draw too heavily on Western Christianity, liberalism, and bureaucratic rationality.

On this count, the jury is still out. Human rights groups have sprung up all over the world, but most of them are heavily dependent on foreign funds. To be sure, the rights idiom has sunk deep roots in Latin America and Eastern Europe, where long histories of constitutionalism provide receptive environments. Elsewhere, however, the prospects for sustainable, indigenous "human rights" movements seem less promising. People everywhere are keen for justice, equality, and dignity, but it is still unclear whether universal human rights standards can form the basis for a truly global civil society. As Hopgood's book makes abundantly clear, it is devilishly difficult to build a representative, transnational movement for justice, even with the best of intentions.

Capitalism, Democracy and Welfare. By Torben Iversen. New York: Cambridge University Press, 2005. 226p. $29.99.

Inequality and Prosperity: Social Europe vs. Liberal America. By Jonas Pontusson. Ithaca, NY: Cornell University Press, 2005. 242p. $19.95.
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— John Zysman, *University of California Berkeley*

Can policymakers reconcile the dual objectives of economic development and social justice? Are equity and sustained growth in an inherent conflict? How does the welfare system fit in a capitalist market economy? Jonus Pontusson and Torben Iversen provide two perspectives on these basic policy and political debates in interesting, well done, and quite complementary studies of comparative capitalism.

Pontusson's *Inequality and Prosperity* depicts statistically and explores analytically the balance that the diverse advanced countries have arrived at between the objectives of equity and growth. Pontusson provides an excellent summary of the salient institutional, economic, and organizational differences between countries categorized as liberal market economies (LMEs) and those he categorizes as social market economies (SMEs), to be distinguished here later from coordinated market economies (CMEs). He argues that both SMEs and LMEs have institutional advantages for growth, but that the dynamic, and hence the balance between equality and growth, is different in each category. LMEs are organized through market-based linkages and compete on the basis of their flexibility in labor and capital markets, enabling rapid changes when necessitated by the market. SMEs' advantages for growth stem from high levels of society-led coordination, allowing negotiated policy compromises to meet the needs of economic actors. The SME social actors include both business and labor, permitting compromises fueling growth in SMEs to support higher levels of social equality. Pontusson's conclusion considers policies that might provide a better reconciliation of these dual objectives, but is it limited by the lack of an argument about the processes of productivity growth and value creation.

By contrast, Iversen uses the modeler's tools to approach the problem in *Capitalism, Democracy and Welfare.* Using a largely rational-choice approach, he sets out to explain as a product of self-interested individual actors the broad cross-national variation in inequality and redistribution that Pontusson depicts. Iversen's analysis begins with the logic of worker investment in specialized skills. He argues that those who have acquired distinctive value-added skills will seek policies to protect them; conversely, these protections will lead individuals and firms to make the investments to create those capacities. Workers with more general skills demand and win fewer protections, which again creates a self-perpetuating logic: The absence of the protection for investment in skills results in lower levels of skill investment. Using individual preferences as his primary unit of analysis, Iversen creates exciting new ways to link choices about skills to a larger dynamic of welfare and party politics, intended to account for national variation in skills and social protections of skills.

Both books are real contributions. They reject the notion that global processes will drive convergence and explore the foundations of cross-national diversity. The data are interesting and the sophisticated models will display to even the skeptic the utility of formal method. Nonetheless, each book is limited by its analytic approach and interpretation of the global economy rooted in the dynamics of the late 1980s and 1990s. Let us consider these issues in turn.

Both authors position themselves firmly within the varieties of capitalism (VoC) debate about liberal market economies and coordinated market economies, (see Peter Hall and David Soskice, *The Varieties of Capitalism,* 2001). The VoC argument proposes that economies are institutionally organized around two sets of choices. One set is about workers, labor markets, and training; the second is about corporate governance, finance, and interfirm linkages. VoC's causal logic is that the needs of firms to create stable solutions to these two sets of choices generate nationally distinct institutional arrangements. The argument proposes that institutional arrangements come in packages that cannot be easily unbound, and that arrangements in one domain are tightly linked to and dependent on arrangements in another. As a consequence, there are two ideal types of institutional arrangements—liberal markets and coordinated markets. Liberal market economies, such as the United States, have a decentralized economic society organized around general skills, arms-length market relations of finance, and market-based linkages. Coordinated market economies, such as those in northern continental Europe, use a larger number of nonmarket-based cooperative societal links, such as coordinated wage bargaining and cooperative relationships between firms. These ideal types then define categories for empirical work and debate.

