



Mauro F. Guillén. *Rude Awakening: Threats to the Global Liberal Order.* Philadelphia: University of Pennsylvania Press, 2018. 192 pp. \$24.95, cloth, ISBN 978-0-8122-5044-2.

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Many countries and the global economy as a whole are presently suffering through troubled times, in what amounts to a global existential crisis that is decades in the making but whose origins, scope, and possible solutions can be difficult to glean from the mists and wreckage. This new book by Mauro F. Guillén does an excellent job of summarizing and diagnosing the ills of the neoliberal worldwide economic system we live in, its key features in both policies and outcomes, the crisis since 2008, and the methods to fix what is wrong.

Guillén is the Felix Zandman Professor of International Management at the University of Pennsylvania's Wharton School of Business and is thus well positioned to comment on international business trends and global markets. Indeed, the book is full of insights about international financial markets and currency matters that the typical reader may not be familiar with. However, his careful treatment of the politics of the current conjuncture is especially welcome, as he fully recognizes that there is a profound political crisis of confidence that cripples the legitimacy of the post-1980 neoliberal order, and that must be addressed comprehensively and with human sensitivity. The reality of the crisis is especially evident since the book is quite up to date, fully incorporating developments to mid-2017, such as European

right-wing populism, President Donald Trump's election in 2016, former US presidential candidate Bernie Sanders and his movement, Britain's Brexit vote ("Britain will need to reinvent itself in a major way" [p. 66]), China's currency woes, and more. The timeliness of the book makes it all the more valuable.

Guillén neatly encapsulates the historical narrative for his book with the device of "Global Liberal Order" Version 1.0 and Version 2.0, and a future Version 3.0 we must now be focused on crafting.[1] Version 1.0 appeared after World War II and then was revised to become 2.0 in the 1980s by President Ronald Reagan; Margaret Thatcher, the British prime minister; and others. Liberal Order Version 2.0 featured four key innovations that each came with a problematic downside that has become increasingly evident in the last decade. First, there was a new liberalization of capital that unfortunately tended to favor short-term flows, a mechanism for volatility but little job creation. Second, an imprudent deregulation of financial sectors unleashed destructive financial innovations regulators could not keep up with and allowed mergers across the securities, commercial banking, and insurance sectors that created behemoths "too big to fail" (p. 21). Third, the "Washington Consensus" neoliberal policy formula was born among World Bank and International Mone-

tary Fund economists and became ever more demanding in its list of necessary reforms, even as many developing countries were unable to respond and grow, spreading the sense that “economic liberalism was not to the benefit of poor or developing countries” (p. 24). Finally, we have the mushrooming of regional trade blocs everywhere, not particularly problematic save that the most advanced of them, the European Union, has had severe management problems with its new common currency, the euro. This Version 2.0 has now been buffeted by multiple crises since 2008 and is in serious need of updating.

Guillén provides nuggets of insights about global financial and monetary matters in particular, always clearly explained. His take on the troubled euro, for example, is that it was prematurely taken up by the EU, not yet nearly an “optimal currency area” in the 1990s. When compared to the United States, the euro zone’s internal trade was just 17 percent of GDP, while intra-US trade was 66 percent; geographic labor mobility in the US is almost three times that of the EU; and federal transfers to offset local shocks can be up to 28 percent of local funds in the US, but only 0.5 percent in the EU (p. 27). Yet EU economic inequality and dislocation have neatly fueled the rise of Europe’s Far Right. Globally, in our unguided quest for an optimal “leading international currency,” Guillén points out, the US dollar is a very poor one—with value fluctuations of plus or minus 30 to 40 percent in recent decades—and was never designed as one, but the alternatives are even less qualified for the task thus far (pp. 124, 125).[2]

