
Book Review

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Governing the World Economy

by: Willem Molle

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Willem Molle, a professor at Erasmus University, in Rotterdam, The Netherlands, makes the case for establishing and operating effective international institutions. Consistent with the author's objective "to present solutions to the problems of world governance on the basis of the results of theoretical and empirical analysis", Molle presents a framework for thinking about global governance issues with applications to socioeconomic policy fields. Following an introduction, he divides the book into three major parts. Early in the book, he discusses pressing global economic and social problems, and in the second part, Molle identifies solutions and describes how to implement them. In the final section, he suggests practical socioeconomic approaches for the future. The book provides a critical assessment of factors shaping the effectiveness of global institutional arrangements and the role of institutions in providing global public goods. The book provides an excellent reference source for students and teachers of international economics, development economics, business and political economy, public administration, and for those concerned about global institutions.

Molle outlines a range of problems confronting the world, and argues that increased globalisation requires people, organisations, and institutions to adjust accordingly. However, increased international connectedness has diminished national governments' capacity to look after their own economies, resulting in critical changes in areas such as labor organisation, government policies, international relations and training arrangements. Mueller (2010) and others document that multinational firms (MNFs) have been particularly effective in diffusing their best practices across the globe, but Molle argues that major institutions charged with governing aspects of the global economy, such as the World Trade Organization (WTO), the World Bank (WB), and the International Monetary Fund (IMF) have been deficient in providing adequate global public goods in the face of the increased globalisation. Increased membership, interest diversity, and structural complexity have made it increasingly difficult for these

institutions to arrive at multilateral agreements that bind their members to global rules in areas including trade, finance, and support structures. Molle suggests that these recurrent problems call, first, for recasting national institutions and policies to improve international competitiveness. Second, he argues for strengthening international institutions with flexible structures and with limited member numbers for their efficient operation to improve their capacity to deal with high-priority global issues. A current example of the latter is the Ebola virus disease (EVD) outbreak – a severe and human illness with an average fatality rate of 50%, transmitted to people from wild animals, and spread through human-to-human transmission – originating in Western Africa and with potentially serious consequences for the entire world.

Molle first extends his foray into the economic effects of globalisation and its deep influence on economies throughout the world. The increased global interdependence has caused a decline in the capacity of national governments to deal with problems that may or may not have been caused directly by globalisation. Molle argues that counteracting the loss in effective national governments' policy instruments in dealing with socioeconomic problems associated with increased globalisation requires national governments to collectively create and strengthen international institutions. For example, governments may be influenced by demands from MNCs, and may adapt their policies to attract or retain MNCs or international investors. By lowering labour or environmental standards, government policies may infringe on labour rights and negatively affect nations' environmental sustainability. A practical example of this can be seen in emerging economies like China and India, which face high population pressures, have low environmental standards, and show high levels of labour exploitation.

In Part I of the book (Chapters 1 through 4), Molle presents the developments of socioeconomic institutions in a global context. He identifies the increased vulnerability of national governments to substantially and effectively solve problems as one of the most pressing 'global bads'. The global spillover effects of the 2008 financial crisis that continue to reverberate across the globe as of 2014 serve to illustrate this point. Molle argues that effectively dealing with the after-effects of the global economic crisis requires creating institutions ('regimes') to deliver global public goods that help solve global problems.

Molle convincingly makes the case that economic integration without deliberate organisation is problematic, by pointing out the need for having international organisations in dealing with problems that reach across international borders and that are beyond the capacity and strength of individual national governments. An example of how international institutions can positively affect outcomes is represented by the United Nations (UN), whose Millennium Development Goals helped increase economic and social development and reduce poverty level in LDCs to some extent (Todaro and Smith, 2012). Another example provided by Molle himself is that the UN's Environmental Program (UNEP) helped recover nations facing environmental disasters.

Molle further examines ways in which international organisations can effectively implement their policies. He argues that implementing sound policies to enable effective global economic governance require exercising political and administrative authority, and that effective governance and implementation of collective actions with outcomes that correspond with the preferences of numerous actors through complex organisational structures requires the use of regulation and compliance. This argument is consistent with

other scholars such as Knill and Liefferink (2007), who explain that the success of an organisation depends on the effective regulation and rule enforcement.

In Part II (Chapters 5 through 8), Molle demonstrates practical aspects of solutions developed in the first part of the book by suggesting policy instruments and strategies in dealing with the world's economic problems. Although international institutions continue to provide important global public goods, Molle argues that they have largely failed to adapt sufficiently, and asserts the need for developing additional or stronger regimes to cope with new challenges in the areas of trade, finance and the environment. In trade, Molle argues, the WTO must find new ways to promote and stand firm on its established objectives and rules, and eliminate protectionist tendencies that reappeared following the 2008 onset of the global economic crisis. He further suggests the WTO ensure that multilateral and bilateral trade negotiations be formulated in compliance with its objective of non-discrimination. In the area of finance, Molle proposes increased monetary integration to boost financial and monetary stability among a region's member states. On the trade-environment link, Molle makes the case that open trade regimes can contribute to a deteriorating environment because polluting firms may relocate to nations with relatively low levels of environmental protection. Unlike Ederington (2010) and others who argue for increasing import restrictions on goods produced under poor environmental conditions, Molle suggests establishing a fully-funded and effective World Environmental Organization to help raise environmental quality.

In the last part of the book, Molle identifies elements he considers deficient in current international organisations, including lack of an overt acknowledgment that global markets depend on foreign direct investment and international labour migration, and the inability of the global economy to deal with competition issues and internet regulation. While regime building in these areas is inherently difficult in part because of the increasing diversity of interest among key players, the resulting lack or overlapping provision of public goods has contributed to the search for regional approaches with relatively flexible arrangements due to having few participants.

Molle ends his book with an outlook and proposed changes for making regimes and international organisations capable of responding effectively and efficiently to future needs. He predicts that regional approaches in dealing with global problems will be preferred to multilateralism, because regional cooperation schemes facilitate collective action more easily than is possible between numerous participants with highly varying interests. Similar to Memedovic et al. (1999) and others, Molle uses the EU as an example of an exceptionally successful regional integration, but in his earlier work, Molle (2006) also acknowledged other regional organisations that contributed to achieving regional objectives and goals among their members.

The author's conclusion that regionalism is the preferred route for developing a multilateral institutional infrastructure is not universally shared. For example, Bhagwati (2008) argues that regionalism violates the principle of non-discrimination under WTO Article I, because only nations participating in an economic bloc benefit from trade creation, while non-members may be negatively affected through trade diversion. Therefore, regionalism can only be the preferred approach for delivering global public goods if it includes tools for eliminating trade diversion. Molle acknowledges that international organisations may regard regional integration ventures as threats to their own power and influence, making them unlikely to emerge in the future.

In accommodating the author's proposal for regionalism to effectively deliver public goods among member states, there must also be a simultaneous increase in the

development and restructuring of the current international organisations (both global and regional regimes). The collaboration of these two major forces will help to effectively deliver global public goods to both developed and developing economies, in order to achieve balanced and environmentally sustainable economic growth with minimal conflicts and war.

In his support for establishing and operating institutions to oversee the world economy, Molle exhibits an in-depth understanding of globalisation and its economic, social, and political consequences. Throughout the book, Molle coherently applies economic theories and arguments to economic ideologies in explaining the fundamental issues underlying global economic growth and development and international relations. The book provides a refreshing point of view on issues faced by all those affected by globalisation.

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