

Political economy, economics and development

Capitalising on change in a globalising world: a view from Hamburg. By **Wolfgang Michalski**. Hamburg: Murmann Verlag. 2011. 513pp. Index. £28.28. ISBN 978 3 86774 138 5. Available as e-book.

Following a career at the Organization for Economic Cooperation and Development (OECD) in Paris, Wolfgang Michalski has produced a fascinating review of the economic history of globalization and a thoughtful analysis of its future. His role at the OECD provided him with a wealth of cross-country examples of banking collapses, trade barriers, labour market reforms and currency crises that he employs to draw lessons for today's problems. A unique feature of the book is the use of Hamburg—northern Europe's largest trading centre and Michalski's home town—as a concrete example of the impacts of globalization and the policies needed to profit from it. Indeed, the central role of cities in the globalization process is a key element of the historical analysis.

Six phases of globalization are identified over the broad sweep of western history. For this purpose, globalization is defined not only in economic terms, but also as a socio-political phenomenon. Thus, a critical aspect of the globalization process is 'the actual existence and interactive relevance of an overarching framework of rules and/or power structures' (p. 13). The earliest phase centred on Athens and then Rome, up to the end of the Roman empire around 400 AD. The second period had two centres simultaneously: Venice in the Mediterranean/southern European region and the Hanseatic League of over 60 cities (including Hamburg) in northern Europe. Each developed financial and legal structures that formed the basis of trade for their region. Around 1500 the colonial age dawned, with the success of Portuguese, Spanish and then Dutch seafarers in discovering new worlds and drawing them into trade with Europe. After the defeat of the Spanish Armada in 1588, the English became the predominant power in the fourth phase of globalization, based on both economic and military strength. This phase was characterized by strong income and trade growth, but also intense intra-European rivalries over colonial interests. A difficult fifth phase ensued in the early twentieth century as Britain lost its predominance without the corresponding rise of an alternative hegemon. Thus, the first half of the twentieth century brought a 'globalization of war', as well as the Great Depression in the 1930s. Finally, the post-Second World War period brought a strong phase of globalization led by the United States and the international organizations largely shaped by it. The author postulates that we may be nearing the end of this phase and entering another dangerous period without a clear global leader. His final chapter discusses the alternatives and risks created by a multi-polar power structure.

The book develops many historical parallels that can enlighten our understanding of current economic problems. The first truly global financial crisis in 1857, triggered when the Ohio Life insurance company declared bankruptcy due to its dubious investments in the railway, is not dissimilar to the widespread securitization of mortgages in the 2007–2009 crisis. The effect of the internet on communications and supply chains today echoes that of the building of the railroads beginning in the 1820s, the cross-Atlantic telegraph connection in 1863 and the opening of the Suez Canal in 1869 which shortened the route from London to Bombay by 40 per cent.

Periods of strong economic growth were often associated with increasing social polarization. The development of the labour movement in Europe spread during the 1850s and 1860s as workers saw their real wages fall and their living conditions worsen as the growth

Book reviews

of cities outpaced improvements in sanitation and transport systems. This sparked Karl Marx to produce the *Communist manifesto* in London in 1848 and *Das Kapital* in Hamburg in 1867. Urbanization has been a stimulus for both wealth creation and social ferment, often at the same time. Are the recent Occupy movements in London and New York part of the same dynamic?

In some respects, the last chapter of the book is disappointing, but then future gazing is a difficult business. The author sets out alternative scenarios for the major economic regions and for global governance over the coming years. He strives to paint at least one positive scenario for each case, but admits that the political requirements to achieve them would require stronger leadership or more societal consensus than we have seen recently either in Europe or in the United States.

The history of globalization is that it brings unforeseeable social and political transformations as well as economic ones. Those cities, countries or regions that have been successful over past centuries are those which recognized the new forces and adapted to them, not those who resisted and clung to traditional structures. If a 'muddle through' scenario is the best the West can do in the twilight of the US-led sixth phase of globalization, then the seventh may not be to our liking.

DeAnne Julius, Chatham House