Note that Pontusson chooses to use the term "social market economies" to refer to the nations grouped as "coordinated market economies" in Hall and Soskices formulation. While the two concepts encompass the same countries, they are somewhat different. Both the allocation and coordination of resources is powerfully influenced by nonmarket mechanisms, such as stable and long-term firm-finance ties or bargained firm-labor relations. For Pontusson, while the CME notion focuses almost exclusively on the firm and the institutional conditions for solving coordination problems, the term "social market economies" takes into account both political power and the institutional legacies of conflict between business and labor, such as the welfare state or forms of corporate governance.

Many issues in the debate about the general VoC framework are evident in the particular volumes. First, whether the categories are truly robust is a central problem in Pontusson's analysis. It is not evident that places where coordination is animated in fundamentally different ways with consequently different logics should be grouped together. For example, in countries like Japan and France, does the presence of an effective centralized state and the weakness of labor so change the dynamics of coordination and deal making that a different category is called for? Others argue that there is such diversity in the category of social market economy that the dichotomy, LME/CME, collapses. Second, the argument does not specify which constituent elements of a political economy, if any, can shift independently of others, and hence be reformed without a complete system overhaul. The implication is that reforms in one domain, say finance, depends on reforms in other domains, such as labor markets. Third, an essentially static analysis cannot easily account for the dynamics of the various economies. There is no explanation of what gave rise to and then shapes the evolution of the different political economies. One alternate formulation would stand the VoC logic on its head. It may be argued that the fundamental institutions of the political economy are constructed as political solutions to political problems, perhaps beginning with the challenges of nation building and the creation of an early industrial economy (see John Zysman, "How Institutions Create Historically Rooted Trajectories of Growth," *Industry and Corporate Change* 3 [no. 1, 1994]). Seen from this vantage point, the problems of contemporary firms are then resolved within the institutional constraints of those broader political deals. As the political deals and framing regime institutions evolve with shifting political and economic circumstance and crisis, the resolution of the two sets of firms and market choices highlighted by VoC evolves as well. When, then, should the analyst focus on the microeconomic problem and when on the fights creating the broader framework within which the micro problems are resolved? Neither French centralization nor American federalism were created to solve modern market problems, and firm strategies are as often formulated within the political constraints as they force changes in the constraints. The VoC argument taking the individual firm as the point of departure and the Iverson model starting with the individual worker tell one particular political story, but not the only one, and not always even the most useful.

More importantly, both volumes are limited by their assumptions about the global digital economy of the early twenty-first century. This does not undermine the analysis of either volume, but rather limits their relevance as we look forward. In the past years, for example, the transformation of finance, perhaps the most thoroughly globalized and digitized of services, and the modularization and globalization of production have fundamentally altered the balance of political and economic power around the world. The core difficulty in the analysis is about the service transformation, but a comment about the political implications of the modularization of production is necessary as well.

First, consider Iversen's argument that because of the stagnation of productivity in manufacturing and lack of tradedness in services, nations face a three-way choice or "trilemma" where they must balance budgetary restraint, equality, and employment growth. The transition over the past 30 years from an economy dominated by manufacturing exposed to international competition to sheltered service employment with limited capacity for productivity growth creates this trilemma and makes the resulting fights a key political battleground over the distribution of societal resources. (More generally, see William J. Baumol, "Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis," *American Economic Review* 57 [1967]: 415–26.)

But what if the trilemma is a thing of the past? Services were once seen as a sinkhole of the economy, immune to significant technological or organizationally driven productivity increases. Now, in the early years of this decade, the information technology (IT)–enabled reorganization of services, and business processes more generally, has become an important source of actual, presently measured, and potentially dynamic productivity growth (see Barry P. Bosworth, and Jack E. Triplett, *Productivity in the US Services Sector: New Sources of Economic Growth,* 2004).

Service activities themselves are changed when they can be converted into formalizable, codifiable, computable processes, processes often with clearly defined rules for their execution. This algorithmic revolution is changing the structure of employment, the division of labor, the character of (as well as the skills required for) work, the location of productive activities, and the policies required to sustain growth (see John Zysman, "The 4th Service Transformation: The Algorithmic Revolution." *CACM Special Issue on Services Sciences* 49 [July 2006]: 48). With this algorithmic transformation, the evolution of services is toward tradables that are a source of productivity, the precise reverse of the premises of the trilemma. Moreover, the evidence is that this IT revolution favors general analytic skills and communication skills. Suddenly, the story is *not* the growth in the quantity or value of the activities we label services. The story is not about a shift from agriculture to industry to services. The crucial story *is* the service transformation enabled and at times driven by the application of rule-based information technology tools in an array of domains, from finance through airline reservations through media through elder care. Imagine, then, a new trilemma: the need to balance the dynamism of IT-related services (including the volatility and disruptive impact of market finance), the cultivation of workforce skills, and social peace. How this balance can be struck is far from clear.