Chapter 4 is a very interesting chapter on apportioning blame for all that is going wrong; it is eye-opening and debunks some myths. Global trade liberalization has created millions of jobs but its negative impacts have also been geographically concentrated, and so the US Rust Belt stands as a bad advertisement for it. A key feature of the North Atlantic Free Trade Agreement (NAFTA) was the raising of the North American local con-

tent requirement for the automobile industry from 50 percent to 62.5 percent (p. 86), causing a flood of global auto manufacturers and their suppliers to invest in new plants, but mostly in the American South and not the Rust Belt. A section on the impact of immigration in the United States points out that 23 percent of tech companies in the United States are founded by immigrants, reaching 40 percent in California and 42 percent in Massachusetts (p. 99). Immigrants also tend to be younger than the average population of destination countries, such that their work, taxes, and contributions to Social Security are vital stabilizing factors in aging industrial societies. Finally, we learn the dismal news that US “active labor market policies”—the money spent on worker retraining, employment incentives, direct employment, and other measures to help workers hurt by neoliberal dislocation—have declined from 0.26 percent of GDP in 1985 to 0.12 percent in 2015, almost the lowest level on the planet (p. 88).

One might expect a scholarly account of this web of weighty topics to shy away from policy advice, but *Rude Awakening* offers extended discussion of needed changes, attempting to take account of the political dimensions of the situation, if not always succeeding. The overall message is reflected in Guillén’s renaming of neoliberalism as “hyperliberalism”: Version 2.0 “tilted the balance between economic and political liberalism” far too much in favor of the economic, and political policy control and moderation must be restored (p. 133). The impacts of Version 2.0 excluded too many, undermined social cohesion, weakened educational institutions, and exacerbated residential segregation and social stratification. It should be said, however, that Guillén’s call for anti-liberal movements of both the Right and the Left to come back into a balanced liberalism does not appear likely any time soon; indeed, the United States looks like it will instead be oscillating from one side to another. Nor have notions of “deliberative” and “direct” democracy penetrated into American public discourse much so far (p.

136). Finally, the author gives little attention to the topics of improving progressive taxation and fixing income distribution—seemingly crucial topics—though the problem of economic inequality is regularly mentioned. Perhaps it is assumed that such measures would be part of the rebalancing to the political side and the re-embracing of government policy solutions; “both markets and governments are needed to realize the promises of liberalism” (p. 142).

More direct and specific are the author’s recommendations about global financial regulations, which might appear doable for Version 3.0 given the daunting nature of most of the other current policy impasses. Here Guillén endorses capital controls as no longer a taboo subject, including taxes on foreigners’ purchases of domestic assets and the Tobin Tax idea, to be applied to international transactions involving currency conversions. Such measures could be expected to reduce volatility, redistribute some wealth, and act as firewalls against economic and financial crises.

Returning to the international/transnational, Guillén makes an excellent point in listing as a high priority the need for an “informed debate about the economic benefits and the social costs of free trade, ranged against the dangers of protectionism” (p. 142). Though buffeted and tossed about by these global forces on a daily basis, the general public in most countries seems to actually understand little about what is going on in this area, perhaps the great question of our time alongside climate change.

Taken as a whole, this work provides a pithy summary of the contours of the present crisis and provocative ideas for fixing things. The clear presentation of many of the overarching principles, dilemmas, and issues at stake, combined with data and examples, make it particularly useful for the classroom.

Notes

[1]. This is somewhat reminiscent of G. John Ikenberry’s formulation of “Liberal International-

ism 1.0, 2.0, and 3.0,” though Ikenberry is focused on American international power and influence and the outlines of and possibilities for a “post-hegemonic” liberal security order specifically, not on the glaring internal politico-economic legitimacy problems of neoliberalism that have become so apparent since 2008. See G. John Ikenberry, “Liberal Internationalism 3.0: America and the Dilemmas of Liberal World Order,” *Perspectives on Politics* 7 (2009): 71-87.

[2]. Drawing on Ronald I. McKinnon, *The Unloved Dollar Standard: From Bretton Woods to the Rise of China* (New York: Oxford University Press, 2013).

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