INTERNATIONAL RELATIONS

Global Liberalism, Local Populism: Peace and Conflict in Israel/Palestine and Northern Ireland.
By Guy Ben-Porat. Syracuse, NY: Syracuse University Press, 2006. 327p. $19.77.
DOI: 10.1017/S1537592707072635

— Gad Barzilai, *University of Washington*

Guy Ben-Porat's valuable book argues that contemporary globalization may transform conflicts and their resolution since it generates hegemonic crisis and fosters neoliberal interests among international and local players. Hence, interactions between localities and transnational capitalist forces may be a crucial predictor of the ways that conflicts have been managed, resolved, and reproduced. In this context, *Global Liberalism, Local Populism* analyzes the complexities of two protracted, violent clashes: the Israeli-Palestinian conflict and the Catholic-Protestant conflict in Northern Ireland.

Writing from a critical neo-Marxian perspective, which should be more frequently employed in studies of international relations, Ben-Porat offers a compound analysis that is based primarily on secondary resources. He argues that while the nineteenth century was characterized by national territorial expansion driven through economic forces (pp. 19–42), contemporary globalization, especially since the 1980s, is characterized by transnational neoliberal drives for stability and the making of financial profits (pp. 109–38). In this context, the book examines how the Zionist and the Irish Republican movements, both of which were created as reactions to nineteenth-century European nationalism, have responded to their subjection to transterritorial globalization in the late twentieth century.

Ben-Porat argues that contemporary globalization in the late twentieth century gave priority to economic interactions and networks, rather than to territorial control. Hence, new constraints have been posed on local territorial conflicts, creating new socioeconomic drives for dispute resolution (pp. 109–38). He rightly argues that new globalization has not fully replaced territorial concerns (p. 112). But local territorial conflicts clearly have had to face greater pressures from old and new economic forces, which contributed to the Oslo Accords (1993) in Israel/Palestine and to the Good Friday Agreement (1998) in Northern Ireland. Territory has thus been reshaped, reproduced, and regenerated amid capitalist expansion in ways that limit a narrowly territorial politics (pp. 123–42).

Yet the book overemphasizes the role of business communities as transnational elite groups promoting conflict resolution, and it pays insufficient attention to the processes that eventually led to the demise of the Oslo Accords and to the hurdles around the Good Friday Agreement. Focusing primarily on Israel (rather than on the Palestinians), the book explicates how business interests in liberalized capital markets and global integration have imposed pressures on political elites to conclude belligerencies and to advance globalization through liberalization and deterritorialization (pp. 154–84). Indeed, the economic dividends for Israel due to the Oslo Accords could have been very significant. But those capitalist expectations were not the main reason for the accords, for either the Palestinians or the Israelis.

The book does not analyze the most important variable that has affected Israeli decision makers—demography—and it ignores the Palestinian need to conclude at least part of the Israeli military occupation. Indeed, primary and secondary sources indicate that fears of losing a Jewish majority have led the Israelis to deterritorialize the state, since otherwise, the Jewish republic could have been endangered. Similar processes obtained in Northern Ireland in the few years that preceded the Good Friday Agreement. Economic drives and calculations of benefits in a globalizing world played a role in mitigating the conflict, and at some point an organized lobby of businesspeople, mainly Protestants, even imposed direct pressures on the parties involved to make compromises (pp. 236–43). The upper and middle classes in Northern Ireland were more interested before the mid-1990s in a compromise that would intensify the economy and integrate Northern Ireland into the European and global economy. Yet other factors, such as lack of mutual confidence, extreme religiosity, and severe ethnic discrimination, were neglected by politicians and observers. The book discusses these factors as limiting any further success in resolving the conflict. But it ignores other factors that have contributed to the Good Friday Agreement, including British foreign policy and the pressures within the camps of both Catholics and Protestants to reduce the increasing number of casualties. My point: Theorization of dispute resolution cannot be reduced solely to an account of socioeconomic conditions and opportunity.

Beyond veering toward an economic reductionism, the book has a few minor stylistic and structural weaknesses. Its account of early Zionism is too lengthy and rather descriptive. And while Ben-Porat correctly notes that European nationalism was tinged with anti-Semitism and that throughout nineteenth-century Europe Jews enjoyed second-class citizenship (p. 47), his economically driven argument gives short shrift to the ethnic foundations of Zionism, in the same way that it underestimates the ethnic sources of Palestinian nationalism, which emerged in complex relationship to its Zionist counterpart (pp. 66–78). Due to these dynamics, a bitter ethnic conflict has evolved into a bloody territorial conflict that appears to have a life of its own, economics aside.

