

recognize that they cannot so easily play the middle against both sides, as Viktor Yanukovich learned. And thus this raises the question: How does Tolstrup's leverage/linkages/gatekeeper perspective need evolve in a world whose rules are being transformed?

Putin's asymmetrical warfare is one thing that changes the terms of the game, but the revolutionary spirit of 2011–13 has changed our sense of the world, too. The Maidan was different from the color revolutions that preceded it, not least for the willingness of youth to meet violence in lesser kind for it, and with the more general awareness that circulations of elites, while necessary, are not sufficient for the transformation of societies, especially when corruption tarnishes all elites. Indeed, variations on that spirit could envelop the world and change our sense of the domestic itself.

It is already a great step to figure the articulation of the domestic and the international in political science, but one might also consider what could happen if that meeting would develop beyond elites and formal rules. If one had a richer sense of the social in the domestic, something Maidan demands, would the black box of values, of societal pressure, play a different role in figuring democratic trajectories? In that light, we might even ask how societies could learn from one another not only in movement repertoires but in moral courage, in expectations of governance, in corruption's legitimacy.

In that social, intellectual transformation, we might even change this fine book's question. It is not only a question about Russia versus the EU, or even how those hegemony contest Ukraine, Moldova, and Belarus. It is also about the ways in which elites become implicated in one another's worlds and how publics judge those associations. Ukraine's struggles today are not just about geopolitical contest, important as that is. They are also about public responsibility and empowerment and how states respect and manipulate those terms of democracy.

*Russia vs. the EU* is critical reading, not only for those who seek better theories articulating international relations and domestic politics but also for anyone wanting a better understanding of the alternative futures facing Europe and Eurasia and—with thoughtful extension—the world.

**Financial Crises and the Politics of Macroeconomic Adjustment.** By Stefanie Walter. New York: Cambridge University Press, 2013. 272p. \$99.00.

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— Wyn Grant, *University of Warwick*

This book represents a significant and innovative contribution to the literature on macroeconomics and politics. It is based on strong quantitative and qualitative data, which are effectively and rigorously interrogated. A serious work of scholarship, the book is also engagingly

written, and effective use is made of relevant anecdotes to open some chapters.

Noting a gap in the literature in terms of the financial difficulties encountered by holders of foreign-currency denominated debt, Stefanie Walter focuses on the Asian financial crisis of 1997–98 and the global financial and economic crisis that began in 2007. Her main contribution is to “show how macroeconomic policy adjustment affects individual voters and how the anticipation of these distributional effects influence policymakers' choice and timing of adjustment strategies” (p. xv). It is argued that “a government's choice of adjustment strategies depends on voters' specific vulnerability profiles” (p. 18). A key distinction is made between “*internal adjustment strategies*, such as fiscal and monetary tightening and structural reforms, and *external adjustment strategies*, which involve an adjustment of the exchange rate, typically a depreciation or devaluation of the currency” (p. 3).

A combination of distributional concerns and electoral incentives can delay macroeconomic adjustment and affect the choice of strategies. The book considers the reactions of both individual voters and firms. In Asia, case studies of Taiwan, Thailand, South Korea, and Hong Kong highlight “the importance of indirect vulnerabilities of voters to the effects of government policies on their employers and the economy at large” (p. 179). The book then provides a series of cases from across Eastern Europe where governments deployed a wide range of strategies in response to the challenges posed by the global financial crisis. Throughout the book, attention is paid to the way in which financial globalization has transformed the access of governments, firms, and consumers to international financial markets. Indeed, it is noted that financial globalization has had a particular impact on exchange rate and monetary policy.

A number of important findings emerge. One relates to the heterogeneity of voter preferences: “Previous research had assumed that voters have homogeneous preferences regarding external adjustment and has argued that they oppose [currency] depreciation because it reduces their purchasing power” (p. 220). It is also claimed that the political costs associated with strategies of internal adjustment are lower than the political costs associated with external adjustment. The conventional wisdom has been that “the majority of voters have been assumed to oppose internal adjustment and the increase in unemployment associated with it” (p. 9). A wide variation in voters' vulnerability profiles is noted, as is evident from the data presented in Figure 2.1. A policy implication of the book is “that distributional concerns can provide powerful incentives to deviate from economically efficient outcomes” (p. 227).

The author claims at a number of points that the book uses “a political economy perspective,” but what this

entails is never spelled out. Admittedly, the reader is able to infer what the approach is from the methodologies that are deployed. However, there is more than one political economy perspective, and it would be helpful to have had some reflection on the choices of approach that were made.

Extensive use is made of Eurobarometer data. While this is entirely appropriate, a footnote reveals that although information was collected on respondents' voting preferences, this information was embargoed by the European Commission and it is not clear when, or if, this embargo will be lifted. The author states, "[U]nfortunately, I am not able to investigate the effect of voters' vulnerabilities on their vote choice" (p. 59 n). An important piece of the jigsaw is thus missing. One really needs to know how important her variables are compared to ones that have conventionally been treated as important, such as level or rate of increase in unemployment, inflation, and voters' perceptions of their economic well-being and future prospects. It makes it harder to validate the "crucial assumption that voters' vulnerabilities do in fact translate into policy preferences and influence voters' propensities to reelect the incumbent" (p. 54). To complete the picture, one would need to have some evidence about how economic policymakers assess these vulnerabilities and how they affect policy formation in the light of possible impacts on voting behavior. Policymakers do, of course, have to take other exogenous factors into consideration, such as the policy stance of the International Monetary Fund or, for some countries, of the European Union. Their focus cannot just be on internal political calculations, however pressing they may be.

The examination of firms' preferences in the book is to be welcomed. The claim that firms typically have a better understanding of adjustment policies and their consequences than voters do needs some qualification. This applies to larger firms that often have their own in-house economic analysis capabilities, but less so to smaller firms that are often dependent on their trade associations for such analysis.

Quite a lot is made of the case of Latvia, which admittedly is shown to have the highest percentage of foreign currency loans to nonbank clients, but the interpretation offered is open to challenge. The extent of opposition to the painful adjustment in that country is rather understated. The riots in 2009 are somewhat glossed over, and the subsequent resignation of the prime minister and cabinet is presented as "a major reshuffling of the cabinet" (p. 209). It is argued that "conventional political economy approaches would lead us to expect far more far-reaching difficulties, protests and election outcomes" (p. 210). This overlooks the extent to which extensive migration to other member states of the European Union has served as a safety valve for Latvia and other Baltic states. It also has to be remembered that these states are in the shadow of Russia, with substantial domestic populations of Russian origin, and this can act as a unifying constraint on popular reaction.

The complexity and interrelated character of the variables being considered is properly emphasized throughout the book. Internal and external adjustment has complex and interrelated effects. Thus, the vulnerability of each voter to a depreciation "arises from a joint consideration of voters' consumption patterns and financial situation, the type of firm in which they are employed, as well as the general aggregate effect of a depreciation on the economy" (p. 41).

*Financial Crises and the Politics of Macroeconomic Adjustment* concludes by stressing the importance of prudent financial regulation. That is something that almost everyone desires in principle but that is difficult to achieve in practice, particularly where it entails international cooperation. This book does, however, lead us to focus on questions that are somewhat different from those that have conventionally been asked. It does not furnish all the answers, there are some shortcomings, and further research is, as always, needed. However, it does open up a potentially important research agenda, and that is a significant achievement.