The changing process of value creation in the global digital economy with the pervasive decomposition and relocation of production is as fundamental for politics of the advanced countries as the services transformation (see John Zysman, "Creating Value in a Digital Era: How do Wealthy Nations Stay Wealthy?," in John Zysman and Abraham Newman, eds. *How Revolutionary was the Digital Revolution?*, 2006). To simplify a complex story, let us focus on one dimension: modularization. Modularization involves the decomposition of production and services, the molecularization of the production, and the emergence of cross-national supply chains that generate final product and service delivery. As production of services and goods is deconstructed, political interests are fundamentally fragmented. It is not just that workers and management have different interests, or that workers are relatively immobile and capital mobile. Nor is it simply that the interests of subgroups of workers, or subgroups of capital, have different, often contradictory interests. Rather, if we think in terms of Iversen's argument, the modularization in production of goods, as well the decomposition and growing tradability of service offerings with the often abrupt relocation of jobs, makes it difficult to identify how the interests of different groups are affected by the changes of the global economy, where the boundaries around economic interests are, and what the groups are in the first place. Since the effects are diverse and molecular, the question of how political groups are constituted and reconstituted, how interests are formed, defined, and redefined, becomes crucial. As the economic foundations of political groupings become more unclear, the politics of creating groups and interests in the political economy becomes more central. Political and even economic groupings must be seen more clearly for what they are, *political* constructs. The politics of political economy become more central.

In sum, these are two very interesting, well-executed, and provocative books. They force us both to reflect on the past decades and to consider what will be required to pursue equity and growth in the future under the conditions of the new information economy and the new forms of production and politicization it makes possible.

States, Scarcity, and Civil Strife in the Developing World. By Colin H. Kahl. Princeton: Princeton University Press, 2006. 354p. $35.00.
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— Klaus Schlichte, *Humboldt-University at Berlin*

Environmental issues have only recently attracted more attention in social science's reasoning about the causation of war. Even though many scholars would probably agree with the assertion that environmental degradation and demographic pressure play a role in the causal nexus of many civil wars, the question of how this relation could be conceptualized has remained open for a long time. It is the aim of Colin Kahl's book to tackle this issue not by a mere theoretical and conceptual discussion but by using two intensely studied cases as material to construct such a conceptualization and to render it empirically applicable and plausible.

Kahl's main theoretical argument is that the combination of rapid population growth, the degradation of renewable resources, and the maldistribution of renewable resources can lead to what he synthesizes as "demographic-environmental stress" (DES), which is, in his model, a root cause of civil strife. However, distinguishing his argument from a crude ecological argument about war causation, he includes the state as a switch in his model. Although he calls this approach a "state centric theory" (p. 209), it is only in weak states that the pressure ensuing from DES can lead to civil strife. Kahl distinguishes two mechanisms at work in weak states that may lead to that result: state failure, for which he takes the Philippines and Somalia as examples, or state expropriation, as could be observed in Rwanda and Kenya. According to Kahl, two intervening variables decide whether DES-induced conflicts turn violent within weak states. The first one is "groupness," an expression that designates the fragmentation of a society into subnational groups, and the second is what Kahl calls the "inclusivity" of national institutions.

This clearly structured model is laid out in Chapter 2 of his book following Kahl's discussion of competing approaches in Chapter 1. Chapters 3 and 4 contain detailed case studies, in which Kahl meticulously constructs his argument with reference to the conflict of the National People's Army in the Philippines since the 1970s and the civil strife that arose around land issues in Kenya's Rift Valley in the 1990s. These two examples have been chosen, Kahl argues, not as test cases, but as instances of the plausibility of his argument, given the scarcity of reliable data for the two conflicts. Both case studies are based upon wide reading and indeed contain convincing statistics on demographic growth, population densities, rates of deforestation, and estimates on land shortage. In Chapter 5, Kahl discusses the role of the two intervening variables—groupness and inclusivity—for the two cases, using these to explain very convincingly the variation of violence across time and subnational regions for the two cases.