with the perception of the philosopher, produces a very valuable study. He deals helpfully with many more issues than highlighted in this review and does so in a readable and engaging style. Hopefully a second impression or edition will correct some inaccuracies and printing errors. The book deserves a wide audience.

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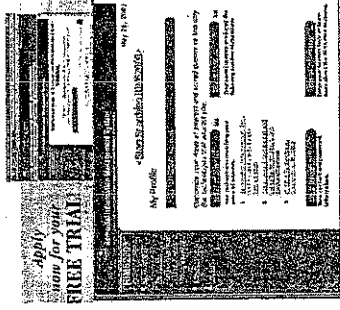


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