A similar dynamic characterizes the Irish conflict as it has evolved since the nineteenth century, combining Catholicism and the reconstruction of the Gaelic past. In a relatively concise chapter, Ben-Porat analyzes how an exclusively Catholic form of nationalism emerged in Ireland, marginalizing those Irish Protestants who in the early part of the century made efforts to participate in the development of a more inclusive form of national identity (pp. 86–101). Like the Palestinian and Zionist movements, Irish (Catholic) ethnicity had become in the early twentieth century a primary means of resisting economic deprivation, consolidating national identity, and driving forward a bitter conflict with its own bloody dynamic.

While Ben-Porat does not offer a persuasive account of these dynamics, he presents an interesting alternative account, and clearly demonstrates how the interaction of imperialism, ethnic conflict, and the dynamics of ethnic partition have been a crucial source of political contestation and violence. His analysis ignores some key factors—demography, religion, regionalism—that may better explain both the Oslo and Good Friday agreements. However, the book delivers a fascinating explication of interactions between localities and globalization, centering on transnational business elites who have sought, with limited success, to engineer a liberal world order free of virulent conflict. While its account of neoliberal globalization has shortcomings, *Global Liberalism, Local Populism* is an original, provocative, insightful, and well-written effort to better theorize and understand protracted hostilities between and among communities in a more transnational world. It is a must-read for students and scholars of conflict resolution in Europe, the Middle East, and beyond.

Democratic Processes and Financial Markets: Pricing Politics. By William Bernhard and David Leblang. New York: Cambridge University Press 2006. 260p. $70.00 cloth, $24.99.
DOI: 10.1017/S1537592707072647

— Stephan Haggard, *The Graduate School of International Relations and Pacific Studies, University of California, San Diego*

Imagine contemporary political economy as the electromagnetic spectrum. At one end are very long-run processes, such as the emergence of the political institutions that generate divergence between rich and poor countries in the world economy. At the other end are short-run phenomena, such as the movements in financial markets that we ponder while reading the stock pages with our morning coffee. For the last 10 years, William Bernhard and David Leblang have been exploring this latter end of the spectrum with clarity and rigor, and between them have pretty much defined the standards for the field.

Democratic Processes and Financial Markets gathers together, but also integrates and extends, a series of essays that the two have published in major journals on the politics of financial markets. The underlying theory is simple: Investors incorporate expectations about political developments into their portfolio decisions. When market actors face uncertainty, they hedge against risk by moving into instruments that are less vulnerable to adverse political outcomes.

Actually testing this proposition is complicated, however, because well-functioning markets quickly incorporate and discount predictable political outcomes: The election of Margaret Thatcher in 1979 should have different effects than the election of George W. Bush in 2000 or Angela Merkel in 2005. Moreover—and here is where the empirical strategy becomes particularly complex—we can only test any of these political propositions against an appropriately specified baseline of what the markets would have done in any case.

In taking on this challenge, Bernhard and Leblang produce some of the most truly interdisciplinary political economy done by political scientists to date. The book considers the effects of politics on exchange rates, stock and bond prices, and interest rates. Depending on the outcome they seek to explain, they draw on tools from contemporary financial economics—predictions generated by futures market prices, capital asset pricing models, covered interest arbitrage models—to establish an appropriate baseline from which to measure the perturbations caused by politics.

But what do we mean by "politics"? The authors begin the book with an exercise in demolition. They run through a series of explanations that have been tested in the literature, including the presence of elections per se, incumbent partisanship, partisan change, the decisiveness of elections, and institutional factors such as the nature of exchange rate commitments. They find that this standard list has surprisingly weak explanatory power with respect to exchange rate movements. The reasons go back to the informational approach underlying the book: These factors do not necessarily provide new information to markets, and as a result we should not expect them to have effect. We need to capture, rather, those periods characterized by genuine political uncertainty.

To undertake this task requires both a theoretical intuition and a method for testing it. The theoretical bet placed by a book subtitled *Pricing Politics* owes a large debt to Laver and Shepsle's work on cabinet formation in parliamentary systems. The method relies on breaking up the political timeline of the advanced industrial democracies into periods that can be explored in more detail using high-frequency financial data, down to the day in some cases: the period prior to an election, the period during which the new government is being negotiated, the period immediately following the sitting of the new cabinet.

Following Laver and Shepsle, it is in the period when the cabinet and the allocation of portfolios is being negotiated that the potential for genuine uncertainty arises. Dominant or strong parties dampen uncertainty; in such