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International Organization

Bruce Cumings
The Northeast Asian Political Economy

Thomas Ferguson
From Normalcy to New Deal

Peter Alexis Gourevitch
Breaking with Orthodoxy: Europe in the 1930s

James P. Hawley
U.S. Bank Regulation and the Euromarket

Stephanie G. Neuman
Third World Military Industries

Bruno S. Frey
Public Choice and Global Politics

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Political Consequences of Industrial Change

Articles

Review Essay

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Abstracts

The origins and development of the Northeast Asian political economy: industrial sectors, product cycles, and political consequences
by Bruce Cumings

Theories of the product cycle, hegemony, and the world system are used to analyze the creation and development of the Northeast Asian political economy in this century. Japan, South Korea, and Taiwan have each developed in a particular relationship with the others; the three taken together form a hierarchical, constantly interacting political-economic unit. During the period of colonial rule Japan was unique in building an imperial economic unit marked by a strong role for the state (whether in Tokyo or Taipei), by a tight, integral linking of all three nations into a communications and transport network running toward the metropole, and by a strategy of both using the colonies for agricultural surpluses and then locating industries there. After 1945 a diffuse American hegemony replaced Japan's unilateral system, but elements of the prewar model have survived: strong states direct economic development in South Korea and Taiwan (here termed "bureaucratic-authoritarian industrializing regimes"); both countries are receptacles for Japan's declining industries; and both countries develop in tandem, if in competition, with each other. The most recent export-led competition has seen Taiwan succeed where South Korea has (temporarily?) failed, leaving Seoul in an export-led "trap," burdened with rapidly increasing external debt. Taiwan, furthermore, has industrialized relatively free of social disruption, whereas Korean society resisted its transformation at Japanese hands and remains more rebellious today. There can be one Japan and one Taiwan, but not two or many of either, in the world economy.

From Normalcy to New Deal: industrial structure, party competition, and American public policy in the Great Depression
by Thomas Ferguson

Industrial partisan preference may be formally modeled as the joint consequence of pressures from labor and the differential impact of the world economy on particular businesses. This "basic" and static model, when extended to cover the money market, can be used to examine questions of political development, including the effects of fluctuations in national income on political coalitions. American institutions and public policy during the New Deal are used to test the theory against empirical evidence, much of it from new primary sources. The rise of the New Deal coalition is traced to changes in the American industrial structure deriving from the boom of the 1920s and the reversal of the U.S. financial position that resulted from World War I, in addition to the well-known labor militancy of the 1930s. The effect of these changes was the rise of a (Democratic) political coalition dominated by capital-intensive, multinationally dominant firms and industries with a strong interest in free trade and a historically unprecedented ability to cope with major industrial upheavals without resort to force. The major public policy initiatives of the New Deal are reexamined from this standpoint.

Breaking with orthodoxy: the politics of economic policy responses to the Depression of the 1930s

by Peter Alexis Gourevitch

Under the same systemic shock, the collapse of the international economy in 1929, different countries formulated different policy responses. Britain, Germany, the United States, France, and Sweden all began by attempting the orthodoxy of deflation. Soon after, they abandoned deflation, devalued their currencies, erected tariff barriers, and set up corporatistic production and marketing arrangements. A few countries went further, and began experimenting with demand-stimulus fiscal policy. The most successful was Nazi Germany; the Swedish and U.S. efforts were much more limited and less effective, the French attempt crumbled in less than a year, and Britain never tried demand stimulus. Why this divergence in policy? The politics of policy response, the societal basis of different policy coalitions and the way in which they were expressed through different political formulations, suggests an answer. In all countries, labor, agriculture, and certain elements of business became available for revolts against policy orthodoxy. What differed across countries was the specific balance of forces among these interest groups, and the political factors that shaped their combinations. The effect of political leadership, institutions, and other variables on outcomes depended critically on the way specific social forces in each society used and worked through them.

Protecting capital from itself: U.S. attempts to regulate the Eurocurrency system

by James P. Hawley

In 1979 and 1980 the U.S. government attempted to regulate the Eurocurrency system in order to stabilize the international monetary and financial systems, and for U.S. domestic monetary purposes. The conflict between the U.S. government (especially the Treasury Department and the Federal Reserve Board) and U.S.-based transnational banks (TNBs) illustrates TNBs' contradictory interests, which are neither self-evident nor easily discernible, even to TNBs themselves. The state comes to play a mediating role vis-à-vis TNBs in an only partially successful attempt to transform contradictory interests into coherent policy, resulting in conflict between the state and TNBs. The origins of U.S. regulatory initiatives are rooted in multilateral attempts to supervise banks between 1974 and 1978, and the failure of such coordination during the 1978 dollar crisis. From the conflict between U.S. officials and U.S. TNBs emerge varying concepts of TNBs' interests. After examining the reasons for the failure of the U.S. proposals, I conclude by suggesting some implications of TNBs' contradictory interests for statist and social conflict theories of the advanced capitalist state. Few theories of the state have adequately taken into account the complexity and contradictory interests of transnational capital.

International stratification and Third World military industries
by Stephanie G. Neuman

Weapons production is increasing in the Third World, affecting the structure of the world arms transfer system. The quantitative and qualitative capabilities of Third World industries imply that the number of less developed countries (LDCs) producing major weapons will not increase dramatically in the future; that LDC defense production will remain a small fraction of the world's arms trade; and that military industries in the Third World will concentrate on defense items that are older and less complicated than technologies manufactured in the developed world. Various socioeconomic factors might explain the reasons for the disparities among arms producers. Factors of scale, particularly the existence of a large military to provide an adequate internal market, combined with financial resources and technically trained personnel to support the necessary industrial infrastructure, determine a state's comparative military-industrial capabilities. The inherent constraints of size and infrastructure will create a hierarchically structured world arms trade and production system as the military industries of states